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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA, WESTERN DIVISION

KRISTA PERRY, an individual;
LARISSA MARTINEZ an individual;
and JAY BARON an individual;

Plaintiffs,

v.

SHEIN DISTRIBUTION
CORPORATION, a Delaware
corporation; ROADGET BUSINESS
PTE. LTD; ZOETOP BUSINESS
COMPANY, LIMITED; and DOES 1-
10 inclusive.

Defendants.

Case No.

COMPLAINT

Plaintiffs Krista Perry, Larissa Martinez, and Jay Baron (“Plaintiffs”) hereby bring this complaint against Defendants Shein Distribution Corporation; Roadget Business Pte. Ltd; Zoetop Business Company, Limited; and Does 1-10 inclusive (“Shein” or “Defendants”); as follows.

1 **INTRODUCTION**

2 1. For all the scrutiny given to TikTok, it’s surprising that Congress has
3 not considered more dramatic action against the Chinese fast-fashion giant Shein.
4 The brand sells more clothing than any other in the world; and recently raised
5 capital at a staggering \$100 billion valuation. Like TikTok, Shein’s business model
6 depends on collecting a shocking amount of data from its customers—which it then
7 reverse-engineers into fashion trends. Shein is actually a greater societal threat than
8 TikTok—because it contributes mightily to serious problems beyond data security
9 and privacy, such as environmental damage, sweatshop (or worse) labor conditions,
10 tax avoidance, child safety, as well as the subject of this lawsuit, large-scale and
11 systematic intellectual property theft from U.S. designers large and small.¹ Worse,
12 there is every worry that the Shein high-tech business model, described below, will
13 spread and lead other industries on a race to the bottom.

14 2. One wonders why what is effectively the world’s third most valuable

15 ¹ Congress has indeed recognized the dangers posed by Shein. In April, it issued a
16 stinging rebuke to the brand in the form of an “[Issue Brief](#)” detailing some of the
17 same problems described here, “including exploitation of trade loopholes; concerns
18 about production processes, sourcing relationships, product safety, and use of forced
19 labor; and violations of intellectual property rights.” Reading through the Brief,
20 however, reveals that even Congress was stymied in its attempts to gather all
21 relevant information, especially about the corporate structure of Shein and who to
22 hold accountable. Due to this factual vacuum, in February 2023, Senators Bill
23 Cassidy (R-LA), Elizabeth Warren (D-MA), and Sheldon Whitehouse (D- RI) [wrote](#)
24 to Shein’s secretive founder Chris Xu, demanding information on some of these
25 same issues, within thirty days. On information and belief, Shein has thus far
26 ignored the request. The same lack of information is apparent in media accounts.
27 There is no shortage of Shein exposés in major news publications—but none of
28 them contain anything close to a full factual story about who and what Shein is and
how it operates. Plaintiffs were forced to engage in extraordinary research to gather
the allegations presented here, because their cases involve eventually proving facts
relating to the closely guarded secrets of Shein’s design process and labyrinthine
corporate structure.

1 private company doesn't do more to shed its outlaw status.² Nike devotes unlimited
2 resources to avoiding any hint of sweatshop conditions or other supply chain
3 scandals—while Shein somehow survives grave reports of slave labor and unsafe
4 children's clothing. As explained below, it turns out that avoiding direct blame is
5 another key aspect of Shein's business model, as its decentralized structure often
6 allows it to plausibly redirect blame to third parties as if they were independent,
7 when in fact they are closely controlled by Shein. More to the point, Shein's widely
8 discussed misconduct generates enough upside that it is worth the public relations
9 damage. So far, "bad press" has obviously not taken Shein down. Excited
10 "microinfluencers" still extoll the virtues of their \$100 "Shein haul,"³ even as they
11 come out firmly against overflowing landfills. When news hit of Shein selling
12 Swastikas; or Muslim prayer rugs being sold as decorative "mats;" or necklaces with
13 the word Allah in Arabic being sold with others reading "baby girl" and "scorpio,"
14
15
16

17 ² Shein would be among the world's top three most valuable private companies—
18 along with SpaceX and Byte-Dance, the owner of TikTok—if it were in fact one
19 company. But as discussed below, while it presents itself as a unitary enterprise, and
20 functions as a single integrated enterprise, there is no single company that can be
21 identified as Shein. Rather, it is a dizzying and ever-changing decentralized
22 amalgamation of companies—and it is this structure that facilitates the intellectual
23 property misappropriation that is the impetus for this action.

24 ³ A search of #sheinhaul on social media reveals one of the brand's most effective
25 forms of organic viral marketing—which conveniently bypasses the traditional
26 media in bringing the messages of young consumers to other young consumers.
27 Shein sends \$100 worth of apparel (which might be fifteen pieces, produced at a
28 trivial cost) to a small-time influencer to gush as they unpack and try on new
treasures. The practice is even more effective when carried out by an army of
aspiring micro-influencers who hope to add followers as a result of a #sheinhaul
video, as Shein strongly encourages them to do.

1 Shein gets away with little more than comically token explanations and apologies.⁴

2 3. But this case is only tangentially about Shein being a generally bad
3 actor (although its imperviousness to criticism extends to intellectual property theft).
4 In this lawsuit, three independent designers allege that Shein produced, distributed,
5 and sold *exact* copies of their creative work. As shown below, these are not the
6 familiar “close call” legal claims where a corporate apparel manufacturer takes
7 inspiration a bit too liberally. At issue here, inexplicably, are truly *exact* copies of
8 copyrightable graphic design appearing on Shein products.

9 4. When they first saw Shein’s copies, Plaintiffs were as surprised as they
10 were outraged. Why would Shein go to the trouble of precisely duplicating their
11 work —when it would be easier and obviously less problematic to simply closely
12 knock them off as other corporate apparel companies often do? But again, as it turns
13 out, exact copying is part and parcel of Shein’s “design” process and organizational
14 DNA. As alleged in detail below, Shein’s design “algorithm” could not work
15 without generating the kinds of exact copies that can greatly damage an independent
16 designer’s career—especially because Shein’s artificial intelligence is smart enough
17 to misappropriate the pieces with the greatest commercial potential. Understanding
18 how and why requires unraveling Shein’s revolutionary business model, which is in
19 some ways brilliant (as evidenced by the handful of new billionaires it has minted
20 among its founders), but unfortunately also inherently causes some of the high-
21 profile externalities mentioned above, including systematic intellectual property
22 theft. The deeper one digs into Shein’s business model, the more it becomes clear
23 that a pattern of systematic criminal intellectual property infringement is baked in

24
25 ⁴ Shein also maintains a glossy [public relations site](#), touting its good citizenship. The brand is
26 often accused of greenwashing some of most serious problems. In late June, a scandal resulted
27 from Shein’s courting of influencers with all-expenses-paid trips to China to view a “typical”
28 factory, as reported by the [New York Times](#).

1 from the very beginning.

2 5. There is no Coco Chanel or Yves Saint Laurent behind the Shein
3 empire. Rather, there is a mysterious tech genius, Xu Yangtian aka Chris Xu, about
4 whom almost nothing is known. He made Shein the world’s top clothing company
5 through high technology, not high design. The brand has made billions by creating a
6 secretive algorithm that astonishingly determines nascent fashion trends—and by
7 coupling it with a corporate structure, including production and fulfillment schemes,
8 that are perfectly executed to grease the wheels of the algorithm, including its
9 unsavory and illegal aspects. To the uninitiated, the consumer-facing aspects of the
10 model are utterly unfamiliar. Thousands of new items are offered for sale *every day*,
11 for prices low enough to render the garments truly disposable. Yet even at this
12 incredible volume and low price point, enough of Shein’s pieces are so up-to-the-
13 minute trendy as to keep armies of young people eagerly combing through the App
14 for potential purchases. This is a daily activity for Shein fans, like browsing Tik Tok
15 or Instagram. This is, of course, a retailer’s dream—customers shopping your App
16 on a regular basis as an enjoyable pastime—which quickly translates to billions of
17 dollars in value.

18 6. If Shein’s intellectual property theft and blame avoidance is facilitated
19 by its byzantine shell game of a corporate structure, and the willingness of its
20 control group to commit systemic and repeated infringements, as alleged in detail
21 below, there is one legal regime that might provide the remedies necessary to
22 combat such well-organized wrongs distributed across an array of related actors and
23 entities: the civil prong of the Racketeer Influenced and Corrupt Organizations Act
24 (civil “RICO”), which was designed to address the misconduct of culpable
25 individual cogs in an larger enterprise. It is well established that egregious copyright
26 infringement (of the type alleged here, and of the type referenced in other similar
27 cases against Shein) constitutes racketeering—pursuant to a 2005 [act](#) of Congress

1 adding “criminal infringement of a copyright” to the definition of “racketeering
2 activity”). Further, and as mentioned, Shein’s misconduct is committed not by a
3 single entity, but by a de-facto association of entities. And just as intended by
4 Congress, the same decentralization that facilitates Shein’s criminal infringement
5 and other racketeering activity, renders individual components of the enterprise,
6 such as Defendants, liable under civil RICO. Further, Shein has grown rich by
7 committing individual infringements over and over again, as part of a long and
8 continuous pattern of racketeering, which shows no sign of abating. There is no
9 indication that Shein intends to slow down any time soon—and indeed their
10 corporate literature speaks only of projected exponential growth. It is not an
11 exaggeration to suggest that Shein’s pattern of misconduct involves commission of
12 new copyright and trademark infringements *every day*.

13 14 **JURISDICTION AND VENUE**

15 7. This Court has original subject matter jurisdiction over this action and
16 the claims asserted herein, under 18 U.S.C. § 1964. This is a civil action arising
17 under 18 U.S.C. §§ 1961-1968, § 901(a) of Title IX of the Organized Crime Control
18 Act of 1970, as amended, otherwise known as the Racketeer Influenced and Corrupt
19 Organization Act (“RICO”), and specifically under 18 U.S.C. § 1964(c) and other
20 causes of action as set forth hereafter. This Court also has original subject matter
21 jurisdiction pursuant to 28 U.S.C. Section 1331 (“federal question jurisdiction”) and
22 1338(a)-(b) (“patent, copyright, trademark and unfair competition jurisdiction”) in
23 that this action arises under the laws of the United States and, more specifically,
24 Acts of Congress relating to patents, copyrights, trademarks, and unfair competition.

25 8. Each defendant is subject to the personal jurisdiction of the Court
26 because it (either itself or through agents) transacts business in, has agents in, or is
27 otherwise found in and has purposely availed itself of the privilege of doing

1 business in California and in this District, and because the alleged misconduct was
2 directed to California and this district, and Defendants’ marketing activities at issue
3 in this case were expressly aimed at California residents (including promotional
4 activities aimed at the West Coast and California apparel market). In addition, Shein
5 and Defendants have specifically directed sales and marketing activity towards
6 California customers by operating a “pop up shop” in Los Angeles in 2022.
7 Defendants are also subject to personal jurisdiction under the “effects test” in that
8 each, with respect to the alleged acts of copyright infringement, (1) committed
9 intentional acts (2) that were expressly aimed at the United States and California,
10 and (3) that caused actual harm that the defendant knows is likely to be suffered in
11 the United States and California.

12 9. Venue is proper in this District pursuant to 28 U.S.C. Section
13 1391(b)(1)-(3) because a substantial part of the events or omissions giving rise to
14 the claims occurred in this District in that, *inter alia*, Defendants have expressly
15 directed their marketing and promotional activities at consumers in Los Angeles.

