ESTTA Tracking number: **ESTTA234956**
Filing date: **09/05/2008**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91185323
Party	Defendant FHI Heat, Inc.
Correspondence Address	JOHN J. CUNNIFF HAHN LOESER & PARKS LLP ONE GOJO PLZ STE 300 AKRON, OH 44311-1076 UNITED STATES jcunniff@hahnlaw.com
Submission	Motion to Suspend for Civil Action
Filer's Name	John J. Cunniff
Filer's e-mail	jcunniff@hahnlaw.com,trademarks@hahnlaw.com
Signature	/John J. Cunniff/
Date	09/05/2008
Attachments	MotionToStayOpposition.pdf (3 pages)(23859 bytes) DeclarationJJC.pdf (3 pages)(22120 bytes) DeclarationExhibitA.pdf (12 pages)(42902 bytes) DeclarationExhibitB.pdf (13 pages)(451196 bytes) DeclarationExhibitC.pdf (2 pages)(55090 bytes)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter Of:

Trademark Application Serial No. 77/369,976
For The Mark FHI
Published in the Official Gazette on May 20, 2008

Farouk Systems, Inc.	)	
	)	
Opposer,	)	
	)	
v.	)	Opposition No. 91185323
	)	
FHI Heat, Inc.	)	
	)	
Applicant	)	

MOTION TO STAY FURTHER PROCEEDINGS

Applicant, FHI Heat, Inc., hereby moves that all further proceedings in this opposition be stayed, pending resolution of Civil Action No. H-07-2333 now pending in the United States District Court for the Southern District of Texas. Copies of the Amended Complaint and the Amended Answer in that action are attached to the accompanying Declaration of John J. Cunniff.

As indicated by the contents of the complaint, as well as the attached Declaration of John J. Cunniff, the issues presented in the subject civil action include those that are identical to those in this opposition. The matter has progressed substantially, as discovery has begun and is nearing completion, and trial is scheduled for December of 2008.

The Board has the authority under 37 CFR 2.117(a) to stay proceedings before it, where the parties are also engaged in a concurrent civil action that may have a bearing on the case

before the Board, pending final resolution of the civil case. (*Whopper-Burger, Inc. v. Burger King Corp.*, 181 USPQ 805, 807 (TTAB 1974); *Toro Co. v. Hardigg Industries., Inc.*, 187 USPQ 689, 692 (TTAB 1975).)

Accordingly, since the matter has progressed substantially and resolution of this matter would appear to be almost complete in the United States District Court, it is respectfully requested that all further proceedings in this opposition be stayed until the civil action is resolved.

Respectfully submitted,

/John J. Cunniff/

John J. Cunniff
HAHN LOESER + PARKS LLP
One GOJO Plaza
Suite 300
Akron, Ohio 44311
330.864.5550 (voice)
330.864.7986 (fax)

Attorney for Applicant
FHI Heat, Inc.

CERTIFICATE OF SERVICE

A true copy of the foregoing Motion to Stay Further Proceedings was served by mailing the same, First Class Mail, postage prepaid to Opposer's attorney:

Ben D. Tobor, Esq.
GREENBERG TRAURIG LLP
1000 Louisiana Street, Suite 1700
Houston, Texas, 77002

this fifth day of September, 2008.

/John J. Cunniff/

John J. Cunniff, Esq.
Attorney for Applicant
FHI Heat, Inc.

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In the Matter Of:

Trademark Application Serial No. 77/369,976
For The Mark FHI
Published in the Official Gazette on May 20, 2008

Farouk Systems, Inc.	)	
	)	
Opposer,	)	
	)	
v.	)	Opposition No. 91185323
	)	
FHI Heat, Inc.	)	
	)	
Applicant	)	

DECLARATION

John J. Cunniff does declare as follows:

That he is the petitioner's attorney in the above-identified opposition proceeding.

THAT he has been informed and thus alleges upon information and belief that:

(1) Civil Action No. H-07-2333 in the United States District Court for the Southern District of Texas commenced on July 18, 2007, with the filing of a Complaint for, *inter alia,* trademark infringement relating to Farouk Systems, Inc.'s alleged ownership of the trademarks CHI, CHI NANO and ULTA CHI. Farouk Systems, Inc. filed an amended complaint additionally alleging infringement of the BIOCHI mark on July 1, 2008. Copies of the Amended Complaint and the Answer thereto are attached as Exhibits A and B, respectively.

(2) A Scheduling Order, a copy of which is attached hereto as Exhibit C, was issued in Civil Action No. H-07-2333 by United States District Judge Vanessa D. Gilmore on November 5, 2007. In the Scheduling Order, Discovery was scheduled to close June 1, 2008. Additionally, a non-extendable Motions Deadline was set for August 1, 2008. While the parties have stipulated to an extension of certain pre-trial deadlines, trial of the case is still scheduled for December, 2008. From this schedule, it is readily apparent that the matter has progressed substantially in the District Court.

AND THAT all statements made herein of his own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code.

Respectfully submitted,

/John J. Cunniff/

_____

John J. Cunniff
HAHN LOESER + PARKS LLP
One GOJO Plaza
Suite 300
Akron, Ohio 44311
330.864.5550 (voice)
330.864.7986 (fax)

Attorney for Applicant
FHI Heat, Inc.

CERTIFICATE OF SERVICE

A true copy of the foregoing Declaration and Exhibits A-C was served by mailing the same, First Class Mail, postage prepaid to Opposer's attorney:

Ben D. Tobor, Esq.
GREENBERG TRAURIG LLP
1000 Louisiana Street, Suite 1700
Houston, Texas, 77002

this fifth day of September, 2008.

