

The Honorable Ricardo S. Martinez

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

CASCADE YARNS, INC., a Washington  
corporation,

Plaintiff,

v.

KNITTING FEVER, INC., a New York  
Corporation, DESIGNER YARNS, LTD., a  
corporation of England, FILATURA  
PETTINATA V.V.G. DI STEFANO VACCARI  
& C. (S.A.S.) an entity organized or existing  
under the laws of Italy, SION ELALOUF, a  
natural person, DIANE ELALOUF, a natural  
person, JAY OPPERMAN, an individual,  
DEBBIE BLISS, a natural person, DAVID  
WATT, a natural person and DOES 1-50,

Defendants,

v.

ROBERT A. DUNBABIN, SR., a natural person,  
JEAN A. DUNBABIN, a natural person, and  
ROBERT A. DUNBABIN, JR., a natural person,

Counterclaim-Defendants.

Case No. C10-00861 RSM

**ANSWER TO AMENDED  
COMPLAINT, AND KNITTING  
FEVER, INC.'S THIRD PARTY  
COMPLAINT AND  
COUNTERCLAIMS FOR UNFAIR  
COMPETITION, FALSE  
ADVERTISING, DEFAMATION,  
AND TORTIOUS INTERFERENCE**

**JURY DEMAND**

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ANSWER TO FIRST AMENDED COMPLAINT,  
THIRD PARTY COMPLAINT AND COUNTERCLAIMS  
(Case No. C10-00861 RSM) — 1

1 **INTRODUCTION**

2 Defendants Knitting Fever, Inc. (“KFI”), Designer Yarns, Ltd. (“Designer Yarns”),  
3 Sion Elalouf, and Debbie Bliss (collectively the “Answering Defendants”) for their  
4 Answer to the First Amended Complaint (the “Amended Complaint”) state as follows:

5 1. Answering Defendants deny the allegations in paragraph 1 of the Amended  
6 Complaint.

7 2. Answering Defendants admit that both Cascade and KFI sell their products  
8 through specialty retailers and boutiques throughout the United States, that Cascade is a  
9 competitor of KFI in the wholesale yarn market, and that Cascade’s products include many  
10 yarns containing a mix of wool and other natural fibers. Answering Defendants are  
11 without sufficient knowledge or information to form a belief as to the truth of the balance  
12 of the allegations in paragraph 2 of the Amended Complaint, and deny same.

13 3. Answering Defendants deny the allegations in paragraph 3 of the Amended  
14 Complaint.

15 **THE PARTIES**

16 4. Answering Defendants admit the allegations in paragraph 4 of the Amended  
17 Complaint.

18 5. Answering Defendants admit the allegations in paragraph 5 of the Amended  
19 Complaint.

20 6. Answering Defendants deny that Designer Yarns is controlled by Sion  
21 Elalouf and/or KFI. Answering Defendants admit the balance of the allegations in  
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1 paragraph 6 of the Amended Complaint.

2 7. Answering Defendants deny that the yarns described in the Amended  
3 Complaint are mislabeled, that Sion Elalouf exerts significant or complete control over  
4 VVG, or that VVG brokered yarns for the KFI and Debbie Bliss brands. By way of further  
5 answer, upon information and belief, VVG manufactured yarns for the KFI and Debbie  
6 Bliss brands. Answering Defendants are without sufficient knowledge or information to  
7 form a belief as to the truth of the balance of the allegations in paragraph 7 of the Amended  
8 Complaint, and deny same.

9 8. Answering Defendants admit that Sion Elalouf is a natural person residing  
10 at 22 Longwood Road, Sands Point, NY, and the controlling shareholder and chief  
11 executive of KFI responsible for setting KFI's trade policies and practices. Answering  
12 Defendants neither admit nor deny legal conclusions asserted in paragraph 8 of the  
13 Amended Complaint, which do not require a response. Answering Defendants deny the  
14 balance of the allegations in paragraph 8 of the Amended Complaint.

15 9. Pursuant to the Court's Memorandum and Order, entered January 3, 2011,  
16 Diane Elalouf was dismissed from this action for lack of personal jurisdiction.  
17 Accordingly no response to paragraph 9 of the Amended Complaint is required.

