

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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CHILEWICH, LLC,

Plaintiff,

v.

WAL-MART STORES, INC.,

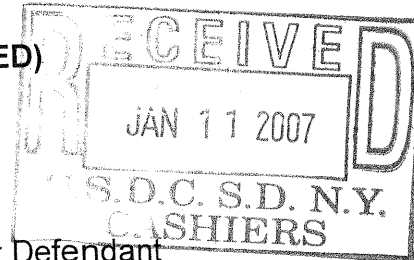
Defendant. :
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07 CV 220

Civil Action No.

COMPLAINT

(JURY DEMANDED)



Plaintiff Chilewich, LLC, by its attorneys, for its Complaint against Defendant

Wal-Mart Stores, Inc., alleges as follows:

1. The purpose of this lawsuit is to seek damages and injunctive relief to stop Defendant Wal-Mart Stores, Inc. ("Wal-Mart") from "knocking off" Plaintiff Chilewich, LLC's ("Chilewich") product designs, by selling place mats which are essentially identical to the designs of Chilewich, protected both by copyright and by trade dress, to Chilewich's significant detriment. Unless Wal-Mart is enjoined from further copying and misappropriation of Chilewich's goodwill, Chilewich will suffer substantial ongoing and irreparable harm.

JURISDICTION AND VENUE

2. This complaint alleges causes of action for copyright and trade dress infringement under the Copyright and Trademark Laws of the United States, 17 U.S.C. §101 et seq. and 15 U.S.C. §1051 et seq.

3. This Court has subject matter jurisdiction in this action pursuant to 28 U.S.C. §§1331 and 1332(c)(1).

4. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(b)-(d) and 1400(a).

THE PARTIES

5. Chilewich is a Limited Liability corporation organized and existing under the laws of the State of New York. Chilewich's headquarters are located at 44 East 32nd Street in New York, New York.

6. Chilewich is a leading designer of original household products of modern design, including specifically place mats, floor coverings, bags and wall coverings.

7. Upon information and belief, Defendant Wal-Mart is a Delaware corporation with its headquarters located at 702 S.W. 8th Street, Bentonville, Arkansas 72716.

8. According to its website, Wal-Mart is the world's largest retailer with \$312.4 billion in sales in the fiscal year ending Jan. 31, 2006, operating more than 3,800 facilities in the United States and more than 2,600 facilities outside the United States. Upon information and belief, Wal-Mart owns and operates numerous retail stores that are located in this jurisdiction.

FACTS COMMON TO ALL COUNTS

9. Chilewich, founded in 1997, sells unique and original home furnishings and related products that are designed by one of its founders, Sandra Chilewich, with the help of her design staff. Ms. Chilewich has been a commercial artist and designer for all of her life. In the late 1970's, as a student with artistic aspirations, she started a company selling hosiery. The company, named Hue, Inc., sold original hosiery designs

that she created. When Ms. Chilewich sold the business to Leslie Fay in 1992, Hue was a successful company that was credited with revolutionizing the leg wear market through the use of innovative knitting, pattern and coloration, and applying same to otherwise standard socks and tights. At the time Hue was sold, the business had sales grossing over \$36 million, and Hue is still a thriving brand in the hosiery world today.

10. In the approximately ten years that Chilewich has been in business, since its opening by Ms. Chilewich, it has become famous and gained widespread renown for selling unique products made from woven vinyl, including specifically table top products (place mats, coasters and runners), floor mats and other floor coverings, wall coverings and hand bags. Chilewich has won many awards recognizing the original and unique design of its products including a Best New Design Award at the 1998 New York International Gift Fair, an award in 1999 from the Industrial Designers of America, and an ICFF Award at the 2001 International Contemporary Furniture Fair in New York.

11. Chilewich's reputation for designing and marketing unique home furnishings is well known in the design marketplace and among consumers interested in well-designed and attractive contemporary products. In recent years, profiles of Chilewich have appeared in publications such as *The New York Times Magazine*, *The Washington Post*, *Crain's New York Business* and *Fortune Small Business*, as well as leading trade publications such as *HFN*, *Matter* and *Hospitality Design*.

12. Chilewich is particularly well known for its attractive and contemporary table top products, especially its place mats. For example, a profile of Chilewich in *The New York Times Magazine* that was published on July 31, 2005 stated:

"In the four years since their debut, Chilewich's mats have altered the way style-conscious New York restaurants think about the table top."