16

17

PARTIES

18 10. Plaintiff Krista Perry is an individual residing in Worcester,
19 Massachusetts. Ms. Perry is a well-regarded and successful illustrator and designer
20 living in Massachusetts. In 2015, she received an honors BFA in illustration from
21 Massachusetts College of Art and Design. Since then, Perry has created artwork for
22 clients like Madewell, Nickelodeon, and Jameson Whiskey.

23 11. Plaintiff Larissa Martinez (aka Larissa Blintz) is an individual residing
24 in Los Angeles County, California. Ms. Blintz is the CEO, creator, and owner of
25 “Miracle Eye” a female-owned family-run small business, designing and fabricating
26 ethically handmade-to-order clothing out of their workshop and store in Los
27 Angeles.

28

1 12. Plaintiff Jay Baron is an individual residing in Los Angeles County,
2 California. He is a well-regarded independent artist working between Burbank,
3 California and Austin, Texas. He founded Retrograde Supply Co. when he was 18
4 and has amassed a large social media following, with his work featured in
5 television, film, and 100+ independent retailers in the United States.

6 13. Defendant Shein Distribution Corporation (“SDC”) is a Delaware
7 corporation formed in April 2021 and registered to do business in California on May
8 25, 2021.

9 14. Defendant Shein Fashion Group Inc. (“SFG”) is an entity of unknown
10 form. SFG has appeared in litigation in the Central District, but no record can be
11 found of its formation,

12 15. Roadget Business Pte. Ltd (“Roadget”) is a private business entity
13 formed in Singapore. Roadget is the owner of the Shein trademarks in the United
14 States (and worldwide) and now owns the website located at <https://us.shein.com>
15 and the corresponding mobile application.

16 16. Zoetop Business Company, Limited, (“Zoetop”) a Hong Kong entity
17 which owns and operates the company’s web sites and mobile apps; and which until
18 recently owned the trademarks.

19
20 **GENERAL ALLEGATIONS: SHEIN IS A FAST FASHION BEHEMOTH**
21 **THAT THRIVES THROUGH IRREDEMABLE INTELLECTUAL**
22 **PROPERTY THEFT.**

23 **A. Shein is a “big tech” success story.**

24 17. Just seven years ago, few people had heard of Shein. At that time, it
25 was a small Chinese-based seller of bridal clothing (although it has never sold to
26 Chinese customers). It is unclear which entity operated that early business, and there
27 is no indication that such entity or entities had any improper purpose. The brand

1 appeared on the radar of young American women fashion consumers sometime
2 around 2016 or 2017, which appears to correspond to the introduction of the
3 algorithm (which may itself have begun without featuring a systematic and
4 continuous copyright infringement) offering a rapidly changing assortment of trendy
5 and remarkably affordable clothing, shoes, accessories, and beauty products. In the
6 most remarkable success story in the history of fashion, just a few years later, Shein
7 is the world's largest fashion retailer with annual revenue approaching \$30 billion.
8 The company outsells its closest rivals H&M and Zara *combined*, and does so with
9 no reliance on brick-and-mortar stores.⁵

10 18. Shein's online distribution channels have performed just as
11 impressively. In May 2021, the SHEIN Mobile App became the most downloaded
12 shopping mobile application in the U.S. on both iOS and Android, overtaking even
13 downloads of Amazon's mobile application. In May 2022, that same mobile
14 application became the most downloaded mobile application in the U.S. in *any*
15 *category*, outperforming both TikTok and Instagram. Earlier this year, the
16 investment firm Piper Sandler surveyed 7,000 American teens about their favorite
17 ecommerce sites and found that Shein trailed only Amazon. The company claims
18 the largest slice—28 percent—of the US fast-fashion market.

19 19. The Shein brand also shines brightly on social media, with over 29
20 million followers on Instagram, 7.1 million followers on TikTok and over 600,000
21 followers on Twitter. These accounts offer the brand additional opportunities to
22 reach millions of consumers, without spending on traditional advertising. In

23 ⁵ Allegations regarding Shein's and Defendant's business, governance, and corporate
24 structure are made on information and belief. This information and belief is based
25 on extensive research including publicly available information, media reports,
26 internet resources, LinkedIn personal profiles of employees, job recruiting
27 resources, import/export records, and other lawsuits on file—and all information has
28 been reasonably verified to the extent possible.

1 addition, Shein has recently emphasized its non-shopping site sheingroup.com,
2 which has become something of a corporate propaganda site—often indirectly
3 responding to new criticisms through policy and initiative announcements, such as
4 its Sustainability Report, offered as response to public outcry regarding production
5 and sourcing.

6 20. Shein is only poised to grow and expand, having recently raised \$1
7 billion to \$2 billion in private funding, reportedly at the \$100 billion valuation.

8 21. Shein has accomplished all this, while selling \$10 dresses, by being
9 more of a big tech company than a traditional fashion company. Besides
10 revolutionizing the apparel supply chain and micro-influencer marketing, Shein
11 utilizes “big data” at the core of its design process.

12 22. In fact, for all the public criticism of Shein (discussed in more detail
13 below), the story of its sheer technological success is underreported. Shein became
14 the world’s top clothier through the deft use of artificial intelligence and an
15 *algorithm*. That algorithm has handily bested every human attempt to consistently
16 design desirable clothing. A new corporate apparel company can spend millions on
17 trend forecasting firms, designers, and consultants—but obviously, none has
18 achieved anything close to Shein’s success. The high fashion world (and even the
19 low fashion world) treats Shein and its customers as unsophisticated—but its profits
20 are obviously the envy of the industry.

21 23. American consumers have become addicted to the Shein apps because
22 (in addition to the most advanced psychological manipulations) one can never finish
23 scrolling through the trendy offerings, all of which are very available at their
24 incredibly low prices. In this regard, the company adds *thousands of new products*
25 *every day*. Sheng Lu, an associate professor of fashion and apparel studies at the
26 University of Delaware, estimates that Shein’s business model generated 20 times as
27

1 many new items as H&M or Zara in 2021.⁶ It's been said that one can't finish
2 scrolling Shein in the same way one can't finish Tik Tok.

3 24. Scrolling is also particularly rewarding because the designs are *good*—
4 even at that incredible volume. By every account, teens and young women have
5 become accustomed to being wowed every day with the cutting-edge trendy design.
6 If there's a trend emerging or entering the cultural zeitgeist, Shein is already on it
7 before anyone has even realized it was developing. Shein openly boasts that it
8 accomplishes this incredible feat through use of super-sophisticated technology, as
9 opposed to the aesthetic prowess of its “designers.” Certainly, Shein's designs being
10 so good is due, in some degree, to intellectual property misappropriation. On
11 information and belief, most of their merit derives from the minds of other
12 designers, whose permission is never obtained or even sought. But whatever the
13 reason, thousands of young women are scrolling through the Shein App at this very
14 moment—for entertainment and education but also to perhaps spot a seven-dollar
15 skirt or nine-dollar rug that can't be lived without.

16 **B. Shein somehow manages to thrive despite grave criticisms.**

17 25. As mentioned above, Shein is heavily criticized on a number of
18 important fronts—but somehow escapes serious damage to its sales. One good
19 recent summary of such issues is contained in the Congressional [Issue Brief](#) cited in
20 Footnote 1. With respect to all these issues, Shein's apparent lack of concern and
21 willingness to take a public relations hit mirrors its approach to intellectual property
22 issues. More important to Plaintiffs, Shein's decision to absorb such damage is

24 ⁶ Wired [reported](#) last year that “Every single day, Shein updates its website with, on
25 average, 6,000 new styles—an outrageous figure even in the context of fast fashion.
26 Lu, the University of Delaware professor, found that in a recent 12-month period,
27 the Gap listed roughly 12,000 different items on its website, H&M had about
28 25,000, and Zara had some 35,000. Shein, in that period, had 1.3 million.

1 unfortunately foist upon the designer whose work Shein steals—forever tainting an
2 artist with a perceived relationship to a company criticized for lead in its clothing,
3 slave labor, tax evasion, and the like. Such damages are difficult to recover in law,
4 because they are difficult to quantify, and are seen as inherently speculative.

5 26. Areas of concern include:

- 6 • **Forced Labor.** Shein cotton apparel sourcing practices appear to be in
7 direct violation of the Uyghur Forced Labor Prevention Act. As Shein
8 was denying wrongdoing, Bloomberg used high tech of its own to
9 prove this transgression. In late 2022, the news organization used
10 climate and weather signatures on cotton fabrics used in Shein’s
11 clothing to determine that they originated in Xinjiang. The Uyghur
12 Forced Labor Prevention Act bans the use of Xinjiang cotton in
13 imported clothing unless the supplier can definitively prove that the
14 cotton was not a product of forced labor, a step that Shein has not
15 taken.
- 16 • **Other labor violations.** Outside of concerns about forced labor, a 2022
17 investigation by Channel 4 found a pattern of labor practice violations
18 at Shein-affiliated factories in Guangzhou. Reuters reported in 2021
19 that Shein made false statements and lacked disclosures regarding its
20 labor conditions, in violation of the UK’s Modern Slavery Act. A 2021
21 report from Public Eye, a Swiss Human Rights watchdog, described
22 serious problems with workplace safety and working requirements,
23 including working hours of about 75 hours a week with no overtime
24 pay, in violation of Chinese labor law. The *Exposed* documentary
25 includes hidden camera video of factory bosses strongarming low level
26 workers into abusive working conditions.

- 1 • **Health hazards.** The environmental and health impacts of Shein
2 products are also facing scrutiny. A media investigation found Shein
3 clothing materials containing high levels of potentially hazardous
4 chemicals, including lead, perfluoroalkyl (PFA), and phthalates. Health
5 Canada tested a Shein jacket for toddlers and found it to have 20 times
6 the amount of lead considered safe for children, while a purse
7 contained over five times the accepted level for children.
- 8 • **Environmental impact.** The UN Environmental Program estimates
9 that due to its high-volume output, the fashion industry is responsible
10 for 10 percent of annual global carbon emissions, *more than all*
11 *international flights and maritime shipping combined*. At its current
12 rate of growth, the fashion industry’s greenhouse gas emissions will
13 surge more than 50 percent by 2030. Shein and other fast fashion
14 platforms are exacerbating this trend by supplying higher volumes of
15 cheaply produced clothing. A Bloomberg report found that Shein
16 products contain 95.2 percent new plastics rather than recycled
17 materials, while the large volume of shipments and low reuse rate
18 among Shein products increases textile waste. *Good on You*, which
19 ranks the environmental impact of fashion companies, gave Shein its
20 lowest rating.
- 21 • **Tax avoidance.** One way Shein bests its competitors on price is by use
22 of questionable tax avoidance schemes. Shein’s ultimate parent
23 company operates in the tax haven of the Cayman Islands. At the
24 operations level, Shein characterizes its small inexpensive consumer
25 orders as going directly from China to the consumer. Under the “de
26 minimis” exception, Shein avoids import duties of about 10-14% for
27 these small orders, a significant savings. Analysts from Morgan Stanley

1 calculate that its tax advantages allow the company to undercut its
2 competitors' prices by between 15 and 20 per cent.

3 27. As bad as these practices are in isolation, they are far worse in their
4 totality. Shein's low prices—achieved through exploitative labor practices—
5 effectively render Shein's clothing *disposable*, which fills landfills. It further
6 destroys any second-hand market for its clothing, because it is impossible to beat
7 Shein's original prices. These practices spur competitors to follow suit or lose
8 market share, driving a race to the bottom. Indeed, Shein already has a prominent
9 and wildly successful copycat rival, called [Temu](#), which Shein has sued in U.S.
10 District Court.