18 10. Pursuant to the Court's Memorandum and Order, entered January 3, 2011,  
19 Jay Opperman was dismissed from this action for lack of personal jurisdiction.  
20 Accordingly no response to paragraph 10 of the Amended Complaint is required.

21 11. Answering Defendants admit only that Debbie Bliss is a natural person and  
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1 citizen of the United Kingdom, residing at 9 Folkestone Road, Walthamstow, London,  
2 United Kingdom, E17 9SD, and that she licenses her name to Designer Yarns for the  
3 development and marketing of yarns sold under the Debbie Bliss brand. Answering  
4 Defendants neither admit nor deny legal conclusions asserted in paragraph 11 of the  
5 Amended Complaint, which do not require a response. Answering Defendants deny the  
6 balance of the allegations in paragraph 11 of the Amended Complaint.

7 12. Pursuant to the Court's Memorandum and Order, entered January 3, 2011,  
8 David Watt was dismissed from this action for lack of personal jurisdiction. Accordingly  
9 no response to paragraph 12 of the Amended Complaint is required.

10 13. Answering Defendants are without knowledge or information sufficient to  
11 form a belief as to the truth of the allegations in paragraph 13 of the Amended Complaint,  
12 and deny same.

#### 13 **JURISDICTION AND VENUE**

14 14. Answering Defendants neither admit nor deny legal conclusions asserted in  
15 paragraph 14 of the Amended Complaint, which do not require a response. To the extent a  
16 response is required, Answering Defendants deny the allegations in paragraph 14 of the  
17 Amended Complaint.

18 15. Pursuant to the Court's Memorandum and Order, entered January 3, 2011,  
19 Answering Defendants deny that the Court has personal jurisdiction over Diane Elalouf,  
20 Jay Opperman, and David Watt. Answering Defendants neither admit nor deny legal  
21 conclusions asserted in paragraph 15, which do not require a response. To the extent a  
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1 response is required, Answering Defendants deny the allegations in paragraph 15 of the  
2 Amended Complaint.

3 **FACTUAL BACKGROUND**

4 16. Answering Defendants admit the allegations in paragraph 16 of the  
5 Amended Complaint.

6 17. Answering Defendants are without knowledge or information sufficient to  
7 form a belief as to the truth of the allegations in paragraph 17 of the Amended Complaint,  
8 and deny same.

9 18. Answering Defendants admit that KFI began to consider selling designer-  
10 labeled handknitting yarns. Answering Defendants deny the allegations in paragraph 18 of  
11 the Amended Complaint.

12 19. Answering Defendants admit that in the late 1990s Debbie Bliss was  
13 attempting to develop a line of yarns to be sold under her name. Answering Defendants  
14 deny the allegations in paragraph 19 of the Amended Complaint.

15 20. Answering Defendants admit the allegations in paragraph 20 of the  
16 Amended Complaint.

17 21. Answering Defendants deny the allegations in paragraph 21 of the  
18 Amended Complaint.

19 22. Answering Defendants admit that in or about April 12, 2001, a certificate of  
20 incorporation was issued to Designer Yarns. Answering Defendants deny the balance of  
21 the allegations in paragraph 22 of the Amended Complaint. .  
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1           23.       Answering Defendants deny the allegations in paragraph 23 of the  
2 Amended Complaint. By way of further answer, Designer Yarns entered into an  
3 agreement whereby KFI became the exclusive US distributor for the Debbie Bliss line of  
4 yarns.

5           24.       Answering Defendants admit that Designer Yarns entered into an agreement  
6 whereby Debbie Bliss licensed her name to Designer Yarns to be used as a brand name on  
7 yarn products marketed as Debbie Bliss yarns, and that Ms. Bliss has traveled to  
8 Columbus, Ohio in June 2010 and Seattle, Washington in August 2010 to promote her  
9 brand. Answering Defendants deny the balance of the allegations in paragraph 24 of the  
10 Amended Complaint.

11           25.       Answering Defendants deny the allegations in paragraph 25 of the  
12 Amended Complaint.

13           26.       Answering Defendants deny the allegations in paragraph 26 of the  
14 Amended Complaint.

15           27.       Answering Defendants deny the allegations in paragraph 27 of the  
16 Amended Complaint.

17           28.       Answering Defendants deny the allegations in paragraph 28 of the  
18 Amended Complaint.

