

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

FILED
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CLERK, US DISTRICT COURT
WESTERN DISTRICT OF TEXAS

SPFM, L.P.

vs.

BARE ESCENTUALS BEAUTY, INC.

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CASE NO. SA08CA0072

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COMPLAINT FOR DECLARATORY RELIEF

TO THE HONORABLE UNITED STATES DISTRICT COURT:

NOW COMES Plaintiff, SPFM, L.P., and files this its Original Complaint,
and hereby alleges against Defendant Bare Escentuals, Inc. as follows:

NATURE OF THE ACTION

This is an action for declaratory judgment brought under the Declaratory Judgment Act, 28 U.S.C. § 2201, for the purpose of determining actual questions in controversy between the Parties. The claims alleged herein arise under the Lanham Act, 15 U.S.C. §1051 (2007).

I.

Jurisdiction and Venue

1. The claims alleged herein arise under the Lantham Act, 15 U.S.C. 1051, et. seq. This Court has jurisdiction of these claims pursuant to 15 U.S.C. § 1121, 28 U.S.C. §§ 1331 and 1338, as this case involves claims under the trademark laws of the United States, and related claims of unfair competition. In addition, this Court has jurisdiction over the claims herein pursuant to 28 U.S.C. § 1332, as the dispute is between citizens of different states, and the matter involves a controversy over the sale of goods exceeding \$75,000.00 in value, exclusive of interest and costs.

2. Venue in this case is proper in this district and division pursuant to 28 U.S.C. §1391(b) and (c) as the place where a substantial part of the events or omissions giving rise to the claim occurred, and because the Defendant, as a corporation licensed to do business in the State of Texas, is subject to personal jurisdiction in this state.

II.

Parties

3. SPFM, L.P. (hereinafter referred to as "SPFM") is a Texas limited partnership, with its principal place of business in San Antonio, Texas. Defendant Bare Escentuals Beauty, Inc., (hereafter "B.E."), is a Delaware corporation engaged in the cosmetics business with its principal place of business in California and authorized to do business in the State of Texas.

III.

Background Facts

4. SPFM is a wholesale distributor and reseller of a wide range of manufactured goods. As a reseller, it serves as a middleman, buying goods from manufacturers and other wholesalers, and reselling them to retailers and other dealers. As a middleman SPFM depends on advantageous pricing, and its confidential vendor and customer lists to conduct business.

5. B.E. is a manufacturer of various makeup and beauty products. B.E. sells these products in a variety of ways, including over the Internet, as well as through more traditional retailers. B.E. seeks to control retail pricing by controlling who it will sell its products to and how its products are sold at the retail level.

6. B.E.'s products all bear registered trademarks, and B.E. has asserted that its trademark rights give it control over the activities of downstream purchasers of its products, up to and including the retailers.

7. On information and belief, in 2006 B.E. discovered that some of its products were being sold by Costco Wholesale Corporation (hereafter "Costco"). Costco was not one of B.E.'s selected high-priced retailers, and B.E. sued Costco alleging trademark infringement and unfair competition over those 2006 sales. During discovery in that lawsuit, B.E. learned that Costco had also bought B.E. products from SPFM, in the fall of 2007. SPFM had no involvement in the 2006 sales of products which were the subject of the lawsuit. Even though SPFM had nothing to do with the sales made the subject of B.E.'s allegations against Costco, B.E. has sought discovery, documents and depositions of SPFM, with respect to all sales, of all products, to all customers, unlimited by time. B.E. is clearly continuing its efforts to control pricing through the downstream distribution of its products.

8. SPFM did not buy directly from B.E., nor did it sell directly to Costco, dealing instead with other brokers and middlemen. As a middleman in the buying and selling of goods, distributors are always at risk that they will be bypassed by a manufacturer or retailer, seeking to "cut out the middleman" from future sales. SPFM is a competitor of B.E. in selling products, and a competitor of Costco in buying products. It is therefore critical to its continued success as a wholesale distributor to keep confidential the identity of the parties through whom it deals. The identities of the suppliers and customers of SPFM is a trade secret vital to the success of its business, and is a closely guarded secret.

9. Since SPFM had no involvement in the sales which were the subject of the allegations of B.E.'s lawsuit, it is apparent that B.E.'s legal efforts directed at SPFM are an attempt to discourage or intimidate SPFM from the legitimate business of buying and selling its products. By seeking the discovery which would force SPFM to disclose its trade secrets, and

allow the parties the *B.E./Costco* litigation to have the information to cut it out as a middleman, B.E. is clearly seeking to harm SPFM's business.

IV.

Declaratory Relief Sought

10. Plaintiff incorporates herein by reference each and every allegation set forth in the preceding paragraphs.

11. SPFM seeks a declaration of its rights and legal relations with B.E. SPFM seeks declarations that its purchase and resale of B.E. products, as purchased from another middleman, in no way infringes B.E.'s trademarks or copyrights, and is not in any way a prohibited form of unfair competition. Plaintiff further seeks a declaration that its supplier list and customer list are trade secrets which it need not disclose to B.E., Costco, or otherwise.

12. Once those products have entered the stream of commerce, the owner of the trademark has no further rights to control to whom downstream purchasers may sell. Any downstream sales to an "unauthorized" customer are not unfair competition, and are not a violation of the copyright or trademark laws.

13. Plaintiff has not engaged in any acts whereby its alleged use of Defendant's Marks, or any of them, is a use in a manner likely to cause confusion or mistake, or to deceive the consuming public as to the source or origin of the goods.

WHEREFORE, PREMISES CONSIDERED, SPFM, L.P. prays that Bare Escentuals Beauty, Inc., be cited to answer and appear herein, and that a declaratory judgment be entered that SPFM's conduct in dealing with Bare Escentual's products in no way infringes its trademarks, constitutes unfair competition, or is in any way violative of any of the rights of Bare Escentuals; that SPFM's customer list and supplier list, including the identity of the suppliers

and customers of SPFM, L.P. are trade secrets of SPFM, which it need not reveal to Bare Escentuals, Costco, or otherwise in connection with their disputes; and for such other and further relief as it may show itself to be justly entitled.

Respectfully submitted,

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