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September 4, 1986

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FILE _____

Mr. Larry Burrus
104 Crepe Myrtle
San Marcos, Texas 78666

Dear Larry,

I enclose a copy of the letter from Jo Ann Horton. I should write her back to answer her questions. Give me a call if there's anything in particular you want me to tell her.

Sincerely,



Ann Livingston

AL/jb
Enclosure

Jo Ann Horton

4122 Marlowe
Houston, Texas 77005
713 • 667 • 4652

August 28, 1986

Ms. Ann Livingston
Gunn, Lee & Jackson, P.C.
Travis Park Plaza
711 Navarro, Suite 720
San Antonio, Texas 78205

Dear Ms. Livingston:

Please excuse my delay in answering your letter of August 15. I have been out of state and have just been able to catch up on my correspondence since returning.

I have been totally unaware that C.A.S.I., Inc. has received a copyright on the rules packets, therefore they have not been so marked. Naturally, I would be most happy to cooperate in marking these materials with the copyright date, etc., as they have requested. I have assisted C.A.S.I., Inc. for some time by distributing these materials to those requesting them and would like to do so in the future.

I would request that I might be permitted to continue using the packets that have already been printed, and just write the copyright date on the bottom until such time as we receive the rules for the upcoming chili year, which begins on October 1. When these are printed, they can be so marked before printing. This would save unnecessary expense in having all these materials reprinted for only about one month's use. I hope that this is satisfactory.

As for distributing these materials only to persons who have indicated to me that they are participating or intend to participate in a C.A.S.I. sanctioned event, this is the same as I have been doing. The indication, however, is verbal, and I have no way of determining if they are telling the truth, but I don't know why they would not be doing so. I shall continue in this as per their request.

So, please, if you will notify me as to what copyright date to show on these materials, and maybe a number (should we also put the number on the materials?), I will begin to mark said materials as requested. Also, please, at the same time, notify me if it is satisfactory to simply write the information on until the printing of the new kits. I will consider your reply to constitute C.A.S.I., Inc.'s permission to continue to distribute these rules kits.

Sincerely,



Jo Ann Horton

FEDERAL AND STATE TRADEMARK SEARCHES
PERFORMED FOR
CHILI APPRECIATION SOCIETY INTERNATIONAL, INC.
(G-1039)

I.
CURRENT TRADEMARKS OWNED BY
CHILI APPRECIATION SOCIETY INTERNATIONAL, INC.

A. Table of Marks:

TRADEMARK TITLE	SER./REG. NO.	REG. DATE	RENEW DATE	ITEM DESCRIPTION	EX. #
CASI & Design (Texas) (Int'l Cl. 42)	Reg. 43,339	4/11/84	4/11/94	Collective membership mark	1
CASI & Design (Texas) (Int'l Cl. 41)	Reg. 43,284	4/2/84	4/2/94	Service Mark. Services including conducting chili cooking contents.	2
CHILI APPRECIATION SOCIETY INTERNATIONAL (USA) (Int'l Cl. 41)	Reg. 1,305,397	11/13/84	Expired - failure to file Sec. 8 and 15 Affidavits	Service mark. Services related to organizing, promoting, and conducting chili making contests and events promoting chili. Originally filed by Tolbert Group and assigned to Chili Appreciation Society International, Inc. after lawsuit.	3
CHILI APPRECIATION SOCIETY INTERNATIONAL (USA) (Int'l Cl. 41)	Ser. 74/240,215			Renewal application for Reg. #1,305,397. Approved by U.S. Patent and Trademark Office for publication on _____.	4
CASI & Design (USA) (Int'l Cl. 41)	Reg. 1,602,976	6/19/90	6/19/2000	Service Mark. Services - conducting a chili making contest.	5
CASI & Design (USA) (US Cl. 200)	1,664,573	11/12/91	11/12/2001	Collective membership mark.	6

??
1,604,975

CASI & Design (USA) (Int'l Cl. 41)	1,602,975	6/19/90	6/19/20 00	Service Mark. Services - organizing and conducting chili making events.	7
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B. What the Marks mean and the rights they confer on Chili Appreciation Society International, Inc.

Chili Appreciation Society International, Inc. (CASI) is the owner of both Texas and Federal registrations for "CASI & Design" and "Chili Appreciation Society International". "CASI & Design" is registered as a service mark and as a collective membership mark. "Chili Appreciation Society International" is also registered as a service mark for organizing chili making events.