19           29.       Answering Defendants admit that without expert fiber analysis it is virtually  
20 impossible to confirm the presence of cashmere in a spun yarn. Answering Defendants  
21 deny the balance of the allegations in paragraph 29 of the Amended Complaint.  
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1           30.       Answering Defendants deny the allegations in paragraph 30 of the  
2 Amended Complaint.

3           31.       Answering Defendants deny the allegations in paragraph 31 of the  
4 Amended Complaint.

5           32.       Answering Defendants deny the allegations in paragraph 32 of the  
6 Amended Complaint.

7           33.       Answering Defendants deny the allegations in paragraph 33 of the  
8 Amended Complaint.

9           34.       Answering Defendants deny the allegations in paragraph 34 of the  
10 Amended Complaint.

11           35.       Answering Defendants deny the allegations in paragraph 30 of the  
12 Amended Complaint.

13           36.       Pursuant to the Court's Memorandum and Order, entered January 3, 2011,  
14 Jay Opperman was dismissed from this action for lack of personal jurisdiction.  
15 Accordingly no response to paragraph 36 of the Amended Complaint is required.  
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17           37.       Pursuant to the Court's Memorandum and Order, entered January 3, 2011,  
18 Jay Opperman was dismissed from this action for lack of personal jurisdiction.  
19 Accordingly no response to paragraph 37 of the Amended Complaint is required.  
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21           38.       Answering Defendants admit that between August 2001 and continuing  
22 through to the present, KFI has regularly used the United States Mail and interstate wires  
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1 to issue to specialty yarn retailers throughout the U.S. price and product lists identifying  
2 the KFI and Debbie Bliss Cashmerino products as spun of a fiber content consisting of  
3 55% merino wool, 33% microfiber, and 12% cashmere. Answering Defendants deny the  
4 balance of the allegations in paragraph 38 of the Amended Complaint.

5 39. Answering Defendants are without sufficient knowledge or information to  
6 form a belief as to the truth of the allegations in paragraph 39 of the Complaint, and deny  
7 same.

8 40. Answering Defendants are without sufficient knowledge or information to  
9 form a belief as to the truth of the allegations in paragraph 40 of the Complaint, and deny  
10 same.

11 41. Answering Defendants are without sufficient knowledge or information to  
12 form a belief as to the truth of the allegations in paragraph 41 of the Complaint, and deny  
13 same. By way of further answer, Answering Defendants deny the allegations in paragraph  
14 41 that purport to interpret, construe, or characterize the fiber test report. The document is  
15 a writing which speaks for itself and requires no interpretation, construction, and/or  
16 characterization.

17 42. Answering Defendants are without sufficient knowledge or information to  
18 form a belief as to the truth of the allegations in paragraph 42 of the Complaint, and deny  
19 same.

20 43. Answering Defendants admit that at the National Needlework Association  
21 trade show, held on June 10 through June 12, 2006 in Indianapolis, Indiana, a test report  
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1 for a yarn described as comprising 55% merino wool, 33% microfiber, and 12% cashmere  
2 was reported as containing no cashmere. Answering Defendants deny the balance of the  
3 allegations in paragraph 43 of the Amended Complaint.

4 44. Answering Defendants admit that on June 22, 2006, Mr. Elalouf contacted  
5 Cascade by telephone and left a message for Robert A. Dunbabin, Sr. to call, and that  
6 Robert A. Dunbabin, Jr. returned the call. Answering Defendants deny the balance of the  
7 allegations in paragraph 44 of the Amended Complaint.

8 45. Answering Defendants admit that on June 27, 2006, Roy A. Klein sent a  
9 letter by U.S. mail and facsimile to Cascade at Mr. Elalouf's direction. By way of further  
10 answer, Answering Defendants deny the allegations in paragraph 45 that purport to  
11 interpret, construe, or characterize the June 27, 2006 letter. The document is a writing  
12 which speaks for itself and requires no interpretation, construction, and/or characterization.

13 46. Answering Defendants admit that on June 28, 2006, counsel for Cascade  
14 responded to Mr. Klein's letter. By way of further answer, Answering Defendants deny  
15 the allegations in paragraph 46 that purport to interpret, construe, or characterize the June  
16 28, 2006 letter. The document is a writing which speaks for itself and requires no  
17 interpretation, construction, and/or characterization.