/John J. Cunniff/

_____

John J. Cunniff, Esq.
Attorney for Applicant
FHI Heat, Inc.

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

FAROUK SYSTEMS, INC.,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Civil Action No. 4:07-cv-02333
	§	
FHI HEAT, INC.,	§	**Jury Trial Demanded**
	§	
Defendant.	§	

PLAINTIFF'S FIRST AMENDED COMPLAINT

Farouk Systems, Inc. ("FSI" or "Plaintiff") files this Original Complaint against FHI Heat, Inc. ("Defendant") and would respectfully show the Court as follows:

I.
PARTIES

1. Plaintiff Farouk Systems, Inc. is a Texas corporation with its principal place of business in Houston, Texas.

2. Defendant FHI Heat, Inc. is an Ohio corporation doing business in the State of Texas. FHI has its principal place of business in Maple Heights, Ohio. FHI may be served with process in Texas through its registered agent, Robert N. Stein, 1450 Rockefeller Bldg., 614 Superior Ave. NW, Cleveland, Ohio 44113.

II.
JURISDICTION AND VENUE

3. The United States District Court for the Southern District of Texas has jurisdiction over this action pursuant to the provisions of 28 U.S.C. § 1331 in that this matter is a civil action arising under the Constitution, laws, or treaties of the United States. This action

involves federal trademark rights, federal Lanham Act violations, and other federal causes of action.

4. This Court also has jurisdiction over this action pursuant to the provisions of 28 U.S.C. § 1332 in that this matter is a civil action between citizens of different states wherein the amount in controversy is believed to exceed the sum of $75,000, exclusive of interest and cost. Plaintiff is a Texas corporation with its principal place of business in Houston, Texas. Defendant is a resident of the state of Ohio and is doing business in Texas and, on information and belief, has systematic and continuous contact with the state of Texas. Defendant, on information and belief, also does business in Harris County, Texas, and a substantial part Defendant's acts and conduct giving rise to the claims herein occurred in Harris County, Texas.

III.
FACTUAL BACKGROUND

5. FSI owns U.S. Trademark Registration No. 2,660,257, issued December 10, 2002, for the mark CHI® for electric hair curling irons. A true and correct copy of the U.S. Trademark Registration No. 2,660,257 is attached hereto as Exhibit A and is incorporated herein.

6. U.S. Trademark Registration No. 2,660,257 is valid, subsisting, and in full force and effect.

7. FSI owns U.S. Trademark Registration No. 3,107,769, issued June 20, 2006, for the mark CHI® for electric hand-held dryers. A true and correct copy of the U.S. Trademark Registration No. 3,107,769 is attached hereto as Exhibit B and is incorporated herein.

8. U.S. Trademark Registration No. 3,107,769 is valid, subsisting, and in full force and effect.

9. Moreover, FSI is the owner of the common law trademarks and trade names FAROUK and FAROUK SYSTEMS for use with a wide variety of hair care products, including

electric hair curling irons, electric hair styling irons, electric hair straightening irons, and electric hair flat irons. FSI has exclusively used the common laws trademarks and trade names FAROUK and FAROUK SYSTEMS for many years and the consuming public has come to associate hair care products such as electric hair curling irons, electric hair styling irons, electric hair straightening irons, and electric hair flat irons bearing or displaying the trademarks and trade names FAROUK or FAROUK SYSTEMS as originating from FSI.

10. Additionally, FSI is the owner of U.S. Trademark Application Serial No. 78/524,660 for the mark CHI for hair coloring preparations, namely, hair color lighteners, color lock treatments, color developers, and colors; U.S. Trademark Application Serial No. 77/055,581 for the mark CHI NANO for various hair irons; U.S. Trademark Application Serial No. 76/512,597 for the mark CHI for hair care products, namely, shampoo, thermal hair protective treatment, hair strengthening treatment, hair conditioner; hair care preparations, namely, solutions which bond to the hair to strengthen the hair, and solutions to transform frizzy, curly, or damaged hair; U.S. Trademark Application Serial No. 78/622,448 for the mark ULTRA CHI for hair dryers; U.S. Trademark Application Serial No. 77/265,353 for the mark BIOCHI for electric hair curling irons, electric hair styling irons, electric hair straightening irons, and electric hair flat irons, among other goods.

11. The trademark CHI® is associated exclusively with FSI for use with hair irons, as well as numerous other hair care products. FSI has used the trademark CHI® in interstate commerce continuously since 2002. As a result of FSI's marketing of its products and the extensive advertising and other business generation efforts to promote the trademark CHI®, the trademark CHI® has become well-known in the Houston metropolitan area, the State of Texas, the United States, and globally as identifying FSI's products and business. Customers and

potential customers in these areas have come to identify the trademark CHI® as originating with FSI. Consequently, FSI has developed substantial recognition among the consuming public for its high quality products sold under its trademark CHI® and has acquired and enjoys a valuable reputation and significant goodwill associated with its trademark CHI® and products sold under its trademark CHI®.

12. FSI's use of the trademark CHI® in the hair care industry has been exclusive. As a result of this exclusive use of the trademark CHI® and the long and widespread use that has been made by FSI of the trademark CHI®, there is substantial recognition and association of the trademark CHI® with FSI by the consuming public for hair care products.