11 **C. Shein regularly commits the most egregious intellectual property**
12 **infringement—which is baked into its business model.**

13 28. Intellectual property theft is also high on the list of public criticisms of
14 Shein. Here's how the Congressional Issue Brief described the issue earlier this
15 year, highlighting the Wall Street Journal's report of *fifty* pending intellectual
16 property infringement suits.

17 **Copyright infringement.** Shein and other Chinese e-commerce
18 platforms and their suppliers have been met with numerous claims that
19 they consistently violate U.S. IP law, with the Wall Street Journal
20 reporting in 2022 that Shein in particular had over 50 outstanding
21 federal cases over three years levied against it alleging trademark or
22 copyright infringement. In a June 2021 case, AirWear International, the
23 parent company of shoe seller Dr. Martens, filed a lawsuit against
24 Shein for its alleged "clear intent to sell counterfeits" and for copying
25 the company's designs. Complaints and cases against Shein range from
26 major U.S. designers and retailers like Ralph Lauren to independent
27 artists who claim Shein suppliers have used their designs on Shein
28 clothing without permission. Independent designers who earn more of
their income online are particularly vulnerable, as they have fewer
resources with which to pursue legal action against Shein and its
suppliers.⁷

25 ⁷ Citing to *Good on You*, "Shein," March, 2023. <https://directory.goodonyou.eco/brand/shein>. Dan
26 (footnote)

27 continued)

1 29. Although its details and precise methods are secrets, it's possible to
2 infer certain facts about Shein's algorithm by looking at its results. For example, it's
3 impossible not to notice that Shein's process often generates products that are *exact*
4 *copies* of the work of other designers: occasionally large ones, but more often than
5 not independent leading designers such as Plaintiffs. These designers are just the
6 sort who might be producing the most cutting-edge designs—and being able to
7 identify them is the gold standard of a trend forecasting company. They are also the
8 designers least likely or to be able to fight back, including through legal action.

9 30. Without investigation, it's impossible to say how the Shein algorithm
10 produces its results—how a design for a blanket or overalls finds its way from a
11 designer's modest website to being cut and sewn in a sweatshop in Guangzhou, to
12 then be offered for sale online (with millions of eager eyes waiting) for a price far
13 below the original designer's *costs*.

14 31. The carbon copy infringements that are the subject of this lawsuit
15 perfectly illustrate this illicit process. And many similar examples can be found in
16 the many other lawsuits against Shein clogging the federal courts; as well as
17 designers legitimately venting their grievances on social media. Further—because
18 Shein likely works hard to quickly settle cases before they are public—Plaintiffs
19 allege on information and belief that there are many more instances of such copying
20 that are so far not publicly known. In all of these cases, it would have been easy

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23 Strumpf, "China's Fast-Fashion Giant Shein Faces Dozens of Lawsuits Alleging Design Theft,"
24 Wall Street Journal, July 3, 2022; <https://www.wsj.com/articles/chinas-fast-fashion-giant-shein-faces-dozens-of-lawsuits-alleging-design-theft-11656840601>; The Fashion Law, "Shein Owner
25 Zoetop Claims Dr. Martens Trademarks Are Generic," October 26, 2021;
26 [https://www.thefashionlaw.com/in-response-to-airwair-lawsuit-shein-owner-zoetop-claims-dr-
27 martens-trademarks-are-generic/](https://www.thefashionlaw.com/in-response-to-airwair-lawsuit-shein-owner-zoetop-claims-dr-martens-trademarks-are-generic/); Dan Strumpf, "China's Fast-Fashion Giant Shein Faces Dozens
28 of Lawsuits Alleging Design Theft," Wall Street Journal, July 3, 2022;
[https://www.wsj.com/articles/chinas-fast-fashion-giant-shein-faces-dozens-of-lawsuits-alleging-
design-theft-11656840601](https://www.wsj.com/articles/chinas-fast-fashion-giant-shein-faces-dozens-of-lawsuits-alleging-design-theft-11656840601).

1 enough for Shein to appropriate 95% of the aesthetic appeal of any of these works
2 by working assiduously (as other knockoff artists do) to change the designs “just
3 enough” to avoid copyright liability. Yet still, Shein’s process systematically yields
4 an exact copy, time and again. These brazen copies constitute counterfeiting and
5 piracy, under relevant copyright and trademark statutes and related case law.

6 32. The only viable explanation for the brazenness of Shein’s knockoffs is
7 Shein’s policy to knowingly accept, tolerate and even encourage and facilitate such
8 misappropriation—as has been at least obliquely reported in some of the media
9 accounts, like this [documentary](#) or [this summary](#). Shein’s design process targets
10 smaller-scale designers in a way that simply disregards whether it generates an
11 infringing copy, even an exact one, when it borrows from their work. Given the
12 scale of Shein’s design and production machine (generating 6000 new styles per
13 day), the only way the algorithm could work (and as has been widely reported), is if
14 very little information is communicated to the Shein “designers” —to the extent that
15 humans are even involved—and factories other than the bare information about
16 what the output should be. In other words, little or nothing is transmitted to Chinese
17 factories beyond the original design itself.⁸ This approach, together with other
18 aspects of the algorithm, guarantees that the infringements will occur.

19 33. Top mainstream apparel makers rely on the talent and creativity of their
20 designers—who might very well openly take inspiration from independent

21 _____
22 ⁸ On information and belief, and as a matter of business necessity, Shein’s software
23 contains little more than simple design specifications that help the person producing
24 the goods execute new orders quickly. While a big brand might need a very high-
25 end designer, or a designer with top technology and assistants, and even then, may
26 only be able to produce a handful of styles in a month, Shein’s “design” work (to the
27 extent that the human component of such work could be called “design”) could be
28 executed even by someone untrained and unskilled. Were it otherwise, the cost
calculus of the business model would not work.

1 designers, whose work might be shown at corporate design meeting or affixed to an
2 “inspiration board” (physical or digital). Shein employs the sweatshop and
3 creativity-free version of such a design process. In such iteration, there is no time for
4 human creativity when small factories in China need to pump out six thousand new
5 styles every day, on top of producing existing styles. Even if the algorithm “tries” to
6 alter designs when it can, it often generates an exact copy as a matter of business
7 necessity, as an artifact of the algorithm.

8 34. Shein’s intellectual property compliance is handled in a similar way.
9 Most fashion companies, use a common-sense method of avoiding intellectual
10 property liability: they instruct their designers not to copy; they conduct
11 computerized searches to verify that such instruction is heeded; and they have
12 lawyers on hand to run “clearance” searches, review new products, and ask and
13 answer any tough questions about how close is too close for a knockoff, or about
14 fair use, substantial similarity, or likelihood of confusion.

15 35. Shein’s method is different: When the algorithm spits out a design,
16 which is likely to be an infringement, it produces very small quantities of the item
17 for sale. For each new product sold on Shein’s website, the initial production run is
18 as low as 100-200 units per SKU, compared to the thousands of pieces typically
19 produced by traditional peer retailers. Shein then offers the goods for sale via its
20 online channels, where millions of young people are waiting to look and purchase—
21 and waits to see if anybody complains that the design was stolen. If the algorithm
22 generates an exact copy of a Nike product, alarm bells will ring at that company’s
23 brand protection vendor. Shein will hear about the matter quickly and will “cease
24 and desist” as instructed. From there, the case then settles after negotiation and
25 perhaps litigation regarding damages. A strong corporate plaintiff like Nike will
26 likely command a significant settlement—leveraging Shein’s exposure to enhanced
27 damages for counterfeiting; indirect profits for the benefits derived from simply

1 having the garment for sale; and perhaps statutory damages for willful infringement.
2 But even if the settlement is considerable and far exceeds realized profits on a
3 particular garment, it baked in as a tolerated cost of doing business.

4 36. When Shein copies a small or independent designer, the most likely
5 outcome (without brand protection specialists and specialized software on the
6 lookout) is that the infringement will go unnoticed. Under those circumstances,
7 Shein reaps all the benefits of stealing and featuring the design that its technology
8 had identified as valuable enough to take: it makes sales and keeps its customers'
9 eyes glued to the Shein site and app for that much longer. And if customer demand
10 justifies it, the item is reordered, and more are sold (now that the coast has been
11 determined to be clear).

12 37. Sometimes, even a small-scale independent designer is alerted to the
13 infringement—perhaps because a customer or friend happens to see it—and
14 complains to Shein. In these cases, Shein quickly apologizes, blames an unnamed
15 third party for the misconduct, and reports (often but not always accurately) that
16 sales were shockingly low. Given that sales were negligible, and because the
17 transgression was not Shein's fault after all, Shein might offer a very small
18 settlement. Further, it might make such offer in a way that makes further negotiation
19 seem doomed to fail. In Ms. Perry's case discussed above, Shein made its offer as if
20 it were a mom-and-pop operation rather than one of the richest enterprises in the
21 world. Under the circumstances, accepting \$500 can seem like a win.

22 38. If the designer is lucky enough to be steered to an attorney who will
23 take his or her case (often a family or friend referral, or business lawyer who
24 handles corporate or licensing matters for the designer), Shein, again, will report,
25 correctly or incorrectly, that (1) the lawyer has had the bad luck of happening upon a
26 case with almost no sales or profits, to the point where a fair profits-based
27 settlement is hardly worth pursuing; and (2) that the actual misconduct was

1 committed by another company, which will be duly punished. Shein will also offer
2 an apology and a vague explanation that makes it seem that this was an anomaly:
3 somehow Shein got its wires crossed and produced a very small number of exact
4 copies of the designer's goods. If it feels it has an advantage with respect to an
5 overmatched plaintiff's counsel, Shein might assert that international sales/profits
6 cannot be recovered under any circumstances. As with unrepresented parties, nine
7 times out of ten the designer's counsel will accept what's offered, or bargain for just
8 a little bit more.

9 39. This testing-the-waters approach is an efficient and effective manner
10 for Shein to avoid or minimize liability for infringement—while at the same time
11 reaping the benefits of direct profits through sales, as well as the indirect benefits of
12 featuring products identified as highly desirable and in vogue. Unfortunately, this
13 business model is quite damaging to the independent designers whose work is
14 misappropriated, like Plaintiffs here—who suffer the harm whether they mount a
15 fight or not. For an up-and-coming talented designer—of exactly the sort that
16 Shein's algorithm might target as worthy of copying—Shein misappropriating a key
17 piece and offering it for sale at its typical rock-bottom price (achievable based on
18 questionable labor practices), can be devastating. It might, for example, largely
19 destroy the value of the item most responsible for driving a collection and interest
20 from sales representatives and store buyers (not to mention consumers). For all the
21 Plaintiffs in this action, Shein's offering exact copies of their goods for sale has led
22 to financial damages.

23 40. Shein makes no secret of its approach of offering very small numbers
24 of very many products—although it doesn't highlight it as a way of avoiding
25 intellectual property liability. Indeed, rather than trying to hide an approach that is
26 easily observed, Shein touts the methodology as an integral part of its revolutionary
27 pro-sustainability production process. The idea is fairly simple by high-tech

1 standards: Shein maintains that the point is to offer a few of each product to test
2 consumer demand. Shein calls the idea of testing the waters with respect to a given
3 product “the large-scale automated test and reorder (LATR) model,” which it
4 describes as if it were advanced systems science designed to reduce waste and
5 environmental impact:

6
7 For each new product sold on SHEIN’s website, the initial production
8 run is as low as 100-200 units per SKU, compared to the thousands of
9 pieces typically produced by traditional peer retailers.