18 47. Answering Defendants admit that on July 11, 2006, Mr. Klein responded  
19 via facsimile to Cascade's counsel's letter of June 28, 2006. By way of further answer,  
20 Answering Defendants deny the allegations in paragraph 47 that purport to interpret,  
21 construe, or characterize the July 11, 2006 letter. The document is a writing which speaks  
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1 for itself and requires no interpretation, construction, and/or characterization.

2 48. Answering Defendants admit that on July 17, 2006, counsel for Cascade  
3 responded to Mr. Klein's July 11, 2006 letter. By way of further answer, Answering  
4 Defendants deny the allegations in paragraph 48 that purport to interpret, construe, or  
5 characterize the July 17, 2006 letter. The document is a writing which speaks for itself and  
6 requires no interpretation, construction, and/or characterization.

7 49. Answering Defendants admit the allegations in paragraph 49 of the  
8 Amended Complaint

9 50. Answering Defendants admit that on July 22, 2006, David Watt wrote to  
10 Mr. Elalouf. By way of further answer, Answering Defendants deny the allegations in  
11 paragraph 50 that purport to interpret, construe, or characterize the July 22, 2006 letter.  
12 The document is a writing which speaks for itself and requires no interpretation,  
13 construction, and/or characterization.

14 51. Answering Defendants admit that on July 25, 2006, Mr. Elalouf wrote to  
15 VVG. By way of further answer, Answering Defendants deny the allegations in paragraph  
16 51 that purport to interpret, construe, or characterize the July 25, 2006 correspondence.  
17 The document is a writing which speaks for itself and requires no interpretation,  
18 construction, and/or characterization. Answering Defendants deny the balance of the  
19 allegations in paragraph 51 of the Amended Complaint.

20 52. Answering Defendants are without sufficient knowledge or information to  
21 form a belief as to the truth of the allegations in paragraph 52 of the Complaint, and deny  
22

1 same.

2 53. Answering Defendants admit that Debbie Bliss wrote the September 26,  
3 2006 letter. By way of further answer, Answering Defendants deny the allegations in  
4 paragraph 53 that purport to interpret, construe, or characterize the September 26, 2006  
5 letter. The document is a writing which speaks for itself and requires no interpretation,  
6 construction, and/or characterization. Answering Defendants deny the balance of the  
7 allegations in paragraph 53 of the Amended Complaint.

8 54. Answering Defendants admit that in 2006 A.C. Moore raised concerns  
9 regarding the cashmere content of Luxury Cashmere Aran (a yarn not at issue in the  
10 current action), that A.C. Moore had this product tested, and that this test reported 0%  
11 cashmere. By way of further answer, KFI subsequently had the product tested and  
12 provided A.C. Moore with five tests showing that the cashmere content was properly  
13 labeled. Answering Defendants deny the balance of the allegations in paragraph 54 of the  
14 Amended Complaint.

15 55. Answering Defendants admit that Mr. Elalouf contacted VVG about  
16 reformulating its Cashmerino products, and that VVG sent a letter to Messrs. Watt and  
17 Elalouf. Answering Defendants deny the allegations in paragraph 55 that purport to  
18 interpret, construe, or characterize the VVG's letter. The document is a writing which  
19 speaks for itself and requires no interpretation, construction, and/or characterization.  
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21 56. Answering Defendants admit that the communications between VVG and  
22 Messrs. Watt and Elalouf led to a reformulation of the Cashmerino products with a  
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1 different quality of cashmere, that the Cashmerino products which had been reformulated  
2 with a different quality of cashmere were identified as dyelots “B” and “C,” that KFI  
3 continued to sell unreformulated Cashmerino products which had already been imported  
4 prior to 2007, and that at least one customer of KFI who had raised concerns about the  
5 cashmere content of the unreformulated Cashmerino products received product identified  
6 as dyelots “B” and “C.” Answering Defendants deny the balance of the allegations in  
7 paragraph 56 of the Amended Complaint.

8 57. Answering Defendants admit that in 2006 certain of KFI’s customers began  
9 complaining about the fiber content of certain of its yarn products, and that KFI offered to  
10 provide guaranties to such customers. Answering Defendants deny the balance of the  
11 allegations in paragraph 57 of the Amended Complaint..