13. One of Chilewich's most popular designs is a design identified as "Bamboo" (hereinafter "Bamboo Design"). This design has been used by Chilewich for table top products, including place mats and coasters, as well as for other products. A photograph of a place mat with the Bamboo Design is annexed hereto as **Exhibit A**.

14. Another very popular design is a design identified as "Engineered Squares" (hereinafter "ES Design"). This design has been used by Chilewich exclusively for place mats. A photograph of a place mat with the ES Design is annexed hereto as **Exhibit B**.

15. The Bamboo Design place mat has a somewhat oriental or zen look, which is tonally balanced. This "look" is characterized by a specific interlace of horizontal and vertical vinyl yarns. When woven together, these yarns create a ground or background which visually appears to have a ribbed look. Overlying this ground, and interspersed throughout it, are horizontal and vertical design motifs which create the overall pattern using some horizontal long and vertical concave faced elements.

16. The "look" of the ES Design is characterized by a series of horizontal and vertical rows (or bands) of color which intersect each other at regular intervals. A rectangular shape, in the form of a square, is located in the center of each intersect. Each rectangular shape appears in the opposite weave structure as the intersect, i.e., the ground and the rectangular shape are a reverse weave of one another. This "reversal" also appears on the "back" of the place mat, so that the weave of the ground

on the back of the place mat is the same as the weave of the rectangular shape on the "front" of the place mat, and vice versa.

17. Since the introduction of Chilewich's Bamboo Design to the marketplace, Chilewich has sold over \$4.6 million of products with this design, including over 400,000 table top products having a wholesale value of over \$2 million.

18. Since the introduction of Chilewich's ES Design, Chilewich has sold over 325,000 place mats with this design, having a wholesale value of over \$2 million.

19. Chilewich's products, including the various items bearing its Bamboo Design and its ES Design, are of high quality, and are manufactured in the United States.

20. Chilewich's Bamboo Design and ES Design products have been sold to over 400 retailers throughout the United States and in 14 foreign countries. Chilewich has also sold place mats with these designs to famous restaurants including the restaurants at the Four Seasons Hotels, the Grand Hyatt New York and the Hilton Philadelphia Plaza. The place mats have also been sold to the "W" hotel chain, where they are used in all room service trays at 21 "W" hotels in the United States and abroad.

21. Chilewich's Bamboo Design and ES Design products, including place mats specifically, are always featured at and are available for view at the Chilewich booth at the many trade shows in which Chilewich participates. The following is a list of the U.S. and International trade shows at which Chilewich has participated in the last few years:

HD: HD2007 Expo 7 conference - US;

Dallas: International Gift & Home Accessories Show - US;

Atlanta International Gift & Home Furnishings Market - US;
July Chicago Gift & Home Market - US;
LA: California Gift Show - US;
San Francisco International Gift Fair - US;
New York International Gift Fair - US;
Seattle Gift Show - US;
International Hotel/Motel & Restaurant Show - US;
Maison objet - Paris; and
Ambiente - Frankfurt

22. Recently, Chilewich discovered that Wal-Mart was selling place mats with designs that were substantially similar to the Bamboo Design and the ES Design. Photographs of the Wal-Mart items corresponding to the Bamboo Design and the ES Design are annexed hereto as **Exhibit C** and **Exhibit D**, respectively.

23. Upon information and belief, Wal-Mart had access to, and copied, the Bamboo Design and the ES Design in “knocking off” and marketing the place mats of Exhibit C and Exhibit D.

24. Upon information and belief, Wal-Mart copied the Chilewich place mats by producing its place mats in China, which is well-known for its blatant copying activities, especially its copying of U.S.-made products. The Supreme Court itself has noted Wal-Mart’s practice of sending products to China for the purpose of having them copied “with only minor modifications.” *See, Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 207-208, 120 S.Ct. 1339, 1341 (2000).

25. The Wal-Mart place mats have the same overall “look” as Chilewich’s Bamboo Design and ES Design place mats.

26. The average purchasers of place mats of modern design, and the trade which has a commercial interest in such products, viewing Chilewich's products, including its place mats, and the corresponding Wal-Mart place mats, would find them strikingly similar and nearly identical in all material respects.