10 We then use algorithms to gauge customer interest in real-time and
11 provide feedback to our supplier partners, empowering them to increase
12 or stop production based directly on market demand. We embrace a
13 data-driven test and learn approach to improve efficiency and minimize
14 production waste.

15 As an e-commerce-only retailer, SHEIN avoids the need for
16 overproduction typically associated with filling physical storefronts and
17 prevents much of the waste and environmental impacts associated with
18 running a traditional retail store. Through our unique on-demand
19 business model we are able to consistently limit excess inventory to
20 single digits, a percentage that is quite different than traditional retailers
21 and one that results in substantially less waste.

22 41. On information and belief, what Shein does not tell consumers is that
23 LATR is in fact a method of facilitating intellectual property theft, as described
24 above. Part of Shein’s business model is copyright and trademark infringement. It
25 has settled an untold number of cases—and the funds required to do so are tolerated
26 as an easily absorbed cost of doing business. When generating sales of \$24 billion in
27 a year—Shein could easily tolerate hundreds of millions in settlements before it
28 would consider jettisoning the model that necessarily produces the infringements
along with the profits. In other words, if left unchecked, Defendants and Shein will
continue to greatly damage the careers of the independent U.S. designers whose
ideas it misappropriates (and continue to ignore related Congressional inquiries).

42. This is not to say that Shein pays settlements to all comers, in whatever
amount they demand. Rather, a further integral part of the business model and

1 enterprise is the legal machinery put in place to minimize the cost of those
2 settlements. This takes many forms, from disguising its size and sophistication as
3 mentioned above, to jurisdictional skirmishes or other threshold battles that
4 demonstrate to would-be plaintiffs that it might just be easier to settle than fight—
5 especially because such scenarios are usually coupled with (1) claims of surprisingly
6 low profits on the particular item in question, and (2) an offer of judgment, which
7 actually put the designer in financial jeopardy if he or she refuses to settle. What
8 Shein rarely does is fight on the ground that they have not infringed.

9 **D. Shein is not a single integrated entity as it portrays itself—rather, it is an**
10 **association-in-fact of a decentralized constellation of entities, designed to**
11 **improperly avoid liability.**

12 43. So far, for convenience, this complaint has referred to the wrongdoer as
13 “Shein,” as if it were a single business unit. That makes sense, because this is how
14 Shein refers to itself; and how the entire world refers to and thinks of Shein. And
15 indeed, there’s no obvious reason for Shein to adopt a structure other than the
16 traditional parent-and-subsidary model used by virtually every other similar
17 international retailer, including Shein’s fast fashion rivals.

18 44. Shein seems to go out of its way to portray itself in this unitary manner.
19 Their site Sheingroup.com bolsters this idea, especially after having been outed as
20 sprawling enterprise in other lawsuits and in the media. Shein refers to “Shein’s
21 mission” and “our story”—and one can even click on a link for “corporate
22 governance” (which leads to a page having [nothing to do](#) with corporate
23 governance). The site speaks of Shein’s “vision,” and refers to its “offices” and the
24 “Shein workplace.” It refers to “our employees,” and claims to have 10,000 of them,
25 serving 150 countries. Customers are referred to various links at the domain
26 Shein.com (legal@shein.com). Across its web sites, apps, policies, contractual terms
27
28

1 and press releases, Shein refers to its entire enterprise as “Shein,” including the
2 following recent or current examples:

- 3 • “SHEIN is made up of unique individuals who believe that fashion
4 brings dignity to world, and hold true to the mission of making the
5 beauty of fashion accessible to all.”
- 6 • “From the United States to Singapore, SHEIN serves 150 countries in
7 over 20 languages, dedicating ourselves to delivering the best customer
8 experiences, built by our family of SHEIN . . .”
- 9 • “From our global offices, we reach customers in more than 150
10 countries.”
- 11 • “Since SHEIN was founded in 2012, we have worked tirelessly toward
12 our primary mission: making the beauty of fashion accessible to all.”
- 13 • “SHEIN was founded in 2012 and has since grown to a team of nearly
14 10,000 employees selling to more than 150 countries.”

15 45. Shein also carefully presents itself as an *integrated* company—with all
16 vital functions being performed in a vertically integrated structure. For example,
17 while Shein sometimes (when trying to avoid liability) likes to refer to its
18 manufacturers and designers as outside and independent of the brand as a whole, it
19 more commonly speaks of the “company” as doing its own design and logistics,
20 including the following recent and current examples:

- 21 • To meet demand, we have built a fully digital supply chain that
22 seamlessly and quickly delivers products to our customers worldwide.
23 We use proprietary software to track sales and communicate with our
24 factories in real time to order in small batches. Our digital supply chain
25 is the core of our business model and empowers us to offer a wide
26 range of on-trend styles without creating excessive inventory waste or
27 making customers wait weeks for their orders to be fulfilled.

- 1 • Since SHEIN was founded in 2012, we have worked tirelessly toward
2 our primary mission: making the beauty of fashion accessible to all.
3 Throughout the past decade, we developed tools to help us fulfill that
4 goal — by implementing automation to optimize production efficiency
5 and our supply chain, we were able to provide customers with an
6 affordable range of hyper-trendy styles.
- 7 • We believe that our workforce should mirror the diversity and
8 creativity of our customers, which is why we set up local operations in
9 key markets to build authentic connections with our global consumer
10 base.
- 11 • We are working to assess the impact of SHEIN’s business — socially
12 and environmentally — at all levels of our value chain. As we take
13 ownership of SHEIN’s impact in the world, we can seize opportunities
14 to use the company as a driver for social good, leveraging the SHEIN
15 Cares Fund to support organizations tackling critical issues, financially
16 supporting fashion entrepreneurs and investing in emerging
17 technologies to reduce our environmental impact and make circularity a
18 reality.
- 19 • SHEIN is a digital first fashion and lifestyle e-tailer with key operation
20 centers in Singapore, China, the U.S. and other major global markets.

21 46. And indeed, as described above, and despite its de facto decentralized
22 structure (as described below), Shein is in fact an *integrated* enterprise—which
23 succeeds in part because it is tied together (from design to production to distribution
24 to sales) with common technology and a common business scheme. Indeed, Shein is
25 often thought of as a marvel of modern corporate integration.

26 47. Despite these claims and self-portrayals, extensive research reveals that
27 there really is no one central entity called Shein. There is no one company

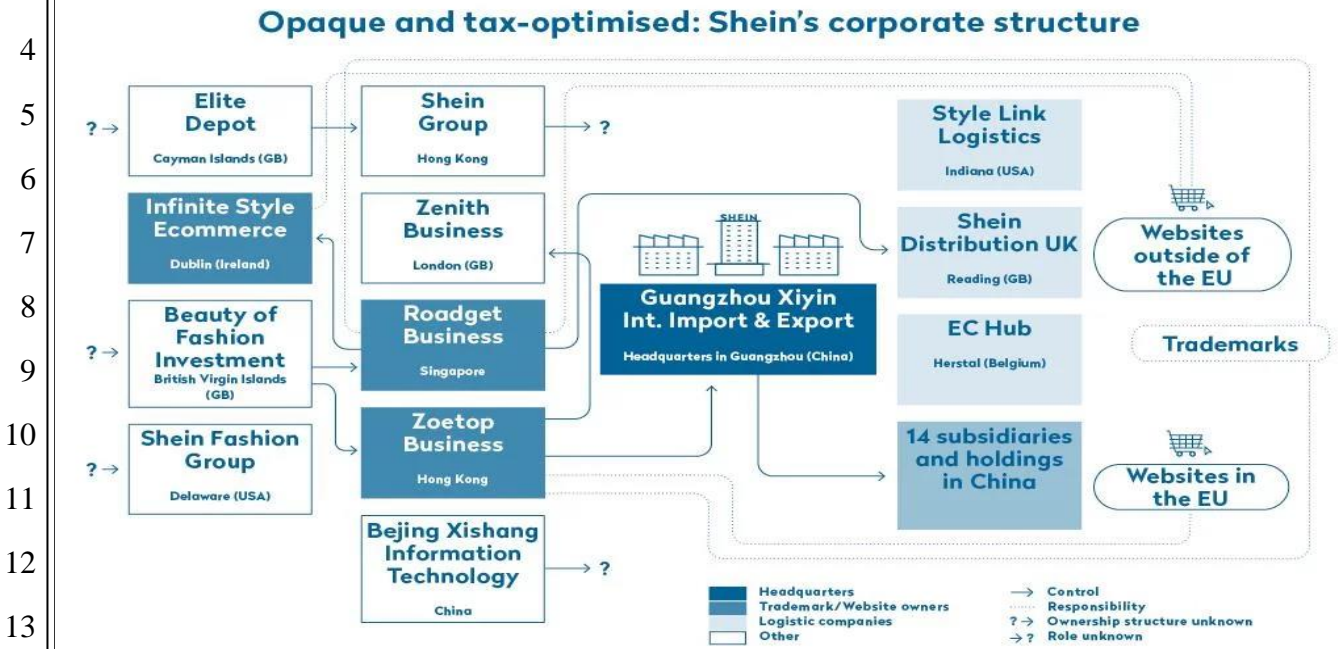
1 employing 10,000 people. Rather, “Shein” is a loose and ever-changing (though still
2 continuous even as some individual elements might change to be replaced by others)
3 association-in-fact of entities and individuals (the “Shein Enterprise” or simply
4 “Shein”). As explained below, this structure minimizes, and was intended to
5 minimize, exposure to liability and blame, including liability for intellectual
6 property infringement.

7 48. An influential BBC Channel 4 documentary exposing some of Shein’s
8 practices (called “Inside the Shein Machine”, available [here](#)) explains: **“When you
9 start to look behind that, at who is the company, it’s a big black hole.”** This
10 assertion is backed up by extensive research. A recent and now-settled
11 counterfeiting lawsuit against Shein brought by a prominent streetwear brand,
12 supported by impressive and thorough research, came to a similar conclusion—and
13 tied the corporate shell game that is Shein to the specific goal of wrongfully
14 avoiding or minimizing liability for its wrongdoing, including copyright
15 infringement:

16 Despite diligent research, it appears there is no registered entity named
17 “Shein”; however, on information and belief, Defendants have operated
18 together under the name “Shein” and have been able to get away with
19 trademark and copyright infringement for years by using empty corporate
20 shells to serve as litigation targets. In addition to shamelessly stealing the
21 intellectual property of others and prolifically creating cheap knockoffs at
22 great profit for themselves, Defendants have purposely set up a situation
23 where they obfuscate jurisdiction and hide behind multiple shell companies
24 from various jurisdictions, in effect creating a corporate shell game.

25 49. As one news article has reported, “The corporate structure of Chinese
26 fast-fashion giant Shein is opaque and tax-optimized, and ownership is unclear. A
27 multitude of brands make the group even less tangible.” Opaque and tax-optimized:

1 Shein’s Corporate Structure, Public Eye, 2022, (www.PublicEye.ch). To illustrate,
 2 the article offers the following schematic diagram of the Shein Enterprise:



15 50. The chart accurately portrays the difficulty in pinning down exactly
 16 what Shein is. But in fact, the truth is far more complicated, as Plaintiffs’ own
 17 research had revealed, confirming that Shein is a loose and overtly decentralized
 18 amalgamation of entities, as described below.

