



CONVERSE CEO JIM CALHOUN HAS IGNITED AN INDUSTRY-WIDE BATTLE ROYAL. BUT IS

THE LAST THING ANYONE AT Converse's North Andover headquarters thought they needed was a new CEO. Relegated to the clearance bin of the sneaker industry since the 1980s, the 107-year-old company had bounced back from bankruptcy and in 2010 was coming off a record year, with nearly \$1 billion in

sales. So in 2011, when parent company Nike installed its rising star Jim Calhoun—son of legendary University of Connecticut basketball coach Jim Calhoun Sr.—employees were quick to remind him that they'd just received the largest bonuses of their careers. The message was clear: We've got a good thing here. Don't screw it up.

Yet Calhoun saw a company that was still in peril. Employees—from sales clerks to vice presidents—were insecure, apologetic, and suffering from an inferiority complex. Nike, a once-fledgling brand that had bought the bankrupt Converse in 2003 for a song, was making Calhoun's new colleagues feel "how Ted Kennedy felt about having

BOSTON'S COOLEST COMPANY SHOOTING ITSELF IN THE FOOT? BY ZACHARY JASON

Robert and John as his older brothers," Calhoun says. Nike executives rarely visited Converse's modest headquarters, forcing Calhoun to travel roughly once a month to the mother ship in Beaverton, Oregon, for an exhaustive round robin of corporate sermons. "Every game," he recalls, "was an away game."

But that was far from Converse's biggest problem. An existential threat lurked in plain sight. A century into its storied history, it was clear that Converse had only one sneaker to show for: The iconic Chuck Taylor All Star accounted for more than 85 percent of the company's revenue. The product line was ancient and had barely been updated since

the Great Depression. In that time, competitors had unleashed top-selling, space-age innovations, including Reebok's Pump, in 1989; Adidas's supportive Feet You Wear technology, in 1996; and Nike's very own Lunarlon foam cushioning, in 2008, designed to mimic the way astronauts jump from the moon "as if on marshmallows." Meanwhile,

market research showed Converse's canvas shoes hurt people's feet, and customers complained that the soles were about as supportive as stale sub rolls. On top of it all, Calhoun saw how dozens of big-name brands had for years been selling sneakers that looked nearly identical to the Chuck Taylor. It made Chucks the most imitated shoe in the world—and also cut deep into Converse's potential profits.

Each morning on his drive to work from his home in Wellesley, Calhoun passed New Balance's sprawling new headquarters along the Mass. Pike in Brighton. The campus, which is still being developed, will feature a sports complex, two residential towers, an office building, and its own MBTA commuter-rail station. The shining behemoth was an immutable reminder of the fierce sneaker competition not just here in Massachusetts—which Calhoun has dubbed "Sneaker Town, USA," where the hometown teams include Saucony, Reebok, and Puma North America—but also around the globe.

Calhoun looked at all of this and knew he had to make a change. Converse needed a modern headquarters of its own, this time in Boston. It needed a new shoe to win fresh customers and bring back people who had abandoned Chucks for cheaper, more comfortable knockoffs. Converse needed youth; it needed new life. And it needed to get aggressive, not only to remain a player in the \$54-billion-a-year global sneaker game, but also to smother the competition.

So last October, Calhoun turned federal court into Converse's personal Thunderdome—suing 31 companies that he believed were selling copycat Chucks, from Ralph Lauren to Kmart. He even went after the largest retail titan on the planet, Walmart. Rather than heed his staff's "If it ain't broke" advice, Calhoun had launched a global sneaker war. He just hoped he wasn't about to screw it all up.

No sneaker embodies the rebellious American spirit like the Chuck. The simple, flat-soled shoe with a white toe bumper, black stripe along the bottom, and All Star patch has proudly appeared on the feet of World War II Army cadets, Elvis Presley, Andy Warhol, the Sharks and the Jets in *West Side Story*, the Ramones, Hunter S. Thompson, Michael J. Fox in *Back to the Future*, Kurt Cobain, and Justin Bieber. "Wearing



Standing atop Converse's sleek new headquarters overlooking the Zakim Bridge, CEO Jim Calhoun takes aim at the competition as he lifts the Chuck Taylor to new heights.