13. FSI has learned that Defendant FHI has distributed and sold hair care products under a mark confusingly similar to FSI's Mark and has, thereby, infringed upon FSI's trademark rights. Specifically, Defendant sells and promotes hand held electric hair styling irons, hand held electric hair curling irons, and hand held electric hair dryers in connection with the mark "FHI HEAT." *See* true and correct copies of screenshots from Defendant's website located at http://fhiheat.com attached hereto as Exhibit C. By using a mark that is confusingly similar to FSI's CHI® Mark in association with its hair care products, Defendant is infringing upon FSI's trademark rights. Given the similarity of Defendant's FHI HEAT mark to FSI's Mark on the same types of products, there is a substantial likelihood that consumers will be confused, misled or deceived. Moreover, FHI's infringing and competing products are inferior compared to FSI's CHI® branded products. Accordingly, Defendant's sales of the infringing products are diminishing the value of the Mark.

14. In addition to using a confusingly similar mark, Defendant has been, and on information currently is, advertising its FHI HEAT branded hair irons through, at a minimum,

websites controlled or operated by Defendant and which falsely represent, either expressly or implicitly, the quality or performance of Defendant's FHI HEAT branded irons or FSI's CHI® branded irons.

15. Defendant also broadcasts to the public a "testimonial" of a former FSI employee who represented himself as FSI's former "International Creative Artistic Director" while Defendant identified this former FSI employee as Moreover, the "Former Creative Director of Chi Iron Company." Both representations are false and Defendant was advised as such yet continued to use this "testimonial" to sell Defendant's products. Moreover, this former employee represents to consumers in his "testimonial" that "with this title [of International Creative Artistic Director] , you already know I know a lot about the CHI iron." Thus, it is apparent that Defendant is using the knowingly false statements from this former FSI employee to promote Defendant's own products.

16. Additionally, Defendant has, and is, advertising its FHI HEAT branded products through "authorized" distributors of Defendant. These authorized distributors are, on information and belief, controlled or owned by Defendant or the principals of FHI. One of these distributors sells and offers for sale hair irons through the website located at URL http://www.beautygalaxy.com. By clicking on hyperlinks on this website for "Farouk" or "CHI," Defendant's FHI HEAT branded hair irons are displayed resulting in consumer's being confused. Moreover, when a CHI®-branded hair iron is purchased from this website, the website operator sends an e-mail to the purchaser criticizing the buyer's choice and instead tries to get the buyer to cancel the order and order a FHI HEAT branded hair iron. Thus, Defendant is not only using FSI's registered mark CHI® to direct consumers to the FHI HEAT branded

hair irons, when the consumer chooses the CHI®-branded hair iron over the FHI HEAT branded hair irons, but Defendant also improperly interferes with the purchase.

17. In addition to confusing consumers and promoting its FHI HEAT branded hair irons in a false manner, Defendant has adopted an advertising strategy whereby Defendant's employees and agents tell potential customers of FSI's CHI®-branded hair irons that they can get FSI's CHI®-branded hair irons from eBay.com cheaper than through FSI's authorized distribution channels. However, as Defendant should be aware due to Defendant being in the same markets as FSI, selling the same products as FSI, and targeting the same customers as FSI, almost all of the CHI®-branded hair irons found on the internet or e-commerce websites are counterfeits. Thus, Defendant is falsely advertising its own products as well as falsely advertising the quality and characteristics of FSI's CHI®-branded hair irons.

18. Defendant's sales of the infringing products using a mark confusing similar to FSI's mark without FSI's permission are diluting the value of the Mark and damaging the goodwill and high quality reputation of FSI's CHI® branded products.

IV.
CAUSES OF ACTION

COUNT I - TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION UNDER THE LANHAM ACT

19. FSI repeats and realleges the allegations set forth in paragraphs 1-18.

20. Defendant's improper use of, and sale of products under, a mark confusingly similar to FSI's CHI® Mark, as well as Defendant's use of the trademark FAROUK is confusing to consumers and constitutes infringement of FSI's trademark rights in violation of the Lanham Trademark Act ("Lanham Act"). Defendant's unauthorized use of FSI's mark CHI® and FSI's mark FAROUK violates Section 43 of the Lanham Act which prohibits the use of a trademark by Defendant in such a manner as is likely to cause confusion, mistake, or to deceive as to the

affiliation, connection, or association of Defendant with FSI or as to the origin, sponsorship or approval of Defendant's products by FSI. *See* 15 U.S.C. § 1125. Defendant's use of the mark CHI® also violates Section 32 of the Lanham Act prohibiting the unauthorized use of a trademark which is likely to cause confusion. *See* 15 U.S.C. § 1114.

21. Defendant is currently selling, offering for sale, and advertising Defendant's FHI HEAT branded hair irons under FSI's registered and common law trademarks without the consent of FSI and will continue to do so unless enjoined from doing so by this Court. If FSI has no way of controlling the quality of Defendant's FHI HEAT branded hair irons Defendant is allowed to continue to sell Defendant's FHI HEAT branded hair irons in connection with FSI's trademarks, FSI's goodwill created by its mark CHI® and its mark FAROUK is placed in jeopardy. The continuing acts of Defendant is jeopardizing the goodwill of FSI and its valuable trademarks, and such acts have caused and are causing irreparable injury to FSI and to the consuming public. Unless the acts of the Defendant complained of herein are enjoined by this Court, they will continue to cause irreparable injury to FSI and to the public, for which there is no adequate remedy at law. Accordingly, FSI seeks injunctive relief prohibiting the infringing acts by Defendant complained of herein.