12 58. Answering Defendants admit that KFI instituted lawsuits against Knit &  
13 Purl in Rochester, NY; Red Needle in Savannah, GA; NY Knits in Victor, NY; Charlotte’s  
14 Fibers in Brevard, NC; and A.C. Moore in NJ to collect debts incurred for purchases of  
15 yarn. Answering Defendants deny the balance of the allegations of paragraph 58 of the  
16 Amended Complaint.

17 59. Answering Defendants are without sufficient knowledge or information to  
18 form a belief as to the truth of the allegations in paragraph 59 of the Amended Complaint,  
19 and deny same.

20 60. Answering Defendants are without sufficient knowledge or information to  
21 form a belief as to the truth of the allegations in paragraph 60 of the Amended Complaint,  
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1 and deny same. By way of further answer, Answering Defendants deny the allegations in  
2 paragraph 60 that purport to interpret, construe, or characterize fiber test reports and  
3 product labels attached as Exhibit A to the Amended Complaint. The documents are  
4 writings, speak for themselves and require no interpretation, construction, and/or  
5 characterization.

6 61. Answering Defendants are without sufficient knowledge or information to  
7 form a belief as to the truth of the allegations in paragraph 61 of the Amended Complaint,  
8 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
9 answer, Answering Defendants deny the allegations in paragraph 61 that purport to  
10 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
11 A to the Amended Complaint. The documents are writings, speak for themselves and  
12 require no interpretation, construction, and/or characterization.

13 62. Answering Defendants are without sufficient knowledge or information to  
14 form a belief as to the truth of the allegations in paragraph 62 of the Amended Complaint,  
15 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
16 answer, Answering Defendants deny the allegations in paragraph 62 that purport to  
17 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
18 A to the Amended Complaint. The documents are writings, speak for themselves and  
19 require no interpretation, construction, and/or characterization.

20 63. Answering Defendants are without sufficient knowledge or information to  
21 form a belief as to the truth of the allegations in paragraph 63 of the Amended Complaint,  
22 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
23

1 answer, Answering Defendants deny the allegations in paragraph 63 that purport to  
2 interpret, construe, or characterize the fiber test report and product label attached as  
3 Exhibit B to the Amended Complaint. The documents are writings, speak for themselves  
4 and require no interpretation, construction, and/or characterization.

5 64. Answering Defendants are without sufficient knowledge or information to  
6 form a belief as to the truth of the allegations in paragraph 64 of the Amended Complaint,  
7 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
8 answer, Answering Defendants deny the allegations in paragraph 64 that purport to  
9 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
10 C to the Amended Complaint. The documents are writings, speak for themselves and  
11 require no interpretation, construction, and/or characterization.

12 65. Answering Defendants are without sufficient knowledge or information to  
13 form a belief as to the truth of the allegations in paragraph 65 of the Amended Complaint,  
14 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
15 answer, Answering Defendants deny the allegations in paragraph 65 that purport to  
16 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
17 C to the Amended Complaint. The documents are writings, speak for themselves and  
18 require no interpretation, construction, and/or characterization.

19 66. Answering Defendants are without sufficient knowledge or information to  
20 form a belief as to the truth of the allegations in paragraph 66 of the Amended Complaint,  
21 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
22 answer, Answering Defendants deny the allegations in paragraph 66 that purport to  
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1 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
2 C to the Amended Complaint. The documents are writings, speak for themselves and  
3 require no interpretation, construction, and/or characterization.

4 67. Answering Defendants are without sufficient knowledge or information to  
5 form a belief as to the truth of the allegations in paragraph 67 of the Amended Complaint,  
6 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
7 answer, Answering Defendants deny the allegations in paragraph 67 that purport to  
8 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
9 D to the Amended Complaint. The documents are writings, speak for themselves and  
10 require no interpretation, construction, and/or characterization.

11 68. Answering Defendants are without sufficient knowledge or information to  
12 form a belief as to the truth of the allegations in paragraph 68 of the Amended Complaint,  
13 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
14 answer, Answering Defendants deny the allegations in paragraph 68 that purport to  
15 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
16 D to the Amended Complaint. The documents are writings, speak for themselves and  
17 require no interpretation, construction, and/or characterization.

18 69. Answering Defendants are without sufficient knowledge or information to  
19 form a belief as to the truth of the allegations in paragraph 69 of the Amended Complaint,  
20 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
21 answer, Answering Defendants deny the allegations in paragraph 69 that purport to  
22 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
23

1 D to the Amended Complaint. The documents are writings, speak for themselves and  
2 require no interpretation, construction, and/or characterization.