19 51. One way in which the Shein Enterprise uses its byzantine structure to
 20 advantage is by making it impossible for intellectual property plaintiffs to figure out
 21 who to sue. Unrepresented parties face an utter brick wall. But even plaintiffs with
 22 attorneys, with strong cases, struggle to find an appropriate defendant. In the end,
 23 they simply sue whatever party they can find, and hope to straighten the matter out
 24 in discovery. Generally, this uncertainty imposes a hurdle to plaintiffs, by design
 25 exploited by Shein, who end up settling for less because they are not sure they have
 26 the correct party—and face daunting discovery against an entrenched defendant to
 27 try to find out.

1 52. Indeed, if one searches federal dockets on Westlaw or Lexis for
2 “Shein,” one finds quite a few intellectual property infringement actions filed in the
3 last few months—and there is certainly no clear consensus about whom to sue.
4 Currently popular is Shein Distribution Corporation (“SDC”), a Delaware
5 corporation—probably because it simply sounds like a proper defendant as a
6 “distributor.” But SDC is a new entity, formed in 2021, and does not appear to have
7 an office or employees. Further, plaintiffs suing SDC face obstacles: On information
8 and belief, Shein regularly tells plaintiffs suing SDC that foreign profits are
9 absolutely off the table and will not be disclosed, and that SDC does not control
10 whatever company is designing the clothing at issue.

11 53. Many Shein lawsuits are filed against Zoetop Business Co., Limited, a
12 Hong Kong limited company—but it appears that most plaintiffs choosing Zoetop
13 are simply copying others in naming this entity, because it is difficult to find any
14 tangible evidence of what this entity does. While suing Zoetop solves some of the
15 problems identified, and perhaps attacks higher on the governing ladder, Zoetop can
16 and has challenged personal jurisdiction, imposing another huge burden on plaintiffs
17 facing expensive pleading challenges. For example, in a major action by a well-
18 funded plaintiff with elite trial counsel, the parties fought endlessly over such a
19 jurisdictional skirmish, which is arguably what led Shein/Zoetop to finally settle.

20 54. Some of the most sophisticated recent Shein lawsuits now name what
21 appears to be the highest level worldwide administrative unit Roadget Business Pte.
22 Ltd., a private limited company organized in Singapore. When Shein filed its own IP
23 litigation recently, against new rival and alleged copycat “Temu”— it did so under
24 Roadget. Roadget would be a good choice as an infringement defendant because it
25 can hardly claim lack of jurisdiction after it has sued here—but disclosing the
26 Roadget entity was just another move designed to obscure who might be liable for
27 Shein misconduct. When Roadget sued, it alleged that it is suing as the “the owner

1 of the famous SHEIN trademarks in the United States (and worldwide),” and as the
2 “owner of the website located at <https://us.shein.com> and the corresponding mobile
3 application”, but never identifying itself as a traditional “parent company” or as a
4 seller or distributor of Shein branded clothing.

5 55. In addition, Shein references mysterious other companies as being
6 responsible for any actual infringements. A common initial defense offered by
7 Shein, in response to a simple letter directly from an obviously aggrieved artist, is to
8 claim that whatever entity was contacted is not the one who committed the
9 infringement. Obviously, such suggestions are hard to square with Shein’s boasts of
10 an integrated company from cutting edge big-tech and “big data“ style design
11 mechanisms from to production to fulfillment.

12 56. Plaintiffs’ research reveals that the Shein Enterprise includes the
13 following entities. On information and belief, each (and certainly each Defendant) is
14 aware of the general nature of the Shein Enterprise and its activities and that it
15 extends beyond their individual roles. Defendants conduct or participate in the
16 conduct of the affairs of the enterprise through a pattern of racketeering activity.

- 17 • **Defendant Shein Distribution Corporation (“SDC”)**. This is a new
18 company, as of 2021, which was created to act as Shein’s domestic operating
19 company. A review of job listings in various spaces such as Google and
20 LinkedIn reveals that SDC now operates (or at least hires for) most of the
21 administrative functions of the overall Enterprise in the United States. SDC
22 now recruits and employs lawyers, accountants, and related Information
23 Technology workers. On information and belief, SDC provides designer
24 services ancillary to the designing of clothing for the Shein Enterprise, such
25 as creation of advertising materials and campaigns.
- 26 • **Guangzhou Shein International Import & Export Co Ltd.** This Chinese
27 based company is involved in export, production, and design of Shein goods.

1 On information and belief, it sits at the top of a hierarchy of lower-level
2 Chinese production entities and contractors. Guangzhou is an entity that
3 exports Shein-branded goods from China into United States, even though its
4 name does not appear on direct-to-consumer purchases.

- 5 • **Roadget Business Pte. Ltd** (“Roadget”); Business Pte. Ltd., 12 Marina
6 Boulevard, #15-01, Marina Bay Financial Centre, Singapore 018982. As
7 mentioned, Roadget is another relatively new company, this one based in
8 Singapore. Roadget is the direct parent of Guangzhou Shein International
9 (identified above). Reuters has reported that Shein expects to move resources
10 (including as many as 200 employees) to Roadget from China, in an effort to
11 escape the stigma of being a Chinese company like TikTok. Roadget is
12 currently advertising for government relations associates as well as for staff
13 for human resources, marketing and IT. Roadget is the owner of the Shein
14 trademarks in the United States (and worldwide) and now owns the website
15 located at <https://us.shein.com> and the corresponding mobile application.
- 16 • **Zoetop Business Company, Limited**, (“Zoetop”) a Hong Kong entity which
17 owns and operates the company’s web sites and mobile apps; and which until
18 recently owned the trademarks.
- 19 • **Romwe**. Romwe is a separate apparel brand, apparently a sister “company” to
20 Shein. It operates similarly, and it is not immediately apparent why the brand
21 is presented separately, or its precise relationship to the other entities.
- 22 • **Nanjing Top Plus Information Technology Co Ltd.**, a Chinese operating
23 company that is Shein’s primary business in China.
- 24 • **Mr. Xu** (and his leadership group).
- 25 • **Shein Fashion Group Inc.** (“SFG”), located in the City of Industry, has been
26 the primary U.S. importer of goods sold as Shein (where such goods are not
27 shipped directly to the consumer from a foreign entity), and is thus a

1 distributor of those goods. U.S. customs records show a high volume of
2 imports received by SFG from Guangzhou Shein International Import &
3 Export.

- 4 • **Style Link Logistics, LLC.** This entity provides some of Shein’s logistics
5 and fulfillment services in the United States.
- 6 • **Beauty of Fashion Investment.** This holding company based in the British
7 Virgin Islands tax haven is the secretive ultimate parent of Shein—and its
8 where all the money goes (according to the Swiss investigative journalism site
9 Public Eye). Almost nothing is known about this entity. On information and
10 belief, Mr. Xu is either president or holds a similar office in Beauty of
11 Fashion Investment.
- 12 • Shein's primary UK corporate entity is Zenith Business Company.
- 13 • SHEIN Distribution UK Ltd. operates the Shein site and apps, and sells
14 products offered there under license from Roadget.
- 15 • **The Chinese production entities.** It has been reported that Shein uses
16 hundreds of clothing manufacturing facilities in Guangzhou, China, in order
17 to make its items at such a fast rate. But these are not independent
18 companies—but rather very much exist under the Shein umbrella—and are
19 tied together and take direction from Guangzhou Shein International Import
20 & Export Co Ltd. Producers rely heavily on the other side of Shein’s
21 impressive high-tech platform, this one producer-facing. Shein boasts about
22 these entities being part and parcel of its overall enterprise: “Our supply chain
23 is made up of a third-party supplier community that we support with physical
24 enhancements to facilities, technology innovations, and training. But it does
25 not stop there. We take our responsibility one step further, with initiatives that
26 empower and support the family members of workers within our supplier
27 community.”

- 1 • **The Shein law firms.** An integral part of the Shein business model is the
2 minimization of liability for the intellectual property infringements it plans to
3 commit (as systematic results of Shein’s design process). Part of this liability-
4 avoidance is accomplished by the Defendants’ use of the decentralized nature
5 of the enterprise as a whole. But in addition, Shein relies on its small roster of
6 law firms to impose obstacles on plaintiffs—the particulars of which depend
7 on the facts of the case, the legal acumen of plaintiff or plaintiff’s counsel,
8 which entity has been sued, and any other relevant considerations—after
9 which a settlement is always reached. The obstacles rarely involve fighting
10 the case on the merits, but might rather include extensive discovery battles;
11 (on information and belief) representing that sales of the offending item(s) are
12 extremely low, whether or not that is true; offering apologies and false
13 explanations about independent companies who are the true culprits;
14 preliminary pleading or jurisdictional challenges—all designed to cause
15 fighting the case to be that much more expensive and long before the merits
16 are reached. On information and belief, the Shein Law Firms have honed and
17 repeatedly pursue, unmeritorious legal positions and approaches to
18 wrongfully withholding information, and imposing wrongful obstacles to
19 hearing of intellectual property cases on their merits.
- 20 • **The Shein marketplace participants.** Although they are rarely mentioned,
21 Shein apparently acts as an “marketplace” in some respects, allowing
22 “independent” third parties to sell on its platform, in the manner of Amazon.
23 Shein mentions nothing about acting as a marketplace in its corporate
24 literature, including sheingroup.com. In the past month, however, a Shein
25 spokesperson reportedly blamed several new and particularly egregious
26 infringements on impliedly independent marketplace sellers. Shein was
27 recently accused of selling knockoff Nike Air Jordan sneakers. They were

1 again literally exact copies—missing only the iconic Jumpman logo. A
2 spokesperson for Shein reportedly blamed an outside retailer, stating, “Shein
3 takes all claims of infringement seriously and we have removed the product in
4 question. Third-party sellers are required to comply with our Shein
5 Marketplace policies and certify their products do not infringe IP.”

6 57. On information and belief, the Defendants recognize the liability
7 exposure for their obvious counterfeiting and willful and criminal infringing
8 activities and, therefore, have gone to great lengths to disguise themselves and their
9 corporate relationships, and their use of Shein enterprise, so as to avoid liability for
10 wrongdoing. On information and belief, Shein’s leadership creates entities designed
11 to allow the wrongdoers to avoid liability and challenge U.S. jurisdiction over them.

12 58. On information and belief, Defendants each is or was each one of the
13 owners and/or operators of the Shein websites and/or Shein mobile apps, and/or the
14 supplier of products to the Shein websites and/or Shein mobile apps, or is otherwise
15 involved with the manufacture, sale, or distribution of infringing products as herein
16 alleged. These companies are doing business in and committing the acts of
17 infringement and other wrongful acts alleged herein in the Central District of
18 California and within the State of California, and is directing its activities towards
19 persons in this state and knowingly causing damage to Plaintiffs in this state.

20 **E. Defendants use the decentralized nature of the Shein Enterprise to avoid**
21 **liability.**

22 59. One case, pending before Judge Gutteriez until settled in 2020 is
23 another example (among many) of individual participants in Shein using the
24 enterprise’s formally decentralized nature to make it more difficult and expensive
25 for a plaintiff, with a clearly meritorious case, to recover. In that case, the plaintiff

1 alleged a simple and obvious infringement by Shein, against SFG and Zoetop.⁹
2 Defendants, and the enterprise as a whole, largely avoided liability. Zoetop, which
3 could not be served except under Hague, was found to be a necessary party. And the
4 only proper party before the court, according to Shein, was SFG, which Shein
5 pointed out “does not own, operate, or control the website www.shein.com, it books
6 no revenues from the website, and it did not make, sell, offer for sale, process
7 returns of, or otherwise distribute the allegedly infringing t-shirt.” In other words,
8 there was no one to recover from due to Shein’s multiplicity of entities—even
9 though the infringement was clear and even though Shein takes in virtually
10 unlimited money from American consumers. On information and belief, these are
11 regular and recurrent practices employed by the Shein Law firms to defend
12 individual components of the Shein Enterprise, as required in a given case.