22. Additionally or in the alternative, FSI seeks an accounting and its actual and consequential damages resulting from Defendant's infringing acts. Moreover, FSI seeks punitive, additional, and enhanced damages from Defendant.

COUNT II - TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION UNDER TEXAS LAW

23. FSI repeats and realleges the allegations set forth in paragraphs 1-22.

24. The acts of Defendant complained of above constitute trademark infringement and unfair competition under the common law of the State of Texas. As a result of the

infringement and unfair competition by Defendant, FSI has suffered and will continue to suffer injury and damage in an amount yet to be determined. Upon information and belief, the acts of infringement by Defendant have resulted in substantial unjust profits and unjust enrichment on the part of Defendant in an amount yet to be determined. Such acts of trademark infringement and unfair competition are causing harm to FSI.

25. The continuing acts of Defendant are jeopardizing the goodwill of FSI and its valuable trademarks, and such acts have caused and will continue to cause irreparable injury to FSI and to the consuming public. Unless the acts of the Defendant complained of herein are enjoined by this Court, they will continue to cause irreparable injury to FSI and to the public, for which there is no adequate remedy at law.

26. Additionally or in the alternative, FSI seeks an accounting and its actual and consequential damages as a result of Defendant's infringing acts which have resulted in confusion among the public. Moreover, FSI seeks punitive and enhanced damages for Defendant's willful conduct.

COUNT III - FALSE ADVERTISING

27. FSI repeats and realleges the allegations set forth in paragraphs 1-26.

28. The representations and advertisements made by Defendant in selling and offering for sale its FHI HEAT branded hair irons regarding the quality and performance of Defendant's FHI HEAT branded hair irons and FSI's CHI® branded hair irons are expressly or implicitly false. Further, Defendant's representations regarding the availability of FSI's CHI® branded hair irons from eBay.com are also expressly or implicitly false. Thus, Defendant is liable for engaging in false advertising by making material omissions and misrepresentations as to the quality and performance of Defendant's FHI HEAT branded hair irons and FSI's CHI® branded

hair irons, as well as to the availability of FSI's CHI® branded hair irons, all in violation of § 43(a)(1)(B) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B).

29. The foregoing acts and conduct of Defendant are likely to cause confusion and to deceive the trade and the public into believing Defendant's representations and advertisements are accurate, when, in fact, they are not. Further, Defendant made these statements and representations to the consuming public at a time that it knew, or should have known, that the statements and representations were expressly or implicitly false and misleading.

30. The continuing acts of Defendant are jeopardizing the goodwill of FSI and its valuable trademarks, and such acts have caused and will continue to cause irreparable injury to FSI and to the consuming public. Unless the acts of the Defendant complained of herein are enjoined by this Court, they will continue to cause irreparable injury to FSI and to the public, for which there is no adequate remedy at law.

31. Additionally or in the alternative, FSI seeks an accounting and its actual and consequential damages as a result of Defendant's infringing acts which have resulted in confusion among the public. Moreover, FSI seeks punitive and enhanced damages for Defendant's willful conduct.

COUNT IV - TRADEMARK DILUTION UNDER TEXAS LAW

32. FSI repeats and realleges the allegations set forth in paragraphs 1-31.

33. The facts set out above demonstrate that Defendant is diluting the exclusivity and distinctiveness of the Mark in violation of the Texas Anti-Dilution Act. Defendant's unauthorized use of FSI's Mark constitutes a dilution of FSI's Mark and injures FSI's business reputation, in violation of TEX. BUS. & COM. CODE § 16.29.

34. As a result of the dilution by Defendant, FSI has suffered, and is suffering, injury and damage in an amount yet to be determined. Upon information and belief, the acts of dilution

by Defendant have resulted in and are currently resulting in substantial unjust profits and unjust enrichment on the part of Defendant in an amount yet to be determined. FSI seeks injunctive relief to prevent this type of injury from continuing. Additionally or in the alternative, FSI seeks an accounting and damages.

COUNT V - REQUEST FOR MONETARY RELIEF, TREBLE DAMAGES AND ATTORNEYS' FEES AND COSTS

35. FSI repeats and realleges the allegations set forth in paragraphs 1-34.

36. The acts of Defendant complained of above have resulted in trademark infringement and unfair competition. Accordingly, Pursuant to 15 U.S.C. § 1117(a), FSI is entitled to recover 1) Defendant's profits; 2) any damages sustained as a result of Defendant's infringing acts; and 3) the costs associated with these causes of action.

37. Moreover, FSI is entitled to an award of treble damages, as well as an award of punitive damages, pursuant to 15 U.S.C. § 1117(b) as a result of the extenuating circumstances of this case, Defendant's intentional use of FSI's trademarks, and its gross, wanton, or willful conduct.

38. Furthermore, as a result of Defendant's actions, FSI has been required to retain the services of counsel to represent it in this matter, and it has been forced to incur and is presently incurring attorneys' fees in order to enforce its trademark rights. These fees and expenses are necessary and reasonable in order to prosecute this matter. Accordingly, FSI requests that it be granted an award of attorneys' fees and costs as a result of Defendant's actions.