PREEMPTING AN ATTACK ON ITS PF FLYERS SNEAKER, NEW BALANCE FILED A FEDERAL LAWSUIT CITING CONVERSE'S "AGGRESSIVE EFFORTS" TO BULLY IMITATORS.



something with a swoosh or a puma has the perception of being corporate," says Jay Gordon, founder of the über-hip Boston boutique Bodega. "Chucks are much more antiestablishment. They are rock 'n' roll."

So far, customers around the world have bought more than a billion pairs of Chucks. They've become iconic. That success, though, has led to an "explosion of knockoff activity," Calhoun says. During his first three years as CEO, he played a fruitless and "endless Whack-a-Mole game," he says, sending hundreds of cease-and-desist letters to companies he suspected of selling rip-offs. Finally, in October 2014, Calhoun took a bold step toward choking off competitors, suing 31 companies for copyright infringement.

Converse also filed a complaint with the International Trade Commission (ITC), which expedites cases and has the authority to

prevent shoes that are considered counterfeit from entering and being sold in the country. The company argued that the Chuck's combination of toe cap, toe bumper, and midsole stripe had over the course of nearly a century developed what lawyers call a "secondary meaning"—a strong association in the public's mind between an image and the company manufacturing it. Like the McDonald's golden arches or Disney's mouse ears, Converse argued, shoes with the telltale toe cap, toe bumper, and stripe could not be mistaken for any other brand but Converse.

The company's legal argument was rooted in its origins. In 1908, a New Hampshire native named Marquis Mills Converse founded the Converse Rubber Shoe Company in Malden. In the beginning, his only products were waterproof boots; later, he expanded into tennis shoes to keep his workers employed year round. In 1917, he debuted the world's first performance sneaker for a

little-known sport that was beginning to catch on in the Northeast. He dubbed his basketball shoe the Converse All Star, complete with a rubber toe cap and bumper. For four years, sales remained slow. Then, in 1921, a scrawny 20-year-old jump shooter from Indiana named Charles "Chuck" Taylor convinced Converse to hire him, minting the country's first player endorsement. Taylor advised improvements on the shoe's ankle support and traction, and in 1932 the company stitched Taylor's signature into the All Star heel patch. The shoe barely changed for 80 years.

Over time, Converse became synonymous with basketball. Chucks were on the feet of the U.S. men's team when it won gold at the 1936 Olympics in Nazi Berlin. Wilt Chamberlain wore them the night he scored 100 points in 1962, and by the mid-1960s, Converse comprised 80 percent of the sneaker industry.

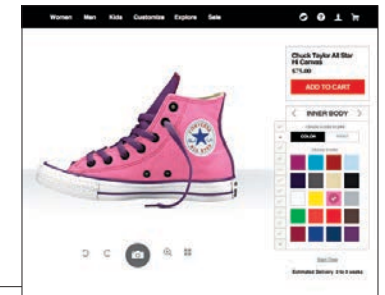
By the end of the 1970s, however, basketball sneakers had become a booming international business, and competitors such as Adidas, Canton-based Reebok, Brighton-based New Balance, and Nike began to outspend and bludgeon Converse into submission. Nike in particular seized the basketball market by paying college coaches unprecedented sums to wear its sneakers. Then came Michael Jordan. MJ was famously wearing Converse the night he sank the National

Championship-winning buzzer-beater for the University of North Carolina Tar Heels, but legendary Nike marketing executive Sonny Vaccaro, a.k.a. "Sole Man," poached His Airness by paying him \$500,000 a year for five years. Up until that point, the highest contract had been between New Balance and James Worthy, for a measly \$150,000 a year for eight years.

The Jordan deal helped catapult Nike into the annals of pop-culture history. It became the world's most profitable athletic shoe company, and flung Converse in the opposite direction. Converse was slow to embrace even simple innovations such as leather shoe construction: Within 10 years, the company was on the skids. In 1995, Converse dropped its running, outdoor, walking, tennis, and football categories, laid off 600 employees—20 percent of its staff—and watched its stock plunge to the point where it was delisted from the *(continued on page 156)*

THE REBIRTH OF COOL

How does a sneaker company succeed without sports? By emphasizing its creative-class cred.



1



2



3



4

Calhoun (1) introduced "Design Your Own Chuck Taylors," which let customers customize their kicks, (2) spearheaded the global "Made by You" campaign featuring art installations across the globe, and (3) launched an Andy Warhol collection. To strengthen Converse's ties to rock 'n' roll, he (4) opened Rubber Tracks recording studios in New York, São Paulo, and Boston, which offer local musicians free use of state-of-the-art equipment.

