

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

HEINEKEN USA, Inc.,)
)
 Plaintiff,)
)
 v.)
)
 GI APPAREL, INC.,)
 PANAMA JACK, INC.,)
 KOHL'S DEPARTMENT STORES, INC.,)
)
 Defendants.)

CASE NO.: 1:07-cv-1054-JDT-TAB

GI APPAREL, INC.,)
)
 Defendant and Counterclaim Plaintiff,)
)
 v.)
)
 HEINEKEN USA, INC.,)
 HEINEKEN BOUWERIJEN B.V., a nd)
 CONTINENTAL INCORPORATED, INC.,)
 d/b/a CONTINENTAL ENTERPRISES,)
)
 Plaintiffs and Counterclaim Defendants.)

**ANSWER OF DEFENDANTS AND
COUNTERCLAIM OF DEFENDANT GI APPAREL, INC.**

Defendants, GI Apparel, Inc. ("GI"), Panama Jack, Inc. ("Panama Jack") and
Kohl's Department Stores, Inc. ("Kohl's") (collectively "Defendants"), answer Plaintiff's
Amended Complaint as follows:

ANSWER

First Defense: Admissions and Denials

[Substance of the Action]

1-2. Defendants deny the allegations contained in paragraphs 1 and 2 of the Amended Complaint, except Defendants admit that HUSA seeks a permanent injunction in its Amended Complaint.

[The Parties]

3. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraph 3 of the Amended Complaint.

4-6. Defendants admit the allegations contained in paragraphs 4 through 6 of the Amended Complaint.

[Jurisdiction and Venue]

7-12. Defendants admit the allegations contained in paragraphs 7 and 12 of the Amended Complaint except Defendants deny that a substantial part of the events giving rise to the claims alleged in the Amended Complaint arose in Hamilton County, Indiana.

[General Allegations]

[Heineken's Trademark Rights]

13-20. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraphs 13 through 20 of the Amended Complaint, except Defendants admit that Heineken Brouwerijen B.V., (the original Plaintiff, but no longer a Plaintiff, in this action), is the owner of record of certain registered trademarks with the United States Patent and Trademark Office.

[Defendants' Infringement of Heineken's Trademark Rights]

21-28. Defendants deny the allegations contained in paragraphs 21 through 28 of the Amended Complaint, except Defendants admit Defendants GI Apparel, Inc. and Kohl's Department Stores, Inc., have manufactured, produced and/or sold T-shirts having the design shown in the attached Exhibit A to this Answer and further admit that the Defendants neither sought nor needed authorization or permission from Heineken USA to use the image.

[Count I - Federal Trademark Infringement Under 15 U.S.C. § 1114]

29. In response to paragraph 29 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 28 of the Amended Complaint.

30-38. Defendants deny the allegations contained in paragraphs 30 through 38 of the Amended Complaint.

[Count II - Trademark Dilution Under 15 U.S.C. § 1125(c)]

39. In response to paragraph 39 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 38 of the Amended Complaint.

40-48. Defendants deny the allegations contained in paragraphs 40 through 48 of the Amended Complaint.

[Count III False Designation of Origin or Sponsorship,
False Advertising and Trade Dress Infringement
Under 15 U.S.C. § 1125(a)]

49. In response to paragraph 49 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 48 of the Amended Complaint.

50-55. Defendants deny the allegations contained in paragraphs 50 through 55 of the Amended Complaint, except Defendants admit that they sold T-shirts having an image of a Heineken beer bottle among other beer bottles on the front of the shirt.

[Count IV Common Law Trademark Infringement]

56. In response to paragraph 56 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 55 of the Amended Complaint.

57-58. Defendants are without knowledge or information sufficient to form a belief as to the truth of the allegations contained in paragraphs 57 and 58 of the Amended Complaint.

58-64. Defendants deny the allegations contained in paragraphs 58 through 64 of the Amended Complaint.

[Count V Unfair Competition]

65. In response to paragraph 65 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 64 of the Amended Complaint.

66-71. Defendants deny the allegations contained in paragraphs 66 through 71 of the Amended Complaint.