DEMAND FOR JURY TRIAL

39. FSI demands a trial by jury on all claims and issues.

CONCLUSION AND PRAYER

WHEREFORE, Farouk Systems, Inc. prays for entry of judgment:

a. finding that Defendant has infringed U.S. Trademark Registration No. 2,660,257, U.S. Trademark Registration No. 3,107,769, and Farouk Systems, Inc.'s common law trademark rights in the Mark CHI®;

b. finding that Defendant has infringed Farouk Systems, Inc.'s common law trademark rights in the mark FAROUK;

c. finding that Defendant has falsely and intentionally mislead consumers by directly or indirectly representing that infringing products are endorsed by, sponsored by, or affiliated with Farouk Systems, Inc.;

d. finding that Defendant has engaged in unfair competition;

e. finding that Defendant has engaged in false advertising;

e. enjoining Defendant, its officers, directors, agents, employees, representatives, successors, assigns, if any, and those in privity or concert with Defendant from further acts that would amount to infringement of U.S. Trademark Registration No. 2,660,257, U.S. Trademark Registration No. 3,107,769, and Farouk Systems, Inc.'s common law rights in the trademark CHI® and the trademark FAROUK, false advertising, or unfair competition;

f. awarding Farouk Systems, Inc. all damages caused by the acts of Defendant and all profits of Defendant from acts complained of, and/or all costs to Farouk Systems, Inc. caused by Defendant's activities complained of herein;

g. trebling the damages and profits awarded to Farouk Systems, Inc. as authorized by 15 U.S.C. § 1117;

h. granting Farouk Systems, Inc. pre-judgment and post-judgment interest on the damages caused to Farouk Systems, Inc. by reasons of Defendant's activities complained of herein at the highest rates allowed by law;

i. finding that this is an exceptional case and awarding Farouk Systems, Inc. its reasonable and necessary attorneys' fees in accordance with 15 U.S.C. § 1117;

j. awarding costs to Farouk Systems, Inc.; and

k. awarding Farouk Systems, Inc. such other and further relief, at law or in equity, as the Court may deem just and proper under the circumstances.

Respectfully submitted,

GREENBERG TRAURIG LLP

By: /Anthony F. Matheny/

Anthony Matheny
Attorney-in-Charge
Texas State Bar No. 24002543
S.D. Tex. Bar No. 303157
1000 Louisiana, Suite 1800
Houston, Texas 77002
(713) 374-3583 (Telephone)
(713) 754-7583 (Fax)

Of Counsel:

Ben D. Tobor
Texas State Bar No. 20050900
Mark Chretein
Texas State Bar No. 24036364
GREENBERG TRAURIG LLP
1000 Louisiana, Suite 1800
Houston, Texas 77002
(713) 374-3500 (Telephone)
(713) 374-3505 (Fax)

ATTORNEYS FOR PLAINTIFF
FAROUK SYSTEMS, INC.

CERTIFICATE OF SERVICE

I hereby certify that on June 30, 2008, a true and correct copy of the foregoing Plaintiff's First Amended Complaint was served through the Court's ECF System on the following:

Gary Pate
Dale Jefferson
Martin, Disiere, Jefferson & Wisdom, L.L.P.
808 Travis, Suite 1800
Houston, Texas 77002

/Anthony F. Matheny/
Anthony F. Matheny

IN THE UNITED STATES DISTRICT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

FAROUK SYSTEMS, INC.	§	
	§	
Plaintiff,	§	
	§	
v.	§	
	§	CIVIL ACTION NO.4:07-cv-02333
	§	JURY DEMANDED
FHI HEAT, INC.	§	
	§	
Defendant.	§	

DEFENDANT'S FIRST AMENDED ANSWER, ADMISSIONS AND DENIALS AND AFFIRMATIVE DEFENSES TO PLAINTIFF'S FIRST AMENDED COMPLAINT

FHI Heat, Inc. ("Defendant" or "FHI Heat") files this First Amended Answer, its Admissions and Denials and Affirmative Defenses to Plaintiff Farouk Systems, Inc.'s ("Plaintiff" or "Farouk") First Amended Complaint (Document #10) and would respectfully show the Court as follows:

I.
ADMISSIONS AND DENIALS

1. Defendant admits Farouk Systems, Inc. is a Texas corporation with its principal place of business in Houston, Texas as stated by Plaintiff in Paragraph 1 of the First Amended Complaint.

2. Defendant admits that FHI Heat, Inc. is an Ohio corporation doing business in the State of Texas as stated by Plaintiff in Paragraph 2 of the First Amended Complaint.

3. Defendant admits that this Court has jurisdiction over this action pursuant to 28 U.S.C. § 1331 as stated by Plaintiff in Paragraph 3 of the First Amended Complaint.

Defendant further admits that this case involves federal trademark rights and alleged violations of the federal Lanham Act, but Defendant denies any alleged violations of Plaintiff's trademark rights, any violations of the Lanham Act, or any other cause of action asserted by Plaintiff.

4. Defendant admits that this Court has jurisdiction over this case pursuant to U.S.C. § 1332 because there is complete diversity between the parties and the amount in controversy as pled is alleged to exceed $75,000. Defendant does not have sufficient information to admit or deny the remaining allegations contained in Paragraph 4 of Plaintiff's First Amended Complaint, *i.e.* that "a substantial part of Defendant's acts or conduct giving rise to the claims herein occurred in Harris County, Texas."

5. Defendant can neither admit nor deny Farouk's ownership in U.S. Trademark Registration No. 2,666,257 as stated in Paragraph 5 of Plaintiff's First Amended Complaint.

6. Paragraph 6 of Plaintiff's First Amended Complaint sets forth legal conclusions to which no response is required. To the extent a response is required, Defendant is without sufficient information at this time to admit or deny the validity of U.S. Trademark Registration No. 2,660,257 as "valid, subsisting, and in full force and effect."