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New York Stock Exchange. Revenue plummeted from \$450 million in 1997 to \$209 million in 2000, the year before Converse filed for bankruptcy. Just when it looked like the company was going to become a footnote in sneaker lore, Nike swooshed in and bought Converse for \$305 million in 2003, hoping to remake the brand it had helped crush.

FOR A GUY IN CHARGE OF ONE OF THE hippest shoes ever made, Calhoun doesn't exactly embody the essence of cool. His work uniform is a blazer and jeans—coupled, of course, with a pair of special-edition Chucks. And even when he's hyping his flagship product to a room full of musicians and artists—his target clientele—he speaks in corporate tones and comes off as studied and out of place. Calhoun practically admits that he's the last person on earth he ever would have imagined leading Converse into the 21st century.

Calhoun grew up in Dedham and spent much of his childhood on the sidelines of a basketball court, watching his father coach the Northeastern University men's basketball team. It's no surprise that Jim Calhoun Sr.'s ferocious competitive spirit rubbed off. "I love to compete," Calhoun admits. His father would go on to lead the University of Connecticut to three national titles, and Jim Jr. frequently refers to him as his hero.

As a young man, though, Calhoun struggled to measure up to his father. While his younger brother, Jeff, played for their dad at UConn, "at 5-foot-10 and immensely average from an athletic perspective," Calhoun says, "I knew early on that basketball probably wasn't going to be in my career." After graduating from the blueblood prep school Noble & Greenough, he enrolled at Northeastern and followed his dad to UConn, where he studied psychology. When Calhoun graduated in 1989, he had no plans to become an executive, but says he knew "If I can't be an athlete, I'm going to go into this thing called business." He hoped to establish a career far away from his legendary father's home turf and then, one day, return to New England.

Unlike his father, though, who coached at only two schools over 40 years, Calhoun bounced from one company to another, making stops at Nautica, Disney, and Dockers. He even worked at Nike in the mid-1990s as a product manager for college basketball apparel before landing back at Nike in 2011 as CEO of the California-based skateboarding and surfing brand Hurley.

Just a month after that, Nike moved Converse CEO Michael Spillane over to Umbro, and asked Calhoun to take his place.

Calhoun quickly set to work on sharpening the brand's identity. Within a year, he strategically killed Converse's performance basketball line, upon which the company was practically founded, to free it from competing head-to-head with Nike. He also placed the company's undivided focus on the shoe with the classic white toe cap and toe bumper. With Converse's signature basketball line out of the picture, the question for Calhoun suddenly became: How does a sneaker company that is no longer about sports continue to grow?

To Calhoun, the answer was clear: focus on what made Converse unique and cool. He introduced "Design Your Own Chuck Taylors," which spoke to millennials' desire for individuality and enabled customers to take control of their own look. He also launched an Andy Warhol collection, and used part of a \$7 million media budget on a global "Made by You" campaign featuring art installations in cities across the globe, from Shanghai to London. To strengthen Converse's ties to rock 'n' roll, Calhoun opened recording studios in trendy cities such as New York, São Paulo, and Boston—all of them called Rubber Tracks—which offer local musicians free use of state-of-the-art equipment, no strings attached. (The opening party for the Boston studio stretched for a week and included invite-only performances by the Replacements, Slayer, and Chance the Rapper.)

In an effort to attract young talent and inject raw energy into the company, the corporate journeyman knew he needed a sleek new home, one that smacked of hipster cool and embodied the Converse image. So he relocated Converse's headquarters to a converted brick factory at Boston's Lovejoy Wharf in May. "If you're a twentysomething-year-old international designer," Gordon says, "North Andover isn't exactly what you're looking for."

The best way to describe the new 214,000-square-foot, 10-floor Converse headquarters is corporate hipster nirvana. Calhoun got his wish. When young designers or salespeople interview for a job, he can lure them with a chandelier in the entrance made up of nearly 200 glowing black Chucks dangling from white shoelaces; an employee concierge to book flights and handle dry-cleaning; an expansive lounge and espresso bar; a second-floor gym "powered by Nike"; a deck overlooking the *(continued on page 161)*

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Zakim Bridge; and hundreds of employees with tattoos and perfectly groomed beards, all with Chuck Taylors strapped to their feet.