13 60. 2020 was long ago in the history of Shein and the individual entities
14 mentioned above. In fact, some of the most prominent entities that are now part of
15 the Shein Enterprise (such as SDC and Roadget) did not yet exist in 2020. Further,
16 Judge Gutierrez was obviously not made aware of many of the facts alleged and
17 explained here. In fact, rather than disclose important facts, Shein made an
18 ambitious attempt to seize the moral high ground, which in this case worked:

19 Plaintiff, apparently a self-appointed crusader against Chinese fast fashion
20 companies, wants to avoid having to serve Zoetop pursuant to The Hague
21 Convention, of which Hong Kong is a member. It wants to hold Defendant
22 Shein Fashion Group, Inc. (“SFG”), a California entity, liable for the t-shirt
23 that was sold off of Zoetop’s website.

24 61. This single sentence of argument is a prime example of Shein using its
25 multiplicity of entities to avoid liability. If that case had gone on (i.e., if an
26 exhausted plaintiff hadn’t settled), Shein would have argued that Shein Fashion
27 Group (which is to be distinguished of course from Shein Distribution Corporation)

28 ⁹ *Cat Coven, LLC v. Shein Fashion Group, Inc.*, 2:19-CV-07967.

1 had nothing to do with the design on the t-shirt in question—which might
2 technically have been true given the corporate structure. Shein went on to explain its
3 2020 version of how things worked *in a way that as a practical matter would leave*
4 *no entity obviously liable.*

5
6 SFG performs marketing services for Zoetop in the United States and
7 undoubtedly has a relationship with Zoetop. But it does not own, operate, or
8 control the website www.shein.com, it books no revenues from the website,
9 and it did not make, sell, offer for sale, process returns of, or otherwise
10 distribute the allegedly infringing t-shirt. Regardless, SFG is not asking for a
11 finding of no liability in its Motion to Dismiss; instead, SFG’s Motion only
12 seeks to join Zoetop so that SFG’s rights (and Zoetop’s) will not be impaired.

13 The matter settled not long after Judge Gutierrez dismissed the case against Zoetop.

14 62. Ms. Perry’s experience is another case in point. Perhaps Shein really
15 does delegate simple copyright disputes to local Chinese representatives—but
16 whether they do or not, the net result is that most artists would simply take the \$500
17 (as Ms. Perry did) rather than attempt to communicate with an agent. In other words,
18 the far-flung nature of the Shein business, and its lack of visibility and transparency,
19 leads to lower to settlement numbers on a systematic basis. The fact there is not one
20 entity to hold accountable makes it all the easier to frustrate those with legitimate
21 claims.

22 63. If one spends time reviewing dockets, there are no shortage of such
23 examples—of Defendants using Shein’s confusing corporate structure and its
24 asserted decentralized nature to avoid liability, and even to avoid disclosing basic
25 information. As mentioned, Shein regularly argues that whatever entity is being
26 sued does not have access to information held by the company responsible for
27 design. On information and belief, liability avoidance is a primary purpose of
28 employing such structure—and Shein multiplies the effect by changing the entities
on a regular basis (while maintaining overall continuity by simply making
replacements, such as Roadget for Zoetop, making pursuit of a legitimate remedy all

1 the more difficult. Further, even where Shein’s law firms cannot credibly argue that
2 no defendant is liable, it can throw up legal roadblocks, meritorious or not, to make
3 recovery all the more difficult and all the more expensive—inevitably leading to a
4 lesser settlement than if Shein employed a traditional corporate structure.

5 64. Besides improperly refusing to disclose information, research on prior
6 cases also reveals that, on information and belief, Shein is not above out-and-out
7 deception—which is rendered easier by its decentralized nature. Recently, Levi’s
8 alleged that Shein, after agreeing to cease selling a certain design, and changing the
9 items shown for sale on the Shein website in a mutually agreeable manner, a test
10 purchase revealed that Shein was in fact still selling the original infringing product.
11 Further, on information and belief, in case after case, Shein will represent that all
12 arguably infringing products have been identified—only to have additional
13 infringing items discovered later if the plaintiff somehow has the resources to track
14 them down. On information and belief, this sort of deception is simply easier when
15 it can be blamed on a smaller business unit.

16 65. Shein’s multiplicity of entities and decentralization also aid in efforts to
17 use its LATR approach, explained above, to avoid liability for intellectual property
18 infringement. Again, waiting to see if anyone complains or sues, as a method of
19 intellectual property compliance, works better when fingers can be pointed
20 elsewhere. For example, when LATR yields a copyright or trademark cease and
21 desist letter or lawsuit, Shein first line of defense generally couples removing the
22 product from its sites with blaming the misconduct on another actor (implying such
23 actor is independent). While unrepresented parties and most unsophisticated
24 attorneys assume this other company is fully independent of the entity being sued, it
25 doesn’t much matter that experienced attorneys understand that the culprit is a
26 company under the same general umbrella. The methodology is equally effective.

1 **First Claim for Relief for Copyright Infringement**

2 **(By Perry, Against All Defendants)**

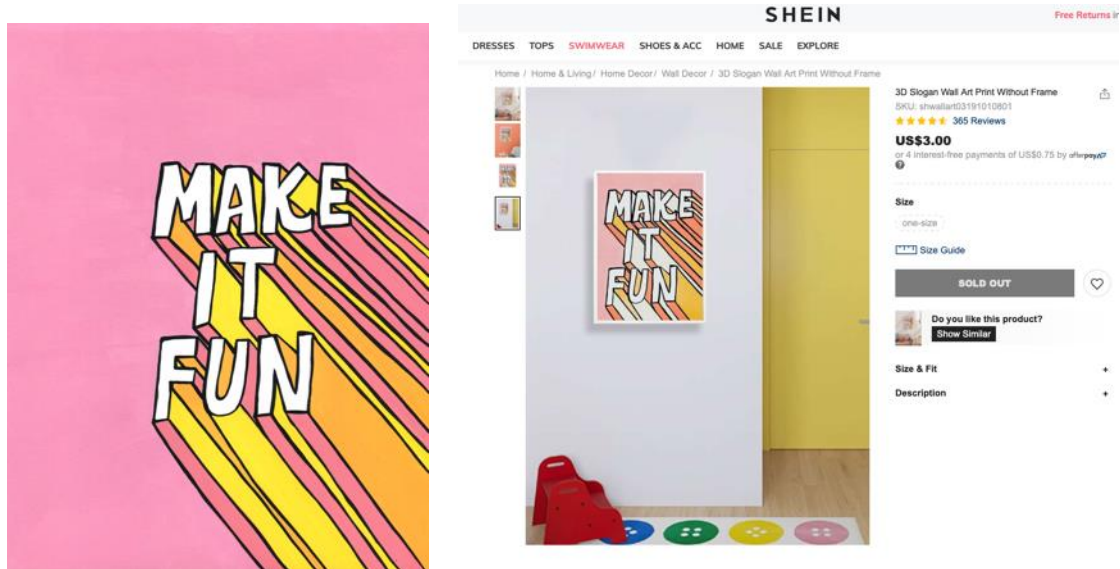
3 66. Plaintiff incorporates by this reference all paragraphs of this Complaint
4 as if set forth in full in this cause of action.

5 67. Ms. Perry created the design “Make it Fun.” Not long after, Ms. Perry
6 discovered that both Shein.com and Romwe.com (a related web site, she leaned)
7 were selling brazen copies of one of Ms. Perry’s designs. After she complained
8 through contact forms on the web sites (“I noticed that Shein has been selling my
9 work as both wall art and phone cases without my permission or approval. It is
10 incredibly disheartening, insulting, and downright evil to profit off of artists without
11 their knowledge or permission”), an agent at the email address
12 copyright@shein.com offered to pay her \$500, without release or settlement
13 language. The offering was apparently on behalf of both Romwe and Shein; and
14 directed Ms. Perry to collect her \$500 by invoicing a company called “Zoetop,”
15 which she of course had never heard of. Curiously, Shein handled the negotiations
16 in badly translated, robotic English—quite different than the corporate persona
17 under which they offer their highly polished public relations communications.:

18 SHEIN very much respects IP rights of any third parties. From our initial
19 investigation, this product bearing the disputed design was not produced by
20 our company, they were bought as finished goods from a local vendor in a
21 large art painting and accessory market in China. We did request our suppliers
22 to provide us with only non-infringement products. Besides, before we
23 display the product on our website, we take necessary measures to check the
24 print and text and did not find any IP records, given the method we use. In
25 this respect, we did our diligence to avoid any IP violation. We will check
26 more thoroughly in the future. [¶] Thanks for your kindly inform and please
27 let us know shall you have any further questions.

28 68. “Make It Fun” is an original artwork first created by Perry in 2016,
with its date of first publication September 1, 2018. Perry applied to the copyright
office and received registration for the Artwork on May 1, 2023, with registration
number VA 2-344-429.

1 69. After Perry’s creation of the “Make It Fun” artwork and (on
2 information and belief) with full knowledge of Perry’s intellectual property rights in
3 the artwork, Defendants infringed Perry’s artwork by making and selling a
4 mechanical copy of Perry’s artwork, as seen below (Perry’s copyrighted artwork on
5 the left and Shein’s infringing copy being sold on its website, on the right):



16 70. Defendants continued to willfully infringe this copyrighted design by
17 selling a mechanical, infringing copy of the “Make It Fun” artwork, even after Perry
18 contacted Defendants.

19 71. All of Defendants’ acts were performed without Perry’s permission,
20 license, or consent. Defendants’ infringement was particularly egregious in it was
21 willful and undertaken for purposes of commercial advantage and private financial
22 gain.

23 72. As a result of Defendants’ infringement, Perry has suffered and will
24 continue to suffer substantial damage to her business in the form of diversion of
25 trade, loss of profits, and a diminishment in the value of her designs and art, her
26 rights, and her reputation; all in amounts that are not yet ascertainable but not less
27 than the jurisdictional minimum of this court. As a result of Defendants’ misconduct
28

1 as alleged herein, Perry’s reputation as a designer and her career has been
2 irreparably tarnished, diminishing the value of her works, and decreasing revenue
3 derived from her work.

4 73. By reason of its infringement of Perry’s copyrighted design as alleged
5 herein, Defendants are also liable to him for the actual damages he has incurred as a
6 result of the infringement, and for any profits of Defendants directly or indirectly
7 attributable to such infringement.

8 **Second Claim for Relief for Copyright Infringement**

9 **(By Perry, Against All Defendants)**

10 74. Plaintiff incorporates by this reference all paragraphs of this Complaint
11 as if set forth in full in this cause of action.

12 75. The following year, Ms. Perry was contacted by Shein (and Romwe) to
13 request to license her work for use on its clothing. The request declared that it was
14 being made by the websites.

15 Hello Perry, My name is iris, representing SHEIN.com and ROMWE.com. ...
16 We are looking to work with aspiring artists like yourself and create capsule
17 collections with your work! We think your art will be a big hit with our global
18 consumers on both platforms. Combined, SHEIN and ROMWE have over 20
19 million followers and consumers worldwide. This is a great opportunity to
20 showcase the world who you are and your art!