7. Defendant can neither admit nor deny Farouk's ownership in U.S. Trademark Registration No. 3,107,769 as stated in Paragraph 7 of Plaintiff's First Amended Complaint.

8. Paragraph 8 of Plaintiff's First Amended Complaint sets forth legal conclusions to which no response is required. To the extent a response is required,

Defendant is without sufficient information at this time to admit or deny the validity of U.S. Trademark Registration No. 3,107,769 as "valid, subsisting, and in full force and effect."

9. Defendant can neither admit nor deny at this time, based upon information available at this time, whether Farouk is the owner of the common law trademarks and trade names, FAROUK and FAROUK SYSTEMS. Plaintiff denies that it has infringed upon these marks. Defendant is without sufficient information and can neither admit nor deny Plaintiff's exclusive use of its marks, nor any recognition associated with the use of these marks among the consuming public with Plaintiff's hair care products as stated in Paragraph 9 of the Amended Complaint.

10. Defendant is without sufficient information and can neither admit nor deny Farouk's ownership in U.S. Trademark Applications Serial Nos. 78/524,660, 77/055,581, 76/512,597, 78/622,448 and 77/265,353 pertaining respectively to the marks CHI, CHI NANO, CHI, ULTRA CHI and BIOCHI as stated in Paragraph 10 of Plaintiff's First Amended Complaint. Nevertheless, Defendant denies that it has infringed upon the marks CHI, CHI NANO, CHI, ULTRA CHI and BIOCHI.

11. Defendant admits that the trademark CHI is associated with Farouk for use with its hair irons and numerous other hair care products. Defendant is without sufficient information and as such, Defendant can neither admit nor deny Farouk's continuous use of this mark in interstate commerce since 2002. Defendant is without sufficient information and can neither admit nor deny that the trademark CHI has become well-known in the Houston metropolitan area, the State of Texas, the United States, and globally as Plaintiff alleges in Paragraph 11 of the Amended Complaint. In addition,

Defendant is without sufficient information and can neither admit nor deny that customers and potential customers in these areas have come to identify the trademark CHI as originating with Farouk. Finally, Defendant is without sufficient information to admit or deny the consuming public's recognition of Farouk's product associated with the CHI mark or the reputation and goodwill allegedly associated with the trademark CHI or the products sold under that mark.

12. Defendant is without sufficient information and can neither admit nor deny Farouk's exclusive use of the trademark CHI in the hair care industry. Defendant, further, can neither admit nor deny that there is "substantial recognition and association of the trademark CHI with Farouk by the consuming public as stated by Plaintiff in Paragraph 12 of the Amended Complaint.

13. Paragraph 13 of Plaintiff's Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that Defendant's mark is confusingly similar to Plaintiff's Mark and denies that Defendant's mark infringes upon Plaintiff's as alleged in Paragraph 13 of Plaintiff's Complaint. Further, Defendant denies any confusion or any substantial likelihood that consumers will be confused, misled or deceived in distinguishing the respective marks of Plaintiff and Defendant.

14. Paragraph 14 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that it is currently selling its own products on websites controlled or operated by Defendant, excluding its general corporate website located at http://www.fhiheat.com. In addition, Defendant denies that it is falsely representing, either expressly or implicitly,

the quality or performance of Defendant's branded irons or Plaintiff's branded irons.

15. Defendant denies that it is using knowingly false statements from a former FSI employee to promote Defendant's own products as alleged by Plaintiff in Paragraph 15 of the Amended Complaint.

16. Defendant denies that http://www.beautygalaxy.com/ is controlled or owned by Defendant or the principals of Defendant as alleged in Paragraph 16 of the Amended Complaint. Defendant further denies that it has control over any actions taken by the operator of the beautygalaxy.com website, nor is Defendant using Farouk's registered CHI mark to direct consumers to FHI Heat branded products. Defendant denies that it is interfering with consumer's purchases or diverting sales or potential sale from Plaintiff.

17. Defendant denies that it is confusing consumers and promoting its own branded products in a false manner. Defendant further denies that its employees and agents are telling potential customers of Plaintiff that they can get CHI branded hair irons from eBay.com cheaper than through Plaintiff's authorized distribution channels. Defendant does not have information concerning counterfeit CHI hair irons found on the internet or e-commerce and therefore can neither admit nor deny this aspect of the allegation contained in Paragraph 17 of the Amended Complaint. Defendant denies that it is falsely advertising its own products, nor falsely advertising the quality and characteristics of Plaintiff's hair irons.

18. Defendant denies that it sells infringing products, nor uses a mark confusingly similar to Plaintiff's Mark. Further, Defendant denies that it is diluting the value of Plaintiff's Mark and damaging the goodwill and reputation of CHI branded

products as alleged in Paragraph 18 of the Amended Complaint.

19. Defendant repeats and re-incorporates its admissions and denials as set forth in Paragraphs 1-18 above.

20. Paragraph 20 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that Defendant's Mark is confusingly similar to Plaintiff's Mark. Defendant denies using the trademark FAROUK and denies that Defendant's actions constitute a violation of the Lanham Trademark Act ("Lanham Act"). Further, Defendant denies that it has violated Section 32 or 43 of the Lanham Act, nor any other provision of the Lanham Act.

21. Paragraph 21 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that its actions are causing or will cause irreparable injury to Plaintiff and to the public and denies that Plaintiff is entitled to the injunctive relief which it seeks.