3 70. Answering Defendants are without sufficient knowledge or information to  
4 form a belief as to the truth of the allegations in paragraph 70 of the Amended Complaint,  
5 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
6 answer, Answering Defendants deny the allegations in paragraph 70 that purport to  
7 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
8 D to the Amended Complaint. The documents are writings, speak for themselves and  
9 require no interpretation, construction, and/or characterization.

10 71. Answering Defendants are without sufficient knowledge or information to  
11 form a belief as to the truth of the allegations in paragraph 71 of the Amended Complaint,  
12 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
13 answer, Answering Defendants deny the allegations in paragraph 71 that purport to  
14 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
15 D to the Amended Complaint. The documents are writings, speak for themselves and  
16 require no interpretation, construction, and/or characterization.

17 72. Answering Defendants are without sufficient knowledge or information to  
18 form a belief as to the truth of the allegations in paragraph 72 of the Amended Complaint,  
19 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
20 answer, Answering Defendants deny the allegations in paragraph 72 that purport to  
21 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
22 D to the Amended Complaint. The documents are writings, speak for themselves and  
23

1 require no interpretation, construction, and/or characterization.

2 73. Answering Defendants are without sufficient knowledge or information to  
3 form a belief as to the truth of the allegations in paragraph 73 of the Amended Complaint,  
4 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
5 answer, Answering Defendants deny the allegations in paragraph 73 that purport to  
6 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
7 D to the Amended Complaint. The documents are writings, speak for themselves and  
8 require no interpretation, construction, and/or characterization.

9 74. Answering Defendants are without sufficient knowledge or information to  
10 form a belief as to the truth of the allegations in paragraph 74 of the Amended Complaint,  
11 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
12 answer, Answering Defendants deny the allegations in paragraph 74 that purport to  
13 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
14 D to the Amended Complaint. The documents are writings, speak for themselves and  
15 require no interpretation, construction, and/or characterization.

16 75. Answering Defendants are without sufficient knowledge or information to  
17 form a belief as to the truth of the allegations in paragraph 75 of the Amended Complaint,  
18 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
19 answer, Answering Defendants deny the allegations in paragraph 75 that purport to  
20 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
21 D to the Amended Complaint. The documents are writings, speak for themselves and  
22 require no interpretation, construction, and/or characterization.  
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1           76.       Answering Defendants are without sufficient knowledge or information to  
2 form a belief as to the truth of the allegations in paragraph 76 of the Amended Complaint,  
3 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
4 answer, Answering Defendants deny the allegations in paragraph 76 that purport to  
5 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
6 D to the Amended Complaint. The documents are writings, speak for themselves and  
7 require no interpretation, construction, and/or characterization.

8           77.       Answering Defendants are without sufficient knowledge or information to  
9 form a belief as to the truth of the allegations in paragraph 77 of the Amended Complaint,  
10 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
11 answer, Answering Defendants deny the allegations in paragraph 77 that purport to  
12 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
13 D to the Amended Complaint. The documents are writings, speak for themselves and  
14 require no interpretation, construction, and/or characterization.

15           78.       Answering Defendants are without sufficient knowledge or information to  
16 form a belief as to the truth of the allegations in paragraph 78 of the Amended Complaint,  
17 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
18 answer, Answering Defendants deny the allegations in paragraph 78 that purport to  
19 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
20 D to the Amended Complaint. The documents are writings, speak for themselves and  
21 require no interpretation, construction, and/or characterization.

22           79.       Answering Defendants are without sufficient knowledge or information to  
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1 form a belief as to the truth of the allegations in paragraph 79 of the Amended Complaint,  
2 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
3 answer, Answering Defendants deny the allegations in paragraph 79 that purport to  
4 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
5 D to the Amended Complaint. The documents are writings, speak for themselves and  
6 require no interpretation, construction, and/or characterization.

7 80. Answering Defendants are without sufficient knowledge or information to  
8 form a belief as to the truth of the allegations in paragraph 80 of the Amended Complaint,  
9 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
10 answer, Answering Defendants deny the allegations in paragraph 80 that purport to  
11 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
12 D to the Amended Complaint. The documents are writings, speak for themselves and  
13 require no interpretation, construction, and/or characterization.