27. The average purchasers of place mats of modern design, and the trade which has a commercial interest in such products, viewing Chilewich's products, including its place mats, and the corresponding Wal-Mart place mats would be confused and would think that the Wal-Mart items are either the Chilewich items, or that the Wal-Mart items are endorsed by or sponsored by or licensed by Chilewich.

28. The average purchasers of place mats of modern design, and the trade which has a commercial interest in such products, viewing the Wal-Mart place mats, at prices in the range of about 25% of the price Chilewich place mats are sold through its retailers, will believe that Chilewich has gone "downstream" to a mass market discounter, and Chilewich will thus lose the carefully nurtured image that it has obtained for its products in general, and its place mats in particular.

COUNT I
(Copyright Infringement)

29. This cause of action arises under the Copyright Laws of the United States, Title 17 United States Code Sec. 101 et seq.

30. Chilewich repeats and realleges the allegations of paragraphs 1-28, as if set forth fully herein.

31. Chilewich's Bamboo Design consists of material which is wholly original and is copyrightable subject matter under the Copyright Laws of the United States, 17 U.S.C. Sec. 101, et seq.

32. Chilewich has previously duly complied with the provisions of the Copyright Laws of the United States, has secured rights and privileges in and to its Bamboo Design, and has duly requested and received from the Register of Copyrights a Certificate of Registration pertaining to said design, identified as "Bamboo" Copyright Registration No. VA 1-292-441. A copy of said issued Certificate of Copyright Registration is attached hereto as **Exhibit E**.

33. All copies of Chilewich's Bamboo Design have been sold and/or used in conformity with the provisions of the Copyright Laws of the United States.

34. Wal-Mart, upon information and belief having full knowledge of the copyright rights of Chilewich in the Bamboo Design as alleged herein, has infringed the aforesaid copyright of Chilewich by manufacturing, publishing, displaying, vending, distributing, selling, promoting and/or advertising place mats with a design containing substantial material copied from Chilewich's Bamboo Design, as evidenced by the infringing place mat of Exhibit C.

35. All of the acts of Wal-Mart as set forth in the preceding paragraphs were undertaken without the permission, license, or consent of Chilewich, and are irreparably damaging Chilewich. Plaintiff has given notice to Wal-Mart of its rights, and Wal-Mart has failed to stop its wrongful activities.

36. The activities of Wal-Mart have diminished and will continue to diminish the inherent value and marketability of Chilewich's Bamboo Design.

37. Chilewich has no adequate remedy at law.

38. Chilewich has been damaged in an amount as yet unknown, but if the infringement continues, Chilewich believes that said damage to its reputation and sales will be in excess of one million (\$1,000,000) dollars.

COUNT II
(Copyright Infringement)

39. This cause of action arises under the Copyright Laws of the United States, Title 17 United States Code Sec. 101 et seq.

40. Chilewich repeats and realleges the allegations of paragraphs 1-28, as if set forth fully herein.

41. Chilewich's ES Design consists of material which is wholly original and is copyrightable subject matter under the Copyright Laws of the United States, 17 U.S.C. Sec. 101, et seq.

42. Chilewich has previously duly complied with the provisions of the Copyright Laws of the United States, has secured rights and privileges in and to its ES Design, and has duly requested and received from the Register of Copyrights a Certificate of Registration pertaining to said design, identified as "Engineered Squares" Copyright Registration No. VA 1-281-505. A copy of said issued Certificate of Copyright Registration is attached hereto as **Exhibit F**.

43. All copies of Chilewich's ES Design have been sold and/or used in conformity with the provisions of the Copyright Laws of the United States.

44. Wal-Mart, upon information and belief having full knowledge of the copyright rights of Chilewich in the ES Design as alleged herein, has infringed the aforesaid copyright of Chilewich by manufacturing, publishing, displaying, vending, distributing, selling, promoting and/or advertising place mats with a design containing substantial material copied from Chilewich's ES Design, as evidenced by the infringing place mat of Exhibit D.

45. All of the acts of Wal-Mart as set forth in the preceding paragraphs were undertaken without the permission, license, or consent of Chilewich, and are irreparably damaging Chilewich. Plaintiff has given notice to Wal-Mart of its rights, and Wal-Mart has failed to stop its wrongful activities.