[Count VI Conversion Under Ind. Code § 35-43-4-3]

72. In response to paragraph 72 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 71 of the Amended Complaint.

73-76. Defendants deny the allegations contained in paragraphs 73 through 76 of the Amended Complaint.

[Count VII Forgery Under Ind. Code § 35-43-5-2(b)]

77. In response to paragraph 77 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 76 of the Amended Complaint.

78-80. Defendants deny the allegations contained in paragraphs 78 through 80 of the Amended Complaint.

[Count VIII Counterfeiting Under Ind. Code § 35-43-5-2(a)]

81. In response to paragraph 81 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 80 of the Amended Complaint.

82-84. Defendants deny the allegations contained in paragraphs 82 through 84 of the Amended Complaint.

[Count IX Deception Under Ind. Code § 35-43-5-3]

85. In response to paragraph 85 of the Amended Complaint, Defendants incorporate by reference their responses to paragraphs 1 through 84 of the Amended Complaint.

86-88. Defendants deny the allegations contained in paragraphs 86 through 88 of the Amended Complaint.

Second Defense: Failure To State A Claim

Plaintiff fails to state a claim for relief because Plaintiff has failed to specifically identify the trademarks that it contends have been infringed, diluted or used unlawfully.

Third Defense: Ornamentation

Purchasers perceive Defendants' use of the image of a Heineken beer bottle on T-shirts as conveying a message rather than indicating the source of the T-shirts. Defendants' use of the image is as ornamentation not as a trademark.

Fourth Defense: Laches

The relief that Plaintiff seeks is barred by the doctrine of laches.

Fifth Defense: Lack of Confusion

Defendants' portrayal of a beer bottle imported and distributed by Plaintiff in the context of the entire design of the T-shirt shown in Exhibit A hereto does not constitute "use" of any trademark and does not operate in a way that would likely cause confusion as to the origin, source or sponsorship of the T-shirt.

Sixth Defense: Lack of Ownership

Plaintiff does not own the asserted trademarks and therefore does not have standing to bring the claims contained in the Amended Complaint.

Seventh Defense: Lack of Damages

Plaintiff has suffered no damages as a result of the actions of the Defendants.

Eighth Defense: Fair Use

Defendants' use of the image of a Heineken beer bottle was a fair, permissible use.

WHEREFORE, Defendants pray that Plaintiff, Heineken USA, Inc., take nothing by way of its Amended Complaint; for their costs and attorney's fees as may be allowed by law; and all other just and proper relief.

COUNTERCLAIM OF DEFENDANT GI APPAREL, INC.

Defendant and Counterclaim Plaintiff, GI Apparel, Inc. ("GI Apparel"), for its counterclaims against Counterclaim Defendants, Heineken USA, Inc., ("HUSA"), Heineken Bouwerijen B.V. ("HBBV"), and Continental Incorporated, Inc., d/b/a Continental Enterprises, ("Continental") alleges as follows:

1. This is a Counterclaim for a declaratory judgment that the T-shirt design shown in Exhibit A hereto does not infringe, dilute or otherwise violate any state or federal rights of HUSA and/or HBBV or constitute a criminal violation as alleged in the Amended Complaint. This Counterclaim arises under the Declaratory Judgment Act, 28 U.S.C. §2201 *et seq*, the Lanham Act, 15 U.S.C. 1051 *et seq.*, the laws of the State of Indiana and for damages.
2. Defendant and Counterclaim Plaintiff, GI Apparel, is a business organized and existing under the laws of New Jersey with its principal place of business in New Jersey.

3. Upon information and belief, Plaintiff and Counterclaim Defendant HUSA is a business organized and existing under the laws of New York with its principal place of business in White Plains, New York.

4. Upon information and belief, Counterclaim Defendant HBBV is private limited company organized under the laws of the Netherlands with its place of business in the Netherlands.