21 76. The email went on to describe what sounded like significant money to
22 be made. Rather than sell out and accept this money, Ms. Perry flatly declined the
23 invitation without mincing words, showing just how detrimental an association with
24 Shein can be:

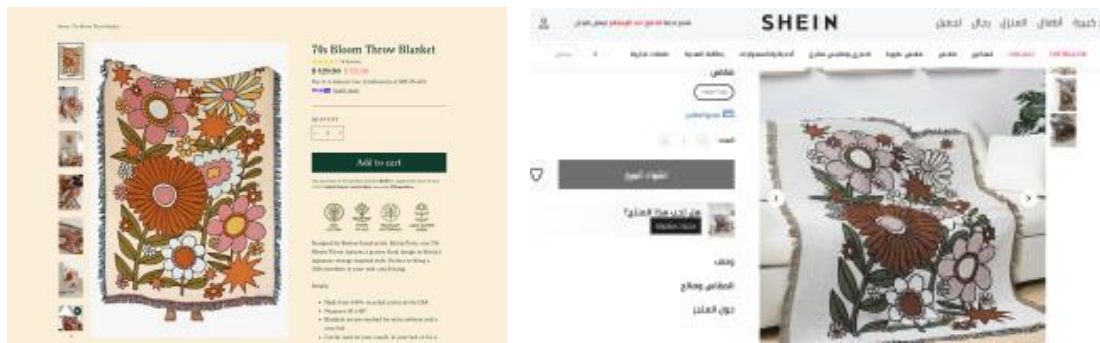
25 How dare you contact me after my artwork has been stolen and the hard time
26 I was put through with the people at Shein to resolve it. This email disgusts
27 me. Shein and Romwe have stolen artwork from both myself and many of my
28 hardworking friends and colleagues. Your business practices are ethically and
morally so wrong and I want nothing to do with your company. I want to be
perfectly clear: Never contact me again. Your businesses have no reason to
exist at this point and I hope they burn to the ground. You had your chance
years ago to “showcase” my art by properly purchasing it instead of blindly
selling it for your own gain.

1 77. Ms. Perry then signed off with a prescient prediction: “Never contact
2 me again — but who knows maybe we’ll be in touch because I’m sure it isn’t the
3 last time my hard work will be used without my knowledge or consent.” And here
4 we are.

5 78. In August 2020, Ms. Perry created the design “Floral Bloom” to be
6 fabricated as a blanket, which went on sale on October 21, 2020. Not long after
7 Perry’s blanket went on sale, she discovered that Shein was selling an identical
8 knock off version. Fortunately, Ms. Perry was steered to a lawyer who knows how
9 to handle her case—but otherwise she, or even most lawyers, would have accepted
10 any minimal sum as compensation due to uncertainty about how to properly seek
11 more appropriate remedies.

12 79. “Floral Bloom” is an original design first created by Perry in 2020, with
13 its date of first publication October 21, 2020. Perry applied to the copyright office
14 and received registration for the Artwork on May 1, 2023, with registration number
15 VA 2-344-753.

16 80. After Perry’s creation of the “Floral Bloom” design and (on
17 information and belief) with full knowledge of Perry’s intellectual property rights in
18 the artwork, Defendants infringed Perry’s artwork by using a mechanical copy of
19 Perry’s pattern on an identical throw blanket as the one Perry sells, as seen below:



26 81. Defendants continue to willfully infringe this copyrighted design by
27 continuing to sell the infringing throw blanket with a mechanical copy of the “Floral
28

1 Bloom” design.

2 82. All of Defendants’ acts were performed without Perry’s permission,
3 license, or consent. Defendants’ infringement was particularly egregious in it was
4 willful and undertaken for purposes of commercial advantage and private financial
5 gain.

6 83. As a result of Defendants’ infringement, Perry has suffered and will
7 continue to suffer substantial damage to her business in the form of diversion of
8 trade, loss of profits, and a diminishment in the value of her designs and art, her
9 rights, and her reputation; all in amounts that are not yet ascertainable but not less
10 than the jurisdictional minimum of this court. As a result of Defendants’ misconduct
11 as alleged herein, Perry’s reputation as an artist and designer and her career has been
12 irreparably tarnished, diminishing the value of her works, and decreasing revenue
13 derived from her work.

14 84. By reason of its infringement of Perry’s copyrighted artwork as alleged
15 herein, Defendants are also liable to him for the actual damages he has incurred as a
16 result of the infringement, and for any profits of Defendants directly or indirectly
17 attributable to such infringement.

18 **Third Claim for Relief for Copyright Infringement**

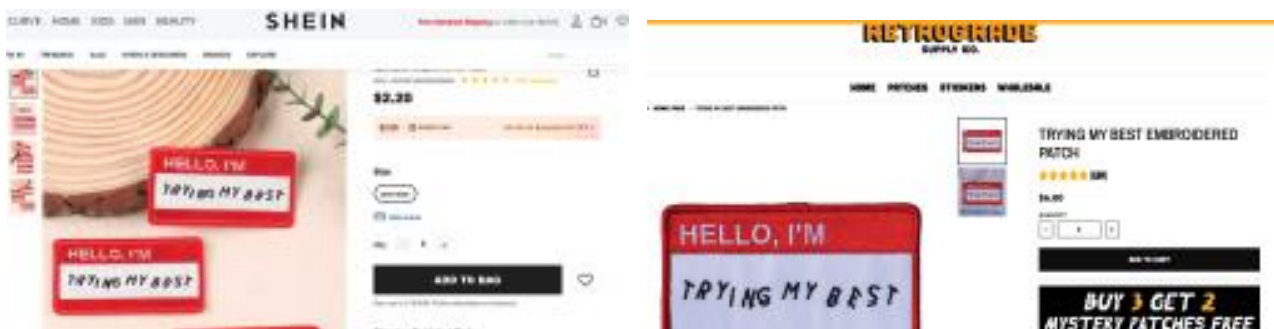
19 **(By Baron, Against All Defendants)**

20 85. Plaintiff incorporates by this reference all paragraphs of this Complaint
21 as if set forth in full in this cause of action.

22 86. “Trying My Best” is an original artwork first created by Baron in 2016,
23 with its date of first publication on November 16, 2016. “Trying My Best” is an
24 original work protected by copyright law. Baron applied to the copyright office and
25 for registration for the artwork on May 3, 2017. Plaintiff has complied in all respects
26 with the Copyright Act and all other laws governing copyright. Plaintiff has
27 complied with 17 U.S.C. § 411 in that the deposit, application, and fee required for
28

1 registration have been delivered to the Copyright Office in proper form, and
2 registration has been refused.

3 87. After Baron's creation of the "Trying My Best" artwork and (on
4 information and belief) with full knowledge of Baron's intellectual property rights
5 in the artwork, Defendants infringed Baron's artwork by selling a mechanical copy
6 of the "Trying My Best" artwork, as seen below:



13 88. Defendants continued to willfully infringe Baron's his copyright by
14 continuing to sell the infringing, mechanical copy of "Trying My Best" on
15 Defendants' websites.

16 89. All of Defendants' acts were performed without Baron's permission,
17 license, or consent. Defendants' infringement was particularly egregious in it was
18 willful and undertaken for purposes of commercial advantage and private financial
19 gain.

20 90. As a result of Defendants' infringement, Baron has suffered and will
21 continue to suffer substantial damage to his business in the form of diversion of
22 trade, loss of profits, and a diminishment in the value of his Art, rights, and
23 reputation; all in amounts that are not yet ascertainable but not less than the
24 jurisdictional minimum of this court. As a result of Defendants' misconduct as
25 alleged herein, Baron's reputation and career has been irreparably tarnished,
26 diminishing the value of his works, and decreasing revenue derived from his work.

27 91. By reason of its infringement of Baron's copyright as alleged herein,
28

1 Defendants are also liable to him for the actual damages he has incurred as a result
2 of the infringement, and for any profits of Defendants directly or indirectly
3 attributable to such infringement.

4 **Fourth Claim for Relief for Copyright Infringement**
5 **(By Blintz, Against All Defendants)**

6 92. Plaintiff incorporates by this reference all paragraphs of this Complaint
7 as if set forth in full in this cause of action.

8 93. Blintz created the design “Orange Daisies” on October 23, 2018, and
9 the first garment using the “Orange Daisies” design was offered for sale on July 28,
10 2019, a pair of overalls with the Orange Daisies pattern.

11 94. Soon after, Blintz discovered Shein selling overalls with a pattern
12 identical to her “Orange Daisies” pattern.

13 95. “Orange Daisies” is an original design created by Blintz, with its date
14 of first publication July 28, 2019. Blintz applied to the copyright office and received
15 registration for the Artwork on April 27, 2023, with registration number VA 2-343-
16 963.

17 96. After Blintz’s creation of the “Orange Daisies” design and (on
18 information and belief) with full knowledge of Blintz’s intellectual property rights,
19 Defendants infringed Blintz’s artwork by making and selling a garment with a
20 mechanical copy of Blintz’s artwork, as seen below (Blintz product with
21 copyrighted design, left; Shein’s product with mechanical copy of pattern right):



1 97. Defendants willfully infringe Blintz’s copyrighted design by selling a
2 mechanical, infringing copy of the “Orange Daisies” artwork.

3 98. All of Defendants’ acts were performed without Blintz’s permission,
4 license, or consent.

5 99. As a result of Defendants’ infringement, Blintz has suffered and will
6 continue to suffer substantial damage to her business in the form of diversion of
7 trade, loss of profits, and a diminishment in the value of her designs and art, her
8 rights, and her reputation; all in amounts that are not yet ascertainable but not less
9 than the jurisdictional minimum of this court. As a result of Defendants’ misconduct
10 as alleged herein, Blintz’s reputation as an artist and designer and her career has
11 been irreparably tarnished, diminishing the value of her works, and decreasing
12 revenue derived from her work.

13 100. By reason of its infringement of Blintz’s copyrighted design as alleged
14 herein, Defendants are also liable to him for the actual damages he has incurred as a
15 result of the infringement, and for any profits of Defendants directly or indirectly
16 attributable to such infringement.

17 **Fifth Claim for Relief for Trademark Infringement (15 U.S.C. § 1114)**

18 **(By Baron, Against All Defendants)**

19 101. Plaintiffs incorporate by this reference all paragraphs of this Complaint
20 as if set forth in full in this cause of action.

21 102. Through Baron’s use in commerce of the phrase and graphic “Trying
22 my Best,” shown above, the public has come to associate that mark with Baron and
23 his products. Further, the public has come to understand the mark as an indicator
24 that Baron is the source of the goods bearing the mark.

25 103. Baron’s trademark “Trying My Best” was registered by the United
26 States Patent and Trademark Office on January 9, 2018, on the principal register,
27 and thereafter maintained, with Serial Number 87-745,875. Plaintiff remains the

1 current holder of the mark. Defendants’ use of the “Trying My Best” trademark is
2 likely to cause confusion, deception, and mistake by creating the false and
3 misleading impression that Shein’s goods are manufactured, associated with or
4 connected with Baron, or have the sponsorship, endorsement, or approval of Baron.

5 104. Defendants’ use of the “Trying My Best” trademark is identical to
6 Baron’s federally registered mark in violation of 15 U.S.C. § 1114, as seen below:



13 105. Defendants’ activities are causing and, unless enjoined by this Court,
14 will continue to cause a likelihood of confusion and deception of members of the
15 trade and public, and, additionally, injury to Baron’s goodwill and reputation.

16 106. Defendants’ actions demonstrate an intentional, willful, and malicious
17 intent to trade on the goodwill associated with Baron’s mark to Baron’s great and
18 irreparable harm.