1. Basic Definitions and CASI's exclusive right to use.

A service mark identifies and distinguishes the services of one company from another. The Lanham Act which is the federal legislation governing trademark law provides:

The term "service mark" means any word, name, symbol or device, or a combination thereof: (1) used by a person; or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish the services of one person, including a unique service, from the services of others and indicates the source of the services, even if that source is unknown.¹

Typical service marks are retail department store names (Saks and Macy's), bank names (CitiBank), and restaurant names (Maxims and Lutese). The same names can be both a trademark and a service mark. For example, Saks is a service mark for department store services, and it is also a trademark for clothing sold under the Saks label.

A collective mark is used to indicate membership in a collective or group. A 4-H club member uses the 4-H club symbol to indicate membership in the 4-H club. Thus speaks the Lanham Act:

The term "collective mark" means a trademark or service mark: (1) used by members of a cooperative, an association or other collective group or organization; or (2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, and includes marks indicating membership in any union and association or other organization.²

The most basic right CASI and its members have gained through use and registration of its mark is the exclusive right to use the collective membership marks to show their membership in CASI and the exclusive right for CASI to use the service marks to promote its chili making events.

¹ 15 USCA § 1127 (West 1992 & Supp. 1990) hereinafter "U.S.C.A." without date.

²Id.

2. CASI's right to stop others who use confusingly similar marks.

CASI not only has the exclusive right to use the marks it has registered, CASI also has the right to stop others who use confusingly similar marks. This right stems from the desire for consumer protection and protection of the owner's goodwill in the mark. The Lanham Act fosters these two interrelated purposes by prohibiting the use of a mark likely to cause confusion, mistake, or deception.³

"Confusion" includes confusion between products as well as confusion to endorsement, sponsorship, or any connection with the trademark owner. "Confusion" is not limited to confusion of purchaser or confusion of source of origin. Rather, the Lanham Act outlaws the use of trademarks which are likely to cause confusion, mistake or deception of any kind before and after the purchase.

"Likelihood of confusion" is confusion by an appreciable number of average purchasers of the products in issue. If the product is sold only to skilled technicians, then the average purchaser is the skilled technician. If the product is sold to the general public, the average purchaser is the general public. The care exercised by the general public is a function of the type applied to the product. Less care is involved in the purchase of chewing gum than in the purchase of automobiles or pianos.

In assessing the chance of protecting CASI's service marks and collective marks in court, remember that the court sits in equity. Trademark cases do not turn on the cut and dried application of legal principles. Rather, they turn on equitable considerations. Any time another user can be pictured as the bad guy (e.g., through evidence of copying), CASI's chance of success improves. By the same token, if CASI were to engage in misrepresentation to the court or others, or indulges in other non-good guy behavior, CASI had better be thinking of settlement.

Another user's case will also be stronger when it has a large investment in the mark. Courts bend over backwards to permit continued use of even identical marks when the second user has made a substantial investment in good faith. The key phrase here is "good faith". A substantial investment in bad faith will get the defendant little sympathy. In the final analysis, it is the court's perception of the equities (i.e., the relative harm to each party) and the public interest in protection from confusion that will determine the winning party in a trademark action.

3. CASI must use to maintain.

To maintain its trademark registration, "use it or lose it" should be CASI's motto. Use is not only essential to establishing trademark rights, continued use is essential to preserving trademark rights. Thus, it is essential that CASI use the marks in conjunction with your services and also encourage your members to use the collective membership mark as well.

³ 15 U.S.C. § 114.

4. Summary.

CASI has the right to stop anyone who uses a mark confusingly similar to CASI's registered marks. Chili Appreciation Society International, Inc. should fully use its marks and ensure they are used in the proper manner.

C. Proper use of Chili Appreciation Society International, Inc.'s marks.

The rules of proper use are designed to emphasize the special status of the mark. To be sure that the mark does not become generic and thus unprotectable, it should be used with a generic term. The more descriptive a mark is, the more frequently the generic term should be seen with the mark. This consistent reference to the generic term teaches the consumer that the trademark is not the common name for a kind of good. For example, when using your registered service mark "Chili Appreciation Society International", you could say Chili Appreciation Society International Chili Cookoff.

To further set off the mark, you could use 1) quotation marks around the mark; 2) larger type, all caps or initial caps; (3) different colors; (4) distinctive lettering; and/or 5) phrases such as "only from CASI & Design" or "exclusively from CASI & Design" or "made only by CASI & Design."