5. Upon information and belief, Counterclaim Defendant Continental is a corporation organized under the laws of Indiana with its principal place of business in Indianapolis, Indiana. Continental is in the business of pursuing those alleged infringers of its clients' trademarks through cease and desist letters and lawsuits. Continental collects payments from accused infringers in settlement of the claims for infringement that Continental makes on behalf of its clients.

6. HBBV hired and designated Continental as its agent for the purposes of locating and investigating alleged infringement of HBBV's trademarks, sending letters demanding that alleged infringers of HBBV's trademarks cease and desist their activities, demanding and collecting money in settlement of HBBV's claims and filing civil litigation on behalf of HBBV against alleged infringers who do not comply with Continental's demands. HBBV hired Continental to send letters and files this lawsuit on its behalf as described below.

7. This Court has jurisdiction over this Counterclaim pursuant to 28 U.S.C. § 1331 (general federal question), 28 U.S.C. § 1338(a) (trademarks), 28 U.S.C. § 1338(b) (unfair competition), 28 U.S.C. § 2201 (Declaratory Judgment Act), and the doctrine of pendent jurisdiction.

8. This Court has personal jurisdiction over each of the Counterclaim Defendants. HUSA is the Plaintiff in this action and therefore has subjected itself to the jurisdiction of the Court. HBBV conducts business in the state as evidenced by its contractual relationship with Continental, its authorization of its agent Continental to pursue GI and its customers and/or licensors as an alleged violators of HBBV's trademark rights and to file this suit against GI, Panama Jack and Kohl's. Continental is an Indiana corporation and does business in Indiana.

9. Venue is proper in this Court pursuant to 28 U.S.C. § 1391 because a substantial part of the events or omissions giving rise to the Counterclaim occurred in this judicial district.

10. GI designed a T-shirt having the design shows in Exhibit A attached hereto (the "GI Design") and licensed that design. The design shows 25 different beer bottles. One of the 25 beer bottles shown in the GI Design is a Heineken beer bottle.

11. The use of the Heineken bottle in the GI Design is an ornamental use of the image of the beer bottle and label. The portrayal of a beer bottle on T-shirts conveys a message and artistic expression of choice available amongst imported beers and does not serve as an indication of source, affiliation or sponsorship. The use of the GI Design on a T-shirt is not likely to cause confusion as to the source, origin, affiliation or sponsorship of the shirt.

12. The use of the GI Design does not constitute federal trademark infringement under 15 U.S.C. § 1114; trademark dilution under 15 U.S.C. § 1125(c); false designation of origin or sponsorship, false advertising and trade dress infringement under 15 U.S.C. § 1125(a); common law trademark infringement; unfair competition; conversion under

Indiana Code § 35-43-4-3; forgery under Indiana Code § 35-43-5-2(b); counterfeiting under Indiana Code § 35-43-5-2(a); or deception under Indiana Code § 35-43-5-3.

13. Upon information and belief, in July, 2007, Continental through its General Counsel, William M. Mansfield, sent letters to Kohl's and Panama Jack claiming that the use or sale of T-shirts bearing the GI Design constitutes trademark infringement, counterfeiting, trademark dilution, unfair competition and violates federal and state civil and criminal laws. Upon information and belief, Continental sent the letters to Kohl's and Panama Jack in an effort to disparage T-shirts bearing the GI Design, harm the reputation of the designer of the T-shirts (GI), persuade Kohl's and Panama Jack not to purchase more T-shirts bearing the GI Design and/or to return T-shirts bearing the GI Design and to refrain from doing business with the designer of the T-shirts (GI) in the future.

14. On or about July 25, 2007, HBBV brought suit in Hamilton County Superior Court, State of Indiana, against GI, Panama Jack and Kohl's asserting claims for federal trademark infringement under 15 U.S.C. § 1114; trademark dilution under 15 U.S.C. § 1125(c); false designation of origin or sponsorship, false advertising and trade dress infringement under 15 U.S.C. § 1125(a); common law trademark infringement; unfair competition; conversion under Indiana Code § 35-43-4-3; forgery under Indiana Code § 35-43-5-2(b); counterfeiting under Indiana Code § 35-43-5-2(a); and deception under Indiana Code § 35-43-5-3 (the "State Lawsuit").