19 107. Defendants caused and are likely to continue causing substantial injury
20 to the public and to Baron, and Baron is entitled to injunctive relief and to recover
21 Defendants’ profits, actual damages, enhanced profits and damages, costs, and
22 reasonable attorneys’ fees under 15 U.S.C. §§ 1114, 1116, and 1117.

23 **Sixth Claim for Relief for Violation of the Racketeer Influenced and Corrupt**
24 **Organizations Act**
25 **18 U.S.C. §§ 1962(c) and 1964(c)**
26 **(By all Plaintiffs, Against All Defendants)**

1 108. Plaintiffs repeat and reallege each and every allegation set forth in
2 paragraphs 1 through 87, above, as though fully set forth at length.

3 109. What has been referred to in the Complaint as “Shein” is an enterprise
4 engaged in and whose activities affect interstate commerce, as described above.
5 Beginning at various times from approximately 2017 through the filing of this
6 Complaint, in the Central District of California and elsewhere, Defendants (and/or
7 their functional predecessors) associated with the Shein Enterprise, engaging in
8 activities which affect interstate commerce. The Enterprise is made up of the
9 persons, entities, and associations that include those listed above—and likely
10 additional participants that Plaintiffs have not yet discovered despite diligent efforts.
11 As described above, Defendants had a role in the using the Enterprise to conduct
12 racketeering activity that was distinct from the undertaking of those acting on its
13 behalf. Defendants also attempted to benefit, and did benefit, from the activity
14 alleged herein, and thus was not a passive victim of racketeering activity, but an
15 active perpetrator.

16 110. Pursuant to and in furtherance of their scheme, Defendants committed
17 acts that constitute a pattern of racketeering activity and have directly and indirectly
18 conducted and participated in the conduct of the enterprise’s affairs through the
19 pattern (including multiple related acts) of racketeering and activity described
20 herein.

21 111. Defendants agreed to and did conduct and participate in the conduct of
22 the enterprise’s affairs through a pattern of racketeering activity and for the unlawful
23 and purpose of intentionally and criminally infringing Plaintiffs’ and others’
24 copyrights for massive financial gain. Defendants were able to sell infringing
25 clothing, on a systematic basis, with minimum interference or hindrance, as a result
26 of its engaging in a pattern of such activity alleged to have been undertaken by
27 certain of the entities and persons making up the Shein Enterprise. For example,

1 SDC is able to reap the benefits described above—including selling a huge volume
2 of clothing to consumers, sometimes infringing and sometimes not—in part because
3 of its participation in the greater enterprise, which provides the necessary “design,”
4 production, transportation, import/export administration and execution, other
5 logistics, fulfillment and returns processing and support, and legal cover/defense,
6 provided by other elements of the Shein Enterprise or the enterprise as a functional
7 integrated whole. The Shein Enterprise, although a labyrinthine association-in-fact
8 as described herein, is distinct from each of its constituents and distinct from each
9 Defendant, as described herein—and also exists to carry out the formidable tasks of
10 operating the world’s largest clothing business. The Shein Enterprise performs many
11 of the functions that might typically be performed by a global parent company
12 controlling national or regional subsidiaries—a corporate structure that Shein
13 eschews because of the benefits described herein of an overtly decentralized
14 structure

15 112. The Shein Enterprise constitutes a group of persons associated together
16 for the common purpose of operating the Shein overall business, which includes as
17 an integral part, a systematic and continuous pattern of criminal copyright
18 infringement, as alleged in detail above. Each part of the overall enterprise has a
19 role—that is interrelated with the other involved entities and their roles—that is vital
20 to the whole and in fact facilitates the workings including the criminal copyright
21 infringement of the whole. For whatever reasons, the individual cogs in the Shein
22 Enterprises sometimes change form and identity and place of formation. But
23 ignoring these changes, there is a relationship and longevity between the parts of the
24 whole that facilitates, the workings of the Shein Enterprise, including the integral
25 criminal copyright infringement. In fact, bringing entities and associations in and
26 out of existence is designed to facilitate the workings of the Enterprise, including its
27 racketeering. The fact that some of the Defendants did not exist as recently as

1 2021—yet the consumer-facing workings of the Shein Enterprise remain largely
2 unchanged—demonstrates that the Shein Enterprise has a real existence distinct
3 from Defendants and its other constituents. Further, as alleged above and as further
4 alleged on information and belief, defendants formed constituents of the Shein
5 Enterprise as an informal ongoing organization that functions as a continuing unit,
6 that is in fact centrally controlled by Mr. Xu and his leadership group (as opposed to
7 being the mere result of cooperation or conspiracy among separate actors). Such
8 structure, although outwardly decentralized is highly effective and controlled, as can
9 be shown by its ongoing associations that functions as a continuing unit.

10 113. The Shein Enterprise focuses its efforts on the United States and exists
11 in and affects U.S. interstate commerce. As mentioned, it systematically infringes, in
12 the most egregious manners, against U.S. independent designers. And on
13 information and belief, the U.S. market is its chief sales outlet. Further, the
14 operations of the Shein algorithm focus on finding designs (often infringing designs)
15 likely to succeed in the U.S. Market.

16 114. Each of the Defendants participated in a pattern of racketeering
17 activity, as alleged above, including instances of copyright infringement,
18 constituting criminal copyright infringement, for which each defendant is culpable,
19 chargeable, indictable, or otherwise punishable, in violation of 18 U.S.C. § 1962(c).
20 With the enactment of the Anticounterfeiting Consumer Protection Act of 1996,
21 Pub. L. No. 104-153, § 3, 110 Stat. 1386 (“ACPA”)], Congress added criminal
22 copyright infringement (18 U.S.C. § 2319) to the statutory list of RICO predicate
23 acts found in 18 U.S.C. § 1961(1)(B). The copyright infringement alleged herein is
24 properly deemed “criminal” and “egregious” in that, it was willful and undertaken
25 for purposes of commercial advantage and private financial gain, all in violation of
26 18 U.S.C. § 2319(a) and 17 U.S.C. § 506(a)(1)(A), as alleged with greater
27 particularity in the foregoing paragraphs. It is willful in the sense that Defendants,

1 like other constituents of the Shein Enterprise, knew it would occur and expected it
2 to occur, and had the specific intent that it would occur, as an integral part of the
3 overall business model. Again, there is no way that the Shein overall business model
4 can function other than as described, which necessarily includes criminal copyright
5 infringement.

6 115. Such predicate acts are part of a pattern, in that they have occurred
7 systematically and continuously over time in prior years and continue unabated
8 today. The Shein leadership, who ultimately control many of the entities that
9 comprise the Shein Enterprise, have no intention to cease operating in the manner
10 described herein. For example, each of the four instances of copyright infringement
11 alleged in this action are part of a pattern, especially when combined with other
12 cases that have been filed in this and other federal courts. These cases include two
13 brought by Plaintiffs' counsel in the Central District:

- 14 • *Stark v. Shein Distribution Corporation*; Case #: 2:22-cv-06016 JAK
15 (AFMx), filed 8/24/22, currently pending before Judge Hsu.
- 16 • *Cookies v. Shein Distribution Corporation* Case #: 2:22-cv-07998-
17 JFW-AGR, filed 11/2/22, pending before Judge Walter.

18 116. The pattern is also exemplified by most of the many others filed against
19 Shein in recent months and years (including the fifty current cases mentioned by
20 Congress in its Issue Brief, citing the Wall Street Journal), and including many that
21 are cases currently pending around the country:

22 117. Defendants' predicate acts of criminal or egregious copyright
23 infringement are obviously closely related, in the ways described herein, including
24 that they fall within the Shein Enterprise's typical algorithm-based business model
25 and blame-avoidance and liability-avoidance techniques. As such, these related and
26 continuous predicate acts of criminal copyright infringement make up a continuous
27 pattern and pose a threat of continued criminal activity. In fact, it appears certain

1 that unless restrained by law or otherwise checked in some significant way, the
2 Shein enterprise is only growing, and its acts of criminal copyright infringement are
3 increasingly in frequency.

4 118. Indeed, it is also certain, as described above, that a significant number
5 of the tens of thousands of new garments that Shein will post for sale in the next few
6 days will be improper and illegal exact copies of the work of other designers,
7 constituting criminal copyright infringement. The pattern began as soon as the Shein
8 Enterprise adopted its business model and systematic use of its algorithm or its
9 predecessors, as described above, which was, on information and belief, in 2017 or
10 2018, which certainly constitutes a pattern extending over a substantial period. In
11 addition, on information and belief based on the nature of the enterprise and
12 predicate acts alleged above, there is a threat of continuing criminal activity
13 extending indefinitely into the future.

14 119. Each Defendant knowingly committed criminal copyright infringement,
15 as described above. Each played its role, described above, with full knowledge of
16 the overarching criminal copyright infringement it participates in, as well as that of
17 the Shein Enterprise, and its role in the overall Shein Enterprise. Each defendant
18 intended to engage in the criminal copyright infringement described herein, with
19 actual knowledge that the conduct was illegal. More specifically, each of the
20 Defendants are liable for producing, selling, offering for sale, distributing, and
21 promoting exact copies of Plaintiffs' protected works.

22 120. Plaintiffs have suffered injury, as alleged above—including losing
23 profits that were instead realized by members of the Shein Enterprise, and suffering
24 lost sales of the copied items and other items sold as part of their businesses, as a
25 direct result of the conduct here attributed to each Defendant. Specifically, each
26 Plaintiff was an intended “victim” of Shein’s business model of freely, knowingly,
27 and exactly copying garments and other items. Having such replica goods in the

1 marketplace can be devastating to a young designer—especially when (as one would
2 expect to often be the case and is indeed the case here, with respect to each Plaintiff)
3 the item in question represents a key product in the development of each Plaintiff’s
4 line and business. In other words, Shein’s and Defendants’ algorithm is designed to,
5 and effectively does, select exactly those items to copy that would be successful in
6 the marketplace, for either the respective Plaintiff or for Shein and Defendants. Such
7 injuries occurred by reason of, and as a proximate cause of, the alleged conduct of
8 the Defendants and the Shein Enterprise as a whole.

9 121. The pattern described is of racketeering activity, as defined by 18
10 U.S.C. §§ 1961(1) and (5) and presents both a history of criminal conduct and a
11 distinct threat of continuing criminal activity. This activity consists of multiple acts
12 of racketeering and criminal copyright infringement by Defendants, is interrelated,
13 not isolated, and is perpetrated for the same or similar purposes by the same persons,
14 including Mr. Xu and the Shein leadership. This activity extends over a substantial
15 period of time, up to and beyond the date of this Complaint. These activities
16 occurred after the effective date of 18 U.S.C. §§ 1961 et seq., and the last such act
17 occurred within 10 years after the commission of a prior act of racketeering activity.

18 122. Plaintiffs have been injured in his/her/their business or property as a
19 direct and proximate result of the Defendants and the other enterprise members’
20 violations of 18 U.S.C. § 1962(c), including injury by reason of the predicate acts
21 constituting the pattern of racketeering activity.

22 123. As a result of the violations of 18 U.S.C. § 1962(c), by Defendants,
23 Plaintiffs has suffered substantial damages, in an amount to be proved at trial.
24 Pursuant to 18 U.S.C. § 1964(c), Plaintiffs is entitled to recover treble its general
25 and special compensatory damages, plus interest, costs and attorneys, fees, incurred
26 by reason of Counter-defendants’ violations of 18 U.S.C. § 1962(c).