46. The activities of Wal-Mart have diminished and will continue to diminish the inherent value and marketability of Chilewich's ES Design.

47. Chilewich has no adequate remedy at law.

48. Chilewich has been damaged in an amount as yet unknown, but if the infringement continues, Chilewich believes that said damage to its reputation and sales will be in excess of one million (\$1,000,000) dollars.

COUNT III
(Trade Dress Infringement)

49. This cause of action arises under the Lanham Act, 15 U.S.C. §1051 et seq., including 15 U.S.C. §1125.

50. Chilewich repeats and realleges the allegations of paragraphs 1-28, as if set forth fully herein.

51. For several years, Chilewich has sold and offered for sale distinctive place mats and related products bearing its Bamboo Design and ES Design. These items have met with considerable success and have engendered considerable and favorable "press".

52. As a result of such sales, and associated advertising and promotional activities, and such favorable stories in both the trade and consumer publications, the Bamboo Design and ES Design place mats and related products have become distinctive and have acquired secondary meaning indicating to the trade and/or consumers a single source for these items, thereby serving to distinguish said items from competitive items of third parties. Accordingly, products bearing the Bamboo Design and the ES Design have acquired a distinctive, non-functional and protectable trade dress.

53. Wal-Mart has appropriated the protectable "look" of Chilewich's Bamboo Design and ES Design place mats.

54. Wal-Mart, in selling and marketing their products (exemplified by the place mats of Exhibit C and Exhibit D), is likely to cause confusion, mistake or deception in the trade and with the purchasing public as to the source or origin or sponsorship of said items and/or are likely to cause the trade and/or the purchasing public to incorrectly believe that Wal-Mart's items originate with, are endorsed by, or are otherwise associated with Chilewich.

55. The confusion set forth in the preceding paragraph includes, but is not

limited to, confusion engendered before sale of the Wal-Mart items (initial interest confusion) in which purchasers and potential purchasers will be drawn to the items in question because of their knowledge of the Chilewich items, and confusion engendered after sale of the items in question (post sale confusion) in which purchasers and prospective purchasers will see the Wal-Mart items as used and mistakenly believe that these items are associated or sponsored by Chilewich.

56. All of the acts of Wal-Mart as set forth in the preceding paragraphs were undertaken without the permission, license, or consent of Chilewich, and are irreparably damaging Chilewich. Plaintiff has given notice to Wal-Mart of its rights, and Wal-Mart has failed to stop its wrongful activities.

57. The activities of Wal-Mart have diminished and will continue to diminish the inherent value and marketability of Chilewich's Bamboo Design and ES Design.

58. Chilewich has no adequate remedy at law.

59. Chilewich has been damaged in an amount as yet unknown, but if the infringement continues, Chilewich believes that said damage to its reputation and sales will be in excess of one million (\$1,000,000) dollars.

WHEREFORE, Chilewich demands:

A. That Wal-Mart, its agents, servants, related companies, and all parties in privity with it, be enjoined preliminarily and permanently from infringing the copyrights and trade dress of Chilewich either by selling, advertising, manufacturing, illustrating, publishing, displaying, vending, distributing, offering to sell, shipping, delivering, or

promoting place mats or other products that are substantially similar to, or likely to be confused with, Chilewich's Bamboo Design and ES Design;

B. That Wal-Mart be required to pay the Chilewich such damages as Chilewich sustained as a consequence of its infringement and to account for all gains, profits and advantages derived by it from said infringement, and that such award for damages be trebled due to willful and wanton nature thereof;

C. That Wal-Mart be responsible for enhanced statutory damages due to the willful nature of its infringement;

D. That Wal-Mart pay to Chilewich its costs of this action and Chilewich's reasonable attorneys' fees, as the Court may allow Plaintiff.

E. That Chilewich be granted such other and further relief as the Court may deem just.

JURY DEMAND

Plaintiff demands a trial by jury.

Respectfully submitted,

GOTTLIEB, RACKMAN & REISMAN, P.C.

Attorneys for Plaintiff

270 Madison Avenue, 8th Floor

New York, New York 10016-0601

(212) 684-3900

By: 

George Gottlieb (GG 5761)

Barry A. Cooper (BC 9298)

Dated: New York, New York
January 11, 2007