22. Defendant denies that Plaintiff is entitled to an accounting. For further answer, Defendant denies that Plaintiff is entitled to any of the damages which it alleges in Paragraph 22 of Plaintiff's Amended Complaint.

23. Defendant repeats and re-incorporates its admissions and denials as set forth in Paragraphs 1-22 above.

24. Paragraph 24 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that its actions constitute trademark infringement and unfair competition under the common law of the State of Texas. Defendant denies that it has obtained substantial unjust profits and unjust enrichment, nor caused harm to Plaintiff.

25. Paragraph 25 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that its acts have caused or will continue to cause irreparable injury to Plaintiff and the consuming public. Defendant denies that Plaintiff is entitled to an injunction or any other form of equitable relief sought.

26. Defendant denies that Plaintiff is entitled to an accounting. For further answer, Defendant denies that Plaintiff is entitled to any of the damages which it alleges in Paragraph 26 of Plaintiff's Amended Complaint.

27. Defendant repeats and re-incorporates its admissions and denials as set forth in Paragraphs 1-26 above.

28. Paragraph 28 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that its representations and advertisements are expressly or implicitly false. Defendant further denies that it is liable for engaging in false advertising by making material omissions and misrepresentations as to the quality and performance of FHI HEAT branded hair irons and/ or CHI branded hair irons or the availability thereof.

29. Paragraph 29 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that its acts and conduct are likely to cause confusion and to deceive the trade and the public. Defendant further denies that it made any statements and representations to the consuming public at a time it knew, or should have known, that the statements and representations were expressly or implicitly false and misleading.

30. Paragraph 30 of Plaintiff's Amended Complaint states legal conclusions to

which no response is required. To the extent a response is required, Defendant denies that its acts are jeopardizing the goodwill of Plaintiff and its trademarks. For further answer, Defendant denies that its actions are causing irreparable injury to Plaintiff and the consuming public and denies that Plaintiff is entitled to an injunction or other relief at law or equity.

31. Defendant denies that Plaintiff is entitled to an accounting. For further answer, Defendant denies that Plaintiff is entitled to any of the damages which it alleges in Paragraph 31 of Plaintiff's Amended Complaint.

32. Defendant repeats and re-incorporates its admissions and denials as set forth in Paragraphs 1-31 above.

33. Paragraph 33 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that it is diluting the exclusivity and distinctiveness of Plaintiff's Mark in violation of the Texas Anti-Dilution pursuant to Texas Business & Commerce Code § 16.29.

34. Paragraph 34 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that it has diluted Plaintiff's Mark, nor caused injury or damage to Plaintiff. Further, Defendant denies that Defendant's actions have resulted in unjust profits and unjust enrichment to Defendant. Defendant denies that Plaintiff is entitled to injunctive relieve or an accounting.

35. Defendant repeats and re-incorporates its admissions and denials as set forth in Paragraphs 1-34 above.

36. Paragraph 36 of Plaintiff's Amended Complaint states legal conclusions to

which no response is required. To the extent a response is required, Defendant denies that it has infringed upon the trademarks of Plaintiff and denies that its actions constitute unfair competition. Further, Defendant denies that pursuant to 15 U.S.C. § 1117(a) Plaintiff is entitled to recover Defendant's profits, any damages sustained by alleged infringing acts, or costs associated with Plaintiff's various causes of action.

37. Paragraph 37 of Plaintiff's Amended Complaint states legal conclusions to which no response is required. To the extent a response is required, Defendant denies that it has intentionally used Plaintiff's trademarks, acted in a gross, wanton or willful manner and denies that Plaintiff is entitled to any punitive damages or damages of any nature under15 U.S.C. § 1117(a) and (b).

38. Defendant denies that Plaintiff is entitled to an award of attorney's fees and costs as stated in Paragraph 38 of the Amended Complaint.

39. Defendant admits that Plaintiff has demanded a jury as stated in Paragraph 39 of the Amended Complaint.

40. Defendant denies that Plaintiff is entitled to judgment, damages of any nature, or any of the legal or equitable relief specified in Plaintiff's "Conclusion and Prayer" of Plaintiff's Amended Complaint.

II.
AFFIRMATIVE DEFENSES

41. In addition to and without waiving the foregoing, Defendant repeats and incorporates its admissions and denials in Paragraphs 1 through 40 above as though fully recited verbatim herein and asserts the following affirmative defenses as authorized by Fed. R. Civ. P. 8(c):

41. Defendant affirmatively pleads the defense of justification.

42. Defendant affirmatively pleads the defense of failure of notice and failure of conditions precedent to bringing this action.

43. Defendant affirmatively pleads that Plaintiff's claims are barred because Plaintiff did not mitigate its damages.

44. Defendant affirmatively pleads the defenses of waiver and estoppel.

45. Defendant affirmatively pleads that its acts were performed in innocence and good faith.

46. Defendant affirmatively pleads that Plaintiff's claims are barred in whole or in part by the doctrine of laches.

47. Defendant affirmatively denies that Plaintiff has the capacity to sue on the trademarks identified in Plaintiff's First Amended Complaint. Specifically, although FSI is the assignee of certain trademarks, Plaintiff must also plead and prove that it has been assigned the rights to sue on the marks upon which it has brought suit.