Calhoun knew there was still more work to do. In 2014, Converse asked customers around the world for feedback. The biggest complaint by far was that Chucks hurt their feet, but by no means did they want the company to start messing with their favorite shoe. Despite the poor cushioning, customers hailed Chucks as the shoe they wanted to be buried in when they died and vowed to renounce Converse forever if it changed. Once again, the message was clear: Don't fuck up the Chuck.

Calhoun listened, but did not obey, and took his biggest gamble yet: the first major redesign of the Chuck in 98 years. This past July, Converse invited 130 fashion journalists from around the world to a cavernous warehouse on Boston Harbor, where they walked through a circus of floor-to-ceiling neon-green strobe lights to see the Chuck II for the first time. The sneaker maintains the timeless look, but has a sturdier microsuede lining, a gum-rubber sole, a memory-foam tongue, and the vastly superior Lunarlon sock liner invented by Nike. "They feel like real shoes now, instead of like shoddy canvas sacks for feet," wrote Gizmodo. The Verge praised the "ground-up rebuild—like the Galaxy S6 of sneakers." Katie Abel, global news director of *Footwear News*, told me that the Chuck II "opens the door to first-time consumers and resparks interest in old consumers." Once again, Chucks were positioned at the center of rebellious, artistic youth, just like in the 1950s. Except it was 2015, and nearly every size and color of the Chuck II sold out in a single day.

ON OCTOBER 14, 2014, CONVERSE FILED 22 separate federal lawsuits against 31 manufacturers, including Tory Burch, Skechers, and Fila. That same day, the company also filed a complaint seeking secondary-meaning protection from the International Trade Commission. "We have big growth plans for the company," Calhoun says. "And to do that, you have to protect the brand name and stop this infringing behavior."

At first, some in the sneaker world saw the lawsuits as a marketing ploy. Others saw opportunism. "Whether [the infringement] claims are valid or not," Bodega's Gordon says, "it's a smart move just to flex a little muscle and get people thinking."

But Converse's court claims were not without precedent. In 2011, couture designer Christian Louboutin—whose high heels nearly always feature a bright-red outsole—sued rival Yves Saint Laurent for selling copycat shoes, alleging trademark infringement. A year later, the U.S. Court of Appeals Second Circuit held that Louboutin's signature red sole was a "distinctive symbol" and granted Louboutin the exclusive right to sell shoes with red soles in the United States as long as the shoes themselves were not red. When fashion lawyer Staci Jennifer Riordan learned that her client, H & M, was among the 31 companies Converse had sued, she says her entire office "immediately thought Converse was inspired by Christian Louboutin... Because the fashion industry doesn't have a lot of intellectual-property protection in the United States, you're starting to see companies find creative ways to try to secure it." But Converse faced a tougher road. Whereas Louboutin attacked swiftly, Converse had waited decades. "When you sit on something and you let the industry build up around it, and then you go to war over it," Louboutin attorney Harley Lewin recently said, "that's a very hard pill to swallow."

Converse's 224-page ITC complaint featured side-by-side comparisons of Chucks and every alleged imitator. Some—such as Esquire Footwear's high-tops, Ed Hardy's "Dakota," and Kmart's "Joe Boxer" shoes—might have been difficult for the untrained consumer to distinguish from Chucks. Other brands looked like Salvador Dalí versions, too squat or narrow or flimsy to be mistaken for the real thing. The complaint also dug up comments from competitors' online stores to prove consumers' confusion. "All good on the knockoff front," a shopper wrote about Walmart's "Faded Glory" shoe. "People compliment me on my 'Chucks.'"

At first, Calhoun's attack on the fashion industry seemed to work. In January, the ITC found that 36 Ralph Lauren styles infringed on Converse's trademarks, including its camouflage, western-leather, and bleached-denim shoes. Ralph Lauren agreed to destroy all the offending footwear and paid Converse an unspecified sum. H & M agreed to a similar settlement in February. Within months, 28 companies had settled out of court.

There were still a few holdouts: Walmart, Skechers, and Highline United, which sells shoes under the Ash brand, refused to back down. Walmart, with its deep pockets, vowed

to go the distance, blasting the lawsuit as nothing more than Converse's attempt "to extort monetary settlements." And then a crosstown rival blindsided Converse with a potential knockout punch.

NEW BALANCE WAS NOT IN CALHOUN'S cross hairs when Converse first filed its declarations of war in the federal courts. Inside the legal department at New Balance, though, decision makers feared Converse might attack its PF Flyers sneaker—complete with a toe bumper and a midsole stripe—if the ITC ruled in Converse's favor. New Balance asked Converse if it would exempt its neighbor. Converse said no.