In addition, to set off the mark, the® ("R" in a circle) should always be used behind the mark. Use of this type of notice is not mandatory, but either a statutory notice or defendant's actual notice of plaintiff's registration is a pre-requisite for recovery of damages and profits in a lawsuit for trademark infringement. Therefore, your best bet in obtaining damages or relief would be to always use the® with all of your registered marks. One note -- statutory notice should not be used until the registration has issued. Therefore, until your renewal registration for "Chili Appreciation Society International" has issued, you should use only a "TM" in the circle instead of the "R" in the circle.

D. The consequences of improper use.

An occasional improper use will not turn your trademark into a generic term. But widespread improper use can cause the mark to lose its exclusive association with a single source and become freely useable by all. This terrible fate has befallen a host of former trademarks, including aspirin, yo-yo and raisin bran. Improper use by the trademark owner will be a prime factor in deciding if the term should be protected. When the trademark owner uses his mark in a generic manner, the court will be reluctant to enforce trademark rights.

As to misuse by others, including by your Great Peppers or PODS, you would be well to take affirmative action. Protest letters should be directed to anyone guilty of misuse, including newspapers, dictionaries, trade journals, reference works and competitors. After sending the letters, a follow up must be performed to ensure the misuse is corrected. Where misuse appears to be a serious problem, an advertising campaign can be an effective antidote.

E. Suggestions for effectively promoting Chili Appreciation Society International's services and group.

Attached as Exhibit 8 is a November 13, 1989 letter from Mark Miller to Mr. A. Vann York, Director of Chili Appreciation Society International, Inc. Within this letter, Miller has set forth various ways that Chili Appreciation Society International, Inc. can more fully use and obtain value from its service marks and collective marks. As Miller wrote after attending a CASI event in Terlingua, "for an organization that has spent so much money fighting trademark battles, you do not brag enough about yourself. While a few CASI signs were in evidence and you had a CASI poster available, the organization is not effectively promoting its name. None of the t-shirts sold at the CASI-Terlingua cookoff had CASI marks or logos on them."

Some of Miller's suggestions included selling CASI logo t-shirts and other walking billboard memorabilia. People who buy and wear CASI logo t-shirts are more likely to be loyal to CASI and to drive by "those other guy's encampments" than other people who do not wear or who have never seen a CASI logo t-shirt. Other accessories such as hats, belt buckles, vests, patches, banners, pins, medals, pots, chili bowls, spices, spice containers, belts, cookbooks, rules, beer mugs, etc., should all be considered. Further, everyone who goes to Terlingua and pays to get in should get something they can wear to future cookoffs, if only a pin or button. Be sure that these have a large CASI logo on each. Other items he had suggested were cheap awards, ribbons, banners, pins or patches and including more signs along the way between Study Butte and Terlingua to assure that people coming to your event will not mistakenly go to the Tolbert's event instead.

Furthermore, he also noticed, much of your advertising does not include the ● or copyright notices. Both should be used extensively to ensure that nothing is copied. As relayed above for proper use of the mark, the ● should only be used if the mark is actually registered, whereas the "C" in a circle and the copyright date for posters, publications, rules, etc., handed out by Chili Appreciation Society International should and may include the "C" in a circle without registration. The proper copyright notice should read:

● (Year created) Chili Appreciation Society International, Inc.

Because neither Mr. Miller nor I were able to attend your latest Terlingua event, I cannot commend you on your success in the intervening three years between his letter and today's date. But if you have taken some of his advice and applied your logos to t-shirts, hats, chili pots, etc., hopefully you have also used the proper marking to ensure that anyone who sees this memorabilia will know that your trademarks are registered.

F. CASI's Great Peppers & POD's.

Although it appears that Gunn, Lee & Miller has not been greatly involved with the Great Pepper or POD's divisions, we hope that CASI has instructed these members on the proper usage of the CASI owned trademarks. CASI may not be aware, but if persons using their marks are using them improperly, this improper use can be used against CASI to invalidate their marks. Consequently, if you are allowing the Great Peppers and the POD's to use your service marks, they should be instructed on the proper usage. In addition, Miller has on several occasions requested that you forward your By-laws to us so that we can review the documents to ensure proper use restrictions are in the By-laws. If this has not been done, it should be done immediately.

II.
RAY KING AND CASI, INC.

A. CASI's ability to stop Ray King from using CASI, Inc.

Ray King incorporated CASI, Inc. on _____, 19____, before Chili Appreciation Society International, Inc. was incorporated in 1983. On several occasions, Chili Appreciation Society International, Inc. has asked whether it could make Ray King change the name of CASI, Inc. In short, the answer is "no". Ray King can continue to maintain CASI, Inc. and use CASI, Inc. as its corporate name as long as he is willing to pay franchise taxes.