14 81. Answering Defendants are without sufficient knowledge or information to  
15 form a belief as to the truth of the allegations in paragraph 81 of the Amended Complaint,  
16 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
17 answer, Answering Defendants deny the allegations in paragraph 81 that purport to  
18 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
19 D to the Amended Complaint. The documents are writings, speak for themselves and  
20 require no interpretation, construction, and/or characterization.

21 82. Answering Defendants are without sufficient knowledge or information to  
22 form a belief as to the truth of the allegations in paragraph 82 of the Amended Complaint,  
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1 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
2 answer, Answering Defendants deny the allegations in paragraph 82 that purport to  
3 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
4 D to the Amended Complaint. The documents are writings, speak for themselves and  
5 require no interpretation, construction, and/or characterization.

6 83. Answering Defendants are without sufficient knowledge or information to  
7 form a belief as to the truth of the allegations in paragraph 83 of the Amended Complaint,  
8 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
9 answer, Answering Defendants deny the allegations in paragraph 83 that purport to  
10 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
11 D to the Amended Complaint. The documents are writings, speak for themselves and  
12 require no interpretation, construction, and/or characterization.

13 84. Answering Defendants are without sufficient knowledge or information to  
14 form a belief as to the truth of the allegations in paragraph 84 of the Amended Complaint,  
15 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
16 answer, Answering Defendants deny the allegations in paragraph 84 that purport to  
17 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
18 D to the Amended Complaint. The documents are writings, speak for themselves and  
19 require no interpretation, construction, and/or characterization.

20 85. Answering Defendants are without sufficient knowledge or information to  
21 form a belief as to the truth of the allegations in paragraph 85 of the Amended Complaint,  
22 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
23

1 answer, Answering Defendants deny the allegations in paragraph 85 that purport to  
2 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
3 D to the Amended Complaint. The documents are writings, speak for themselves and  
4 require no interpretation, construction, and/or characterization.

5 86. Answering Defendants are without sufficient knowledge or information to  
6 form a belief as to the truth of the allegations in paragraph 86 of the Amended Complaint,  
7 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
8 answer, Answering Defendants deny the allegations in paragraph 86 that purport to  
9 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
10 D to the Amended Complaint. The documents are writings, speak for themselves and  
11 require no interpretation, construction, and/or characterization.

12 87. Answering Defendants are without sufficient knowledge or information to  
13 form a belief as to the truth of the allegations in paragraph 87 of the Amended Complaint,  
14 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
15 answer, Answering Defendants deny the allegations in paragraph 87 that purport to  
16 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
17 D to the Amended Complaint. The documents are writings, speak for themselves and  
18 require no interpretation, construction, and/or characterization.

19 88. Answering Defendants are without sufficient knowledge or information to  
20 form a belief as to the truth of the allegations in paragraph 88 of the Amended Complaint,  
21 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
22 answer, Answering Defendants deny the allegations in paragraph 88 that purport to  
23

1 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
2 D to the Amended Complaint. The documents are writings, speak for themselves and  
3 require no interpretation, construction, and/or characterization.

4 89. Answering Defendants are without sufficient knowledge or information to  
5 form a belief as to the truth of the allegations in paragraph 89 of the Amended Complaint,  
6 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
7 answer, Answering Defendants deny the allegations in paragraph 89 that purport to  
8 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
9 D to the Amended Complaint. The documents are writings, speak for themselves and  
10 require no interpretation, construction, and/or characterization.

11 90. Answering Defendants are without sufficient knowledge or information to  
12 form a belief as to the truth of the allegations in paragraph 90 of the Amended Complaint,  
13 deny same, and demand strict proof thereof, if relevant, at time of trial. By way of further  
14 answer, Answering Defendants deny the allegations in paragraph 90 that purport to  
15 interpret, construe, or characterize fiber test reports and product labels attached as Exhibit  
16 D to the Amended Complaint. The documents are writings, speak for themselves and  
17 require no interpretation, construction, and/or characterization.

18 91. Answering Defendants are without sufficient knowledge or information to  
19 form a belief as to the truth of the allegations in paragraph 91 of the Amended Complaint,  
20 and deny same.

21 92. Answering Defendants are without sufficient knowledge or information to  
22  
23

1 form a belief as to the truth of the allegations in paragraph 92 of the Amended Complaint,  
2 and deny same.