15. Defendants removed the State Lawsuit to this Court on or about August 15, 2007.

16. On or about August 27, 2007, HBBV moved to amend its complaint to substitute HUSA as the plaintiff, asserting that HBBV is an affiliate of HUSA and HUSA is the

sole importer and exclusive licensee of Heineken products in the United States. The Court granted HBBV's motion to amend. The Amended Complaint alleges HBBV is the owner of the registered trademarks at issue.

17. There exists an actual case and controversy between GI and the Counterclaim Defendants whether the GI Design infringes any rights of HBBV and HUSA and whether the use of the GI Design and sales of T-shirts bearing the GI Design violate civil and criminal laws as alleged in the Amended Complaint and as stated in the letters that Continental sent those who do business directly or indirectly with GI, including Panama Jack and Kohl's.

18. Continental's false statements to GI's customers and licensors are defamatory per se because they suggest that GI has committed several crimes under Indiana law and that GI has engaged in misconduct in its trade, profession, office or occupation. GI has suffered damages, including lost sales, as a result of the Counterclaim Defendant's defamatory and disparaging false statements about the GI Design.

19. Absent a court declaration that the GI Design and similar designs making merely ornamental or nominative use of an image of a Heineken beer bottle do not infringe rights of HBBV and HUSA, and an injunction enjoining Continental, HBBV and HUSA from misrepresenting that the GI Design violates civil and criminal laws, GI will continue to be damaged.

WHEREFORE, GI Apparel, Inc. respectfully requests that the Court

(a) declare and adjudicate, pursuant to 28 U.S.C. §§ 2201 and 2202, the respective rights and relations of the parties with respect to the matters in dispute, including a declaration (a) that GI has not committed any act of federal trademark infringement under 15 U.S.C. § 1114; federal trademark dilution under 15 U.S.C. § 1125(c); false designation of origin

or sponsorship, false advertising and trade dress infringement under 15 U.S.C. § 1125(a); common law trademark infringement; unfair competition; conversion under Indiana Code § 35-43-4-3; forgery under Indiana Code § 35-43-5-2(b); counterfeiting under Indiana Code § 35-43-5-2(a); or deception under Indiana Code § 35-43-5-3, and that the use of the GI Design, including the promotion and sale of clothing bearing the GI Design does not violate any rights of HBBV or HUSA;

(b) enjoin Counterclaim Defendants from asserting against GI, GI's representatives, agents, customers (past, present or prospective), licensees (past, present or prospective) or anyone using the GI Design or selling clothing bearing the GI Design that the GI Design constitutes an act of federal trademark infringement under 15 U.S.C. § 1114; federal trademark dilution under 15 U.S.C. § 1125(c); false designation of origin or sponsorship, false advertising and trade dress infringement under 15 U.S.C. § 1125(a); common law trademark infringement; unfair competition; conversion under Indiana Code § 35-43-4-3; forgery under Indiana Code § 35-43-5-2(b); counterfeiting under Indiana Code § 35-43-5-2(a); or deception under Indiana Code § 35-43-5-3 or that the use of the GI Design, including the promotion and sale of clothing bearing the GI Design, violates any rights of HBBV or HUSA;

(c) award GI its actual and/or presumed damages in an amount to be determined at trial;

(d) award GI its costs and reasonable attorneys' fees in this action; and

(e) grant such other and further relief as it may deem just and proper.

/s/ Nancy G. Tinsley

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Panama Jack, Inc. and Kohl's Department Stores,
Inc.*

DEMAND FOR JURY TRIAL

Defendant and Counterclaim Plaintiff, GI Apparel, Inc. demands a trial by jury on its Counterclaim.

CERTIFICATE OF SERVICE

I hereby certify a copy of the foregoing was filed electronically. Notice of this filing will be sent to the following parties by operation of the Court's electronic filing system. Parties may access this filing through the Court's system.

Darlene R. Seymour
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/s/ Nancy G. Tinsley