But, although Ray King can continue to use "CASI, Inc." for his corporation, he does not have the right to use the term "CASI" to identify any goods or services and CASI does have the right to stop him from using the term "CASI" in public to identify any chili related goods or services.

Corporate names and assumed name registrations do not count as a trademark, meaning the name that the Corporate Division of the Secretary of State's Office calls you is only the corporate name. Incorporating does not give you the right to use the corporate name in public. Given that CASI, Inc. is assumably a dormant corporation, only the society uses the term in public to identify itself and its good and services, the society legally has acquired exclusive trademark and service mark rights to the term "CASI" through its use of the term to identify goods and services. A further discussion of this topic can be found in Exhibit 9, a November 15, 1989 letter from Mark Miller to Bob Whitehead.

B. Assignment from Ray King after Judge Lucius D. Bunton's Order.

In mid-1989, CASI was concerned about the assignment records at the Patent and Trademark Office (PTO) because of Judge Bunton's Order ("Order"). The Order was filed with the PTO to register the assignment from The Tolbert group of U.S. Registration No. 1,305,397. Unfortunately, within the Order, the Court called Chili Appreciation Society International, Inc. "CASI, Inc.". As everyone understands, CASI, Inc. and Chili Appreciation Society International, Inc. are not the same corporations. Consequently, to fully clarify the matter, CASI requested Miller obtain a clarification assignment from Ray King (CASI, Inc.) and file it with the PTO.

In November 1989, Miller prepared a Trademark Ownership Clarification and Assignment (Exhibit 10). From our records, it appears that this document was signed by Chili Appreciation Society International, Inc. and forwarded to Ray King, President of CASI, Inc. Our files do not reflect that this document was ever signed by Mr. King, or filed with the PTO. Yet, due to the circumstances surrounding Registration 1,305,397, this problem has probably been cleared up.

If you recall, Registration No. 1,305,397 went abandoned for failure to file a Section 8/15 Affidavit between the fifth and sixth years of the registration's life. Gunn, Lee & Miller, P.C., promptly refiled an application to this term at no cost to the Society. We have recently received notice from the Trademark Office that the renewal application filed will soon issue. It will issue under the name of "Chili Appreciation Society International, Inc." Consequently, the assignment records will be clarified concerning the renewal application. Therefore, it does not appear that the Trademark Ownership Clarification and Assignment needs to be prepared again or filed.

C. Ray King's current status.

While performing a trademark search on the current status of ICS and the Tolbert group, I came across several intent-to-use applications that have recently been filed by Ray King. These include "Ray King's Taste of Terlingua Cookbooks", and "Ray King's Taste of Terlingua Foods". Both of these are registered by Ray King individually and not by CASI, Inc. The latter registration is for hot sauce and seasoning mixes for chili and fajitas, and other Mexican-Southwest style dishes. (See Exhibit 36)

III.

CHILI APPRECIATION SOCIETY INTERNATIONAL, INC. VS. THE TOLBERTS

CASI has its roots in a Dallas restaurant where a loose association of friends and persons met over weekly chili bowls. Some allege the association was begun as early as the 1940's. However, by 1957, and certainly for several years before, a group of persons including, but not limited to, Bill Neele, George Hadday, Frank Tolbert, Tim Tierny, and Dave Whits, calling themselves "Chili Appreciation Society International", combined their talents and resources to found a "cookoff" in Terlingua, Texas.

When the cookoff began, Tolbert, a newspaper columnist, was already well known for his occasional articles about chili. Bill Neele, a commercial artist, created posters. Members of the association proclaimed themselves judge, mayor, water commissioner, and other roles. The cookoff was the theme for a gathering of friends to have a party. In the first decade, no one controlled the event. However, there was an organization of sorts, which informally rolled along from one cookoff to the next.

A. Facts leading up to the Tolbert lawsuit.

As the years passed, Chili Appreciation Society International took on a more formal structure and definition. It began promulgating rules, and later it developed a system of organizing and supporting local chapters of cooks and other persons interested in chili-related activities.

It is rumored that the split between the Tolbert group and CASI was due to CASI refusing in 1982 to allow two European cooks to compete at Terlingua. In 1982, Frank Tolbert brought two Europeans to Terlingua who he wanted to enter into the competition. Many cooks protested because, unlike the foreigners, they had earned their place at Terlingua by qualifying at other cookoffs. Since most of the cooks had invested thousands of dollars and dozens of weekends in the hope of winning a trophy, they wanted everyone to observe the same rules and regulations. Consequently, Tolbert organized his own cookoff in Terlingua the following year (1983). The parties then both tried to stake a claim in the marks, which had been theretofore associated with the fellowship or association of chili lovers.

Tolbert applied for a Federal trademark registration for "Chili Appreciation Society International". The sample of use submitted by him with the application was an advertisement for the 1967 Terlingua cookoff. In 1984, the Patent and Trademark Office issued Federal Reg. No. 1,305,397 for the mark "Chili Appreciation Society International" to the Estate of Frank Tolbert. The registration covered services related to organizing, promoting and conducting chili cooking contests and events promoting chili.

Chili Appreciation Society International, Inc. obtained a Texas service mark registration, No. 42,384, for "CASI & Design", and a collective membership mark registration, No. 43,339, for "CASI & Design".

B. Judge Lucius D. Bunton's Order and what it bestowed upon Chili Appreciation Society International, Inc.

This conflict led to and was revised by "CASI, Inc. v. International Chili Society, Inc. Attached hereto as Exhibit 11, is Judge Bunton's Order that Chili Appreciation Society was the winner.

The Court found (1) the ownership of the CASI trademark was not acquired by Tolbert merely through the act of registration; (2) Chili Appreciation Society International, Inc. acquired ownership of the mark "Chili Appreciation Society International" through the use by its predecessor association, the Chili Appreciation Society; and (3) Chili Appreciation Society was the first user of the collective mark "Chili Appreciation Society International" prior to 1967 and the service mark of the same name in 1967 in connection with the Terlingua cookoff.

Based on these findings, the Court ordered the Commissioner of Patents and Trademarks to certify the ownership of Reg. No. 1,305,397 in the name of Chili Appreciation Society, International, Inc. and to make the appropriate entries upon the assignment records, and Chili Appreciation Society International, Inc. pay to the Tolberts the standard amount representing the legal fees and costs normally associated with filing for registration with the Trademark Office.

The court refused to rule on the question of whose cookoff would be the 'official' cookoff of the chili world." Rather, the Court found the issue in suit related solely to the ownership of the trademark and the question of past infringement. Further, the Court warned the parties that which cookoff was the original should be seen as an issue of good sense and decency, and that the parties not look to the court to resolve this issue. This said, the Court found the Tolbert group's dedication of their previous annual cookoff in the name of Frank Tolbert was consistent with his large contribution to the development of this peculiarly American phenomena of chili culture.

In summary, Judge Bunton's order granted upon Chili Appreciation Society International, Inc. ownership rights in the mark "Chili Appreciation Society International". It did not bestow upon CASI the right to be called the "official" cookoff or to demand that the Tolbert's not call theirs the "official" cookoff.

C. Rules and regulation controversy.

In early 1990, after Judge Bunton's Order, the Tolbert Group began undermining Chili Appreciation Society International, Inc.'s cookoffs by (1) stealing, adopting and using Chili Appreciation Society International, Inc.'s rules and regulations for their Tolbert cookoffs; (2) sending all Chili Appreciation Society International cooks listed in the Goat Gazette copies of the Tolbert rules; (3) calling their event the 24th Annual Terlingua Chili Cookoff; and (4) calling their cookoff "The Original" (see Exhibits 12-14).

On March 28, 1990, Miller forwarded Bob Whitefield Exhibit 15, a cease and desist letter to the Tolbert group and the Statement for the Tolbert group to sign. The Statement asked the Tolbert Group to agree to: (1) respect CASI's rights under the Lanham Act, Title V, USC § 1125(a), by not making descriptions or representations to the public which were contrary to Judge Bunton's Order; (2) respect CASI's agreements with chili cookoff promoters who have agreed to conduct their cookoff under CASI rules; (3) respect CASI's copyright rights in its "CASI Rules" as set forth in the Copyright Act of 1976, Title 17 USC; and (4) not (a) describe

or represent that the Tolbert cookoff in Terlingua began prior to 1983, or that its chili cookoff at Terlingua was the "original" Terlingua chili cookoffs, (b) solicit or mail Tolbert packs of information to chili cookoff promoters or contact persons who the Tolbert Group reasonably knows have already agreed with CASI to conduct their cookoffs under CASI rules, (c) solicit chili cookoffs that the Tolbert Group reasonably knows have already agreed to cook at the annual CASI Terlingua cookoff to cook at the annual Tolbert Group Terlingua cookoff, and (d) copy CASI's chili cookoff rules.

On May 21, 1990, Rex Jones gave the authorization to Miller to forward the cease and desist letter to the Tolbert Group (Exhibit 16). On May 22, 1990, Mark Miller forwarded Exhibit 17, which included the cease and desist letter, Statement, and other attachments comprising the Tolbert rules, to Terlingua International Championship Cookoff, Inc. On June 12, 1990, Terlingua International Championship Cookoff, Inc. acknowledged receipt of Miller's letter and informed Chili Appreciation Society International, Inc. that they had disseminated the letter to their directors and would have a directors meeting so that they could respond to the letter. (Exhibit 18)

After Exhibit 18 was sent, no further correspondence was sent by the Tolberts. Therefore, on September 17, 1990, Miller forwarded Exhibit 19 requesting immediate action. On October 9, 1990, the Tolbert Group responded with their letter indicating that they had several lawyers reviewing the letter and Judge Bunton's Order and that they would respond with a formal reply in the near future. (Exhibit 20)

The Tolbert Group did not officially respond nor did they sign the statement. Rather, they stopped mailing their information to cooks in cookoffs listed as CASI cookoffs and agreed to send their cookoff kits only when they were requested. Postcards reflecting this action are attached as Exhibit 21.

In June 1991, Miller forwarded further information to Rex Jones, President of CASI, reviewing the postcards that were then being disseminated by the Tolbert group, as reflected in Exhibit 21. Miller's letter is Exhibit 22. Basically, CASI questioned the rights the Tolbert group had concerning CASI winners. Mr. Miller explained that the winners names were not trade secrets and, therefore, not protectable. He further informed CASI that their only true argument with the Tolbert Group at that time was the Tolbert's use of the term "original". Miller's suggestion was to simply send a bullet-type letter to the Tolberts complaining about their use of "original", and then to give CASI cooks, promoters and chairmen a more detailed explanation of why they were receiving postcards from the Tolbert Group. Miller advised that this response to the Tolbert Group would save time and money which would be better spent making CASI cookoffs better. This suggestion was accepted.

Based on previous instances of the Tolbert group taking and using CASI rules and regulations, CASI should consider filing for a copyright in its current rules and regulations.

In addition, attached as Exhibit 35 are copies of filed registrations with the Copyright Office for CASI's rules. Please note, these rules are currently listed as owned by CASI, Inc. Therefore, we should file an assignment with the Copyright Office. We should also file an assignment from CASI, Inc. to Chili Appreciation Society International, Inc. for all updated rules that may have been written since the initial copyright applications in Exhibit 35 were filed.

D. Tolbert Group Trademark Registration.

"Tolbert's Original Chili Parlor and Native Texan Foods" and "Tolbert's Chili Parlor" were both filed January 1988, but allowed to go abandoned in mid-1989. Both of these marks were filed by the children of Frank Tolbert. In addition to checking for marks registered by one of the Tolbert children, I also checked marks that may have been owned or assigned to Al Hopkins, and as the Terlingua International Championship Chili Cookoff, Inc. No marks were found that claimed the ownership or assignment to either of these entities. (Exhibit 36 - complete search.) It appears the Tolbert group has given up filing for trademark registrations.

IV.
INTERNATIONAL CHILI SOCIETY, INC.

A. Chili Appreciation Society International, Inc. cannot use a mark which includes the words "World" or "World Championship".

On or about October 31, 1985, Mr. Vann York of Chili Appreciation Society International, Inc. received Exhibit 23 from the attorneys for ICS. Exhibit 23 is a cease and desist letter demanding that CASI not use the phrase "19th Annual CASI World Championship at Terlingua" to advertise its chili cookoff. ICS claimed that due to a previous court order and the secondary meaning the mark had obtained, that no one could use the words "World" or "World Championship" in conjunction with organizing or conducting chili making contests. In response to Exhibit 23, Mr. Vann York forwarded Jerry Mills Exhibit 24. From Mr. York's letter, ICS claimed that CASI gave them assurances that they would never use the words "World" in conjunction with a chili cookoff.

It appears that after Mr. York sent Exhibit 24, Attorney Larry Pennonie of Chamberlain, Hrdlicka, White, Johnson & Williams of Houston, Texas advised CASI that the mark was invalid. CASI thus advertised their 1986 chili cookoff in Terlingua as "World's Chili Championship". In response to this advertisement, Mr. Mantel, a second ICS attorney, forwarded Mr. Pennonie a second cease and desist letter demanding that Chili Appreciation Society International immediately make a public retraction for the use of ICS's mark. They also threatened that if such retraction was not made that a lawsuit would be immediately filed (Exhibit 25).

A complaint was formally filed on December 18, 1986 (Exhibit 34). In response to the complaint, Attorney Ann Livingston of Gunn, Lee & Miller sent York and Burrus Exhibit 26 outlining CASI's options. Boiled down, CASI's options were to: (1) settle and try to get more favorable settlement terms than were outlined in the first settlement agreement; or (2) defend the suit and contest registration of ICS by taking the position that it was procured by fraud. CASI decided to pursue the first option and began settlement talks with ICS.

In an undated letter, Exhibit 27, Livingston responded to ICS's settlement with a new agreement with the following changes: (1) the service mark "World's Championship Chili Cookoff" was not valid, but rather it was not invalidated; (2) the mark had not acquired secondary meaning; (3) CASI could use the word "World" because it was a very common word and thus descriptive; and (4) CASI could not use the term "World Championship". A signed "Agreement Re World Championship Chili Cookoff Service Mark" was forwarded with this letter to ICS. In response to the changes made by Livingston, ICS's attorney requested further information and still maintained that CASI could not use the terms "World" or "World Championship". (Exhibit 28)

Exhibit 29 is the final "Mutual Settlement Agreement" that was signed between CASI and ICS. In sum, the agreement states that (1) "World Championship Chili Cookoff Registration No. 1,100,374, is valid and subsisting and has achieved incontestable status, and that ICS had developed secondary meaning in association with this trademark"; (2) that CASI and all others in active concert or participation therewith who receive actual notice of this Order would not directly or indirectly partake in, perform, authorize, approve, suggest, or sanction any activity infringing the exclusive rights of ICS in and to its service mark "World's Championship Chili Cookoff".

Due to this settlement, CASI MAY NOT use the words "World Championship" or "World" in close proximity to "Championship" or "Cookoff", or any simulation or colorable imitation thereof in connection with the organizing and conducting of chili making contests, except CASI MAY use the word "World" in a descriptive sense to describe chili cookoffs. Meaning, the word "world" can only be used on advertising or promotional material in which another service mark such as CASI's "Chili Appreciation Society International" marks is the predominant mark. By way of example, such uses may include "world renowned cooks" or "world class cooks". Further, CASI is also restricted from approving, authorizing or expending any sum of money and sanctioning or promoting any competitive chili making contest which may use the service mark "World Championship Chili Cookoff" or any simulation or colorable imitation thereof. (Exhibit 30)

B. Chili Appreciation Society International, Inc.'s opposition to registration of the term "Cookoff Chili".

In June 1988, ICS's mark "Cookoff Chili" was published in the Official Gazette for opposition. CASI was apprised of this registration by Livingston, CASI decided to oppose the mark due to its descriptiveness. Exhibit 31 is CASI's notice of opposition. The basis of CASI's argument was that "cookoff" is a generic word meaning events where participants prepare designated food for judging with respect to taste. CASI also argued that the word "cookoff" was descriptive of chili that was more concentrated due to the requirement that it must be tasted in one or two spoonfuls. Further, they argued that ICS's claim that they "coined the mark cookoff" was inaccurate. CASI attached as Exhibit G to their opposition ICS's own publication which indicated that CASI conducted the first chili cookoff and that ICS did not even exist until 1971, long after the word was allegedly "coined" by ICS.

ICS did not respond to this opposition. As reflected in Exhibit 32, no response was filed and a default judgment was entered in the case. Accordingly, CASI's opposition was sustained and registration to ICS for the mark "Cookoff Chili" was refused, in effect allowing anyone to use the term "Cookoff".

C. The International Chili Society, Inc.'s current status.

ICS appears to be breaking into a new venture--namely the wide world of promoting and conducting food fairs. They have recently filed several intent-to-use applications that have not been published for opposition. These include "Southwest Food Festival", "World's Championship Food Festival", "American Food Festival", and "American Food Festival". As to their chili making contests, they currently own "ICS and Design" and "World Championship Chili Cookoff". (Exhibit 36)

V.
INACCURACIES IN THE ARTICLE PUBLISHED IN THE
NOVEMBER ISSUE OF THE TEXAS MONTHLY

In December 1992, this firm was contacted by CASI concerning an article written and published in The Texas Monthly's November 1992 issue entitled "Chili Relations". CASI was concerned that much of the information was inaccurate.

Segments of the article that probably caused CASI some concern were: 1) that Terlingua hosted "two original Terlingua International Championship Cookoffs on the first Saturday in November"; 2) the Tolbert fraction cookoff was the "official" Terlingua International Championship Chili Cookoff"; 3) the writer of the article was merely one of a hundred judges at the CASI cookoff; 4) the writer's friend considered the Tolbert cookoff "far superior" to the CASI cookoff; 5) Frank Tolbert was the ringleader in putting together the first chili cookoff in Terlingua; 6) The writer's conclusory opinion that the split between the two groups "comes down to egos" and "after a series of legal maneuvering and dirty tricks" that thoroughly divided the two groups into the cooks versus the Tolbert fraction, two cookoffs were held on the same day in 1983; 7) after a brief history of the beginnings of the chili cookoff in Terlingua, and then the dispute between CASI and the Tolbert fraction, the author finally got down to the nuts and bolts of his article and considered which Terlingua chili cookoff was better. He found that the Tolbert crowd was "funkier, wilder and more laid back all at once, appealing largely to traditionalist who maintained a connection to the cookoff's origins." He then quoted a person stating "we stay up all night behind the store" explained one Tolbert supporter. At CASI they all go to bed by midnight, like they have something to do the next morning; 8) for CASI, the author found that they "boasted a considerably larger site which accommodated three times the behind-the-store crowd and four times the number of cooks." Yet, the author in the end found "the CASI cookoff's judging area and stage were far more spacious than those behind the store, but lacked a certain aesthetic appeal--it would be more appropriate in an industrial park"; 9) the Tolbert sanctioned cookoffs sotolo-roofed pavilion, the adobe walls of the compound, the rusted heaps of cars and trucks strewn among the boulders, and creosote brush, and the backdrop of the Chisos Mountain of the Big Bend gave the behind-the-store celebration a distinct western atmosphere. Behind-the-store's happy misfit ambience was a sharp contrast to the CASI brigades, whose Winnebagos, blue birds and allegros, neatly arranged in rows with flags and banners flying, recalled an upscale version of Woodstock; 10) the author also elaborated on the "luke warm chili at CASI and that the VIP lounge at CASI contained no chili." All in all, the writer left the perception that the Tolbert's was a little bit wilder than the CASI cookoff, that the "Tolbert fraction was more stepped in history, and the Tolbert event was better.

As an author, he has a right to voice his opinion. In Gertz v. Robert Welch, Inc., 418 U.S. ____, 339-40, ____ S.Ct. ____ (19 __), the U.S. Supreme Court found that "under the First Amendment there is no such thing as a false idea, however pernicious an opinion may seem, we depend for its correction not on conscious of judges and juries but on the competition of other ideas." Before 1990, this statement by the Gertz court had been uniformly interpreted by the lower court as creating an absolute constitutional privilege for opinions, meaning journalists could say practically whatever they wished as long as it was an "opinion".

This widespread view that opinions held an absolute constitutional privilege was put to rest by the Supreme Court in 1990 by a case styled Milkovich v. Lorain Journal Co., ____ - U.S. ____, 110 S.Ct. 2695 (1990). In Milkovich, a wrestling coach filed a libel action against a newspaper sports columnist. The coach had testified during a probation hearing stemming out

of a fight during a wrestling meet. One columnist wrote that Milkovich had "beat the law with a big lie" and that anyone who attended the meet "knows in his heart that Milkovich...lied at the hearing after...having given his solemn oath to tell the truth." Milkovich contended that the column accused him of committing the crime of perjury. Relying on Gertz, the Ohio courts determined that the article was "constitutionally protected opinion" and thus the journalist was not liable for libel.

The U.S. Supreme Court reversed this decision, ruling that the First Amendment does not require a separate "opinion" privilege, rather that where a media defendant is involved, [which would be the case in a suit brought by CASI] a statement on matters of public concern must be provable as false before a liability can be assessed. Thus ensuring full protection for only those opinions having no probable false factual connotation.

The example offered by the Court was the actionable statement, "in my opinion Mary Jones is a liar" with the non-actionable statement "in my opinion, Mary Jones shows abysmal ignorance by accepting the teaches of Marx and Lenin." Thus, in order to have any action at all against The Texas Monthly, the statements that CASI is concerned about must initially be false.

Due to the relative newness of the Milkovich case, the legal community is currently unsure what effect if any it will have on the area of opinions. Yet, the law still is applicable that anything actionable must at least be false. See Unelko Corp. v. Rhuny, 17 Med.L.Rpt. 2317 (1990) (while Andy Rooney's statement that the windshield product didn't work couldn't be understood to imply an assertion of objective fact, summary judgment was granted because Plaintiff did not establish that the remark was false).

Applying the legal authority set forth above, it is our opinion that although The Texas Monthly's article may not have been what CASI would have liked it to have been, CASI would be better off financially and in its reputation to let the story "gradually fade away with the memory of the original generation of chili-heads" as the author predicted the Tolbert fraction would.