So New Balance responded with an early Christmas gift: On December 23, 2014, it filed a federal lawsuit assaulting what it called Converse's "aggressive efforts" to bully imitators. Noting that Converse once owned and then sold the PF Flyers shoe line in the 1970s, New Balance asked the U.S. District Court in Massachusetts to declare that the Flyers do not infringe on the Chuck Taylor trademark—and to go the extra step of canceling the Chuck's entire trademark, because it contained common ornamental and functional features that should be free for anyone to manufacture. It was a nuclear option, the worst possible scenario: Calhoun had set out to vaporize the competition, but if he lost this lawsuit to New Balance, he'd instead have opened Converse to an endless stream of legal imitators. To no one's surprise, Calhoun threatened to add New Balance to the ITC lawsuit, but New Balance beat him to the punch by filing a motion to join the case just so it could fight it. Sneaker Town was officially at war.

Throughout it all, Calhoun has remained diplomatic about the ongoing feud. When asked about New Balance, he says, "If somebody said, 'Hey, would you want them to go away?' Actually, no. We're both trying to make meaningful differences in consumers' lives, and they keep us better. But I think we can respectfully disagree."

The ITC trial began on August 4 at the commission's main hearing room in Washington, DC. For five days, 24 attorneys for Converse and another 18 for the competition pored over accusations, witness testimony, and enough sneakers to make Kanye go barefoot for a month. Team Converse illustrated the "iconic," "timeless" look and appeal of Converse, citing its 40 million Facebook

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followers, more than any other brand on the planet. “Children take their first steps in them, teens wear them to prom and to graduate, adults get married in them,” Converse attorneys said, highlighting the public’s near-universal recognition of the brand.

Team Skechers-Walmart-New Balance-Highline fired back. New Balance attorney Mark Puzella called Calhoun to the witness stand and tried to make him look like a fool. Puzella displayed a page from Converse’s 1983 annual report that said the brand’s “most significant trademarks are...the Converse logo consisting of the name Converse in combination with the star design,” and asked Calhoun to verify that the report made no mention of a midsole stripe. The attorney also asked why Converse had waited 31 years to take action. Skechers’ lawyer didn’t miss a beat, asserting that “Converse, after being purchased by Nike, the biggest shoe company in the world, decided it wanted to own the entire product category. And it would be as if Ralph Lauren was bought by a very large company and said, ‘I want to own polo shirts’ and kick everyone else out of the market.” He also displayed pairs of Keds and

other sneakers predating the Chuck with a similar toe, sole stripe, and heel combination. Quoting Coco Chanel’s famous line, “Only those with no memory insist on their originality,” the attorney concluded, “Nike and Converse appear to have no memory.”

During the first day of hearings, an ITC attorney said she expected Converse to fail to establish a secondary meaning. The final ruling on the case was scheduled for mid-November. Should Converse lose, it would hand Calhoun the first of what could be a series of defeats in federal court. Calhoun declined to answer any questions about the prospect that his master plan could blow up in his face.

Not only will the final ITC ruling heavily influence the district courts’ decisions in the individual lawsuits Converse still has against Walmart, Skechers, and Highline, but the ITC’s ruling might also jeopardize the existing settlements with companies such as Ralph Lauren and H & M. Many of these deals may have “contingency provisions,” says H & M attorney Riordan, meaning that if the ITC invalidates the Chuck trademark, it won’t just be Walmart,

Skechers, Highline, and New Balance who win. Some number of the 28 companies that settled could reboot their factories and get away with selling Chuck knockoffs scot-free.

In the face of impending defeat, Calhoun remains upbeat. If his lawsuits tank in court, Converse is no worse off than before, when his foes were ripping him off in the first place. Even without trademark protection, Converse is making more money than ever before. In the past four years, Calhoun has expanded Converse’s retail presence in the United States, China, and Australia and pushed sales to 270,000 pairs of Chucks a day worldwide. Converse even earned bragging rights over its big brother: Since 2003, while Nike’s revenue has merely tripled, Converse’s had grown tenfold. Calhoun “has taken Converse to the next level,” Abel says, by “being super smart and globally minded while managing to stay cool.”

No matter how the lawsuit ends, the company knows its success will breed imitators—whether of its shoes or its innovative approach to marketing. “The bigger we get,” Calhoun tells me, the more “we’re drawing a bigger crowd trying to take a piece of us.” □