48. Defendant affirmatively denies that it has ownership or control over the websites or others identified in Plaintiff's First Amended Complaint which may have advertised or promoted the sales of Plaintiff's and/ or Defendant's products. As such, Defendant denies liability for the acts and/ or conduct of third parties over which Defendant did not exercise ownership or control, or have the right to control. In addition, to the extent which Plaintiff has pled that third parties acted to divert sales away from Plaintiff and/ or to Defendant, or has pled that third parties have encouraged others to purchase Plaintiff's products on eBay, Defendant pleads that it did not have the right of control over the acts of these third parties and is therefore not liable in the capacity for which it has been sued. Defendant denies that Plaintiff has demonstrated or can

demonstrate proximate cause between the acts of third parties and any allegations Plaintiff has asserted against Defendant herein.

49. Without waiving the requirements of FED. R. CIV. P. 8 and 9(g) and to the extent that Plaintiff attempts to assert a claim for punitive damages, Defendant invokes its rights under the Due Process clause of the Fifth Amendment of the United States Constitution as applied to the States through the Fourteenth Amendment of the United States Constitution. Defendant affirmatively pleads that the Plaintiff's pleading of punitive damages is violative of the Due Process clauses of the Fifth and Fourteenth Amendments.

III.
REQUEST FOR ATTORNEY'S FEES

50. Defendant hereby pleads and seeks from Plaintiff its reasonable and necessary attorney's fees incurred in the defense of this case pursuant to §1117(a) of the Lanham Act or any other provision of the law which is applicable. Defendant would show that Plaintiff's suit is brought in bad faith, is groundless, unreasonable, vexatious and oppressive.

IV.
CONCLUSION AND PRAYER

WHEREFORE, Defendant prays that Plaintiff take nothing by its suit, and that the Court award Defendant its costs and attorneys' fees as set forth by the Lanham Act and all other state and federal laws and statutes affording such relief, as well as recovery of the reasonable attorneys' fees, court costs and other expenses incurred by Defendant. Defendant requests that this Court grant such other and further relief for which Defendant may show itself to be justly entitled.

Respectfully submitted,

Martin, Disiere, Jefferson & Wisdom, L.L.P.

/s/ Dale Jefferson
Dale Jefferson
State Bar No. 10607900
Federal ID No. 9116
808 Travis, Suite 1800
Houston, Texas 77002
(713) 632-1700 Telephone
(713) 222-0101 Facsimile
jefferson@mdjwlaw.com

ATTORNEY-IN-CHARGE
FOR DEFENDANT FHI HEAT, INC.

OF COUNSEL:

Andrew Schulz
State Bar No. 24033048
Federal I.D. No. 35960
Martin, Disiere, Jefferson & Wisdom L.L.P.
808 Travis, Suite 1800
Houston, Texas 77002
(713) 632-1700 Telephone
(713) 222-0101 Facsimile
schultz@mdjwlaw.com

Gary L. Pate
State Bar No. 24029763
Federal ID No. 29713
Martin, Disiere, Jefferson & Wisdom L.L.P.
808 Travis, Suite 1800
Houston, Texas 77002
(713) 632-1700 Telephone
(713) 222-0101 Facsimile
pate@mdjwlaw.com

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the above and foregoing instrument has been served by certified mail return receipt requested and electronic mail via CM/ECF and by facsimile, on this the 21st day of July, 2008 to:

Via Certified Mail/ RRR and
Via Facsimile No. 713.754.7583
Mr. Anthony Matheny
Mr. Ben D. Tobor
GREENBERG TRAURIG LLP
1000 Louisiana, Suite 1800
Houston, Texas 77002

/s/ Dale Jefferson
Dale Jefferson

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

FAROUK SYSTEMS, INC.	§	
	§	
Plaintiff,	§	
	§	
versus	§	CIVIL ACTION NO. H-07-2333
	§	
FHI HEAT, INC.	§	
	§	
Defendant.	§	

SCHEDULING ORDER

1.	February 1, 2008	**AMENDMENTS TO PLEADINGS and ADDITION OF NEW PARTIES** Party requesting joinder will furnish a copy of this scheduling order to new parties.
2a.	March 1, 2008	**EXPERTS** Plaintiff will designate expert witnesses in writing, listing the qualifications of each expert, the opinions the expert will present, and the bases for the opinions as required under Federal Rule of Civil Procedure 26(a)(2).
2b.	April, 1, 2008	Defendant will designate expert witnesses in writing, listing the qualifications of each expert, the opinions the expert will present, and the bases for the opinions as required under Federal Rule of Civil Procedure 26(a)(2).
3.	June 1, 2008	**DISCOVERY** Counsel may, by agreement continue discovery beyond the deadline. No continuance will be granted because of information acquired in post-deadline discovery.
4.	August 1, 2008	**MOTIONS DEADLINE** Including any motion challenging an expert witness. (only motions in limine on issues other than experts may be filed after this date) The motion deadline may <u>not</u> be changed by agreement.

		JOINT PRETRIAL ORDER
5a.	November 19, 2008	THE DEFENDANT shall supply the Plaintiff with a final version of its pretrial order by this date. (Where available, Defendant should supply Plaintiff with a computer disc)
5b.	November 21, 2008	THE PLAINTIFF is responsible for filing the pretrial order on this date. All Motions in Limine must also be filed by this date.
6.	November 28, 2008	**DOCKET CALL** is set at 1:30 p.m. in Courtroom 9A.
		TRIAL
7.	December, 2008	Case is subject to being called to trial on short notice during this month.
7a.	4	Estimated days to try
7b.	Jury	Trial to be jury or non-jury

The Clerk shall enter this Order and provide a copy to all parties.

SIGNED on this the 5th day of November, 2007 at Houston, Texas.

VANESSA D. GILMORE
UNITED STATES DISTRICT JUDGE