3 93. Answering Defendants are without sufficient knowledge or information to  
4 form a belief as to the truth of the allegations in paragraph 93 of the Amended Complaint,  
5 and deny same.

6 94. Answering Defendants admit that in the spring of 2008 (not 2006) Robert  
7 A. Dunbabin, Jr. telephoned Mr. Elalouf alerting him to the discovery that the product  
8 called Elisabeth Lavold Silky Wool contained 20% or more of the synthetic fiber Nylon yet  
9 was labeled 65% wool and 35% silk, that Mr. Elalouf volunteered that the product was  
10 sourced from VVG, that Mr. Dunbabin expected him to correct this mislabeling, that Mr.  
11 Elalouf responded by asking if Cascade wanted KFI to test all of its yarns, and that Mr.  
12 Dunbabin responded by stating that appropriate testing should be undertaken by KFI.  
13 Answering Defendants deny the balance of the allegations in paragraph 94 of the Amended  
14 Complaint.

15 95. Answering Defendants admit that less than two weeks later Mr. Elalouf,  
16 having confirmed that the product was mislabeled as a result of an unannounced change in  
17 the formulation of a component of the yarn by a supplier to the yarn manufacturer,  
18 telephoned Mr. Dunbabin and stated that the labeling issue concerning Elisabeth Lavold  
19 Silky Wool would be publicly corrected, and that KFI informed stores that what had been  
20 sold to them as a natural fiber was actually a synthetic fiber blend. Answering Defendants  
21 deny the balance of the allegations in paragraph 95 of the Amended Complaint.  
22  
23



1 Amended Complaint.

2 104. Answering Defendants deny the allegations in paragraph 104 of the  
3 Amended Complaint.

4 105. Answering Defendants deny the allegations in paragraph 105 of the  
5 Amended Complaint.

6 **COUNT THREE**

7 **(Unfair Competition/Violation of Washington Consumer Protection Act, RCW 19.86)**

8 106. Answering Defendants incorporate by reference their responses to  
9 paragraphs 1 to 105 above as if fully set forth herein.

10 107. Answering Defendants deny the allegations in paragraph 107 of the  
11 Amended Complaint.

12 108. Answering Defendants deny the allegations in paragraph 108 of the  
13 Amended Complaint.

14 **COUNT FOUR**

15 **(Common Law Unfair Competition)**

16 109. Answering Defendants incorporate by reference their responses to  
17 paragraphs 1 to 108 above as if fully set forth herein.

18 110. Answering Defendants admit the allegations in paragraph 110 of the  
19 Amended Complaint..

20 111. Answering Defendants deny the allegations in paragraph 111 of the  
21

1 Amended Complaint.

2 112. Answering Defendants deny the allegations in paragraph 112 of the  
3 Amended Complaint.

4 113. Answering Defendants deny the allegations in paragraph 113 of the  
5 Amended Complaint.

6 **COUNT FIVE**

7 **(Racketeer Influenced and Corrupt Organizations Act)**

8  
9 114. Answering Defendants incorporate by reference their responses to  
10 paragraphs 1 to 113 above as if fully set forth herein.

11 115. Answering Defendants admit that Cascade purports to bring this claim  
12 against Mr. Elalouf under 18 U.S.C. § 1964(c) of the Racketeering Influenced and Corrupt  
13 Organization Act.

14 116. Answering Defendants neither admit nor deny the legal conclusions  
15 asserted in paragraph 116 of the Amended Complaint, which do not require a response. To  
16 the extent a response is required, Answering Defendants deny the allegations in paragraph  
17 116 of the Amended Complaint.

18 117. Answering Defendants neither admit nor deny the legal conclusions  
19 asserted in paragraph 117 of the Amended Complaint, which do not require a response. To  
20 the extent a response is required, Answering Defendants deny the allegations in paragraph  
21 117 of the Amended Complaint.

22 118. Answering Defendants neither admit nor deny the legal conclusions  
23

1 asserted in paragraph 118 of the Amended Complaint, which do not require a response. To  
2 the extent a response is required, Answering Defendants deny the allegations in paragraph  
3 118 of the Amended Complaint. By way of further answer, Answering Defendants deny  
4 the allegations in paragraph 118 that purport to interpret, construe, or characterize  
5 documents. The documents referred to in this paