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February 10, 1987

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FILE \_\_\_\_\_

Mr. A. Vann York, Sr.  
C.A.S.I.  
P.O. Box 33998  
San Antonio, Texas 78265-3998

Mr. Larry Burruss  
150 S. LBJ Drive  
San Marcos, Texas 78666

Re: *International Chili Society, Inc. v.*  
*C.A.S.I., H. Ray King, and A. Vann York,*  
*Civil Action No. H-86-3968; and*  
*C.A.S.I. v. Kathleen Ruth Tolbert, et al.,*  
*Civil Action No. SA-86-CA1403*

Dear Vann and Larry,

This letter is to briefly summarize the options with regard to the ICS suit. As I mentioned to you, Vann, ICS is aware that there is another CASI and is unwilling to settle with you until that matter is cleared up. ICS intends to take your deposition to find out with whom it needs to deal.

The settlement that Ray King signed individually and for the other CASI corporation is very restrictive. First, it prohibits them from using even WORLD or WORLD CHAMPIONSHIP. I have done some reading on whether ICS is entitled to such restrictions, and have concluded that the law is in ICS's favor. In a decision entitled *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 168 U.S.P.Q. 613, the Fifth Circuit Court of Appeals held that WORLD was protectable as a trademark.

A second distasteful feature of the settlement is that, on page 1, it has a representation that the registration is valid, which would foreclose you from ever contesting it. I think this is going too far.

A third problem with the settlement is that paragraph 5 attempts to resolve rights with regard to the ICS's claim to the mark INTERNATIONAL

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CHILI SOCIETY. In effect, it gives them the right to use that mark without our ever claiming it is confusing with INTERNATIONAL CHILI APPRECIATION SOCIETY. I think this is also going too far, and could create problems for us later. This mark is not the subject of the suit. I do not know of any situation in which ICS can say you infringed their mark. Am I correct in this?

As I see it, there are already three strong points against you: the other settlements have already been signed, ICS has a lot of money to spend and have indicated they will do so, and ICS has an incontestable registered trademark. As to the latter, the only way to contest the registration is to argue fraud or genericness. The genericness argument is pretty weak, but the fraud argument may be successful.

You have two options:

1. Settle and try to get more favorable settlement terms; or
2. Defend the suit and contest the registration of ICS by taking the position that it was procured by fraud. This is likely to cost about \$50,000.

After talking to you today, Vann, it is my understanding that neither you nor CASI wish to pursue the second option. Accordingly, I am going to send the proposed settlements to ICS's attorney. I am changing the word "valid" on page 1 to "uninvalidated". I am also taking the position that we will not agree to paragraph 5. A copy of my proposed settlements are attached, as well as my letter to Dodge.

I called about the status of the *CASI v. Tolbert* suit. The order on the remand is still pending, but Judge Sessions has decided to let discovery progress meanwhile. His clerk says we should be receiving a scheduling order very soon. I will forward a copy to you Larry, when I receive it. We can then talk about taking some depositions of the Tolbert people. I suggest that we make every effort to tighten down on CASI's rights to the INTERNATIONAL CHILI APPRECIATION SOCIETY mark.

My final comment has to do with preventing problems in the future from "rump groups." I suggest that you put something in your bylaws about not using your trademarks without permission from an authorized official of the corporation. Your membership cards or applications or whatever should then recite that the member agrees to abide by the CASI bylaws.

Please call if you have questions or comments.

Sincerely,



Ann Livingston

AL/jb  
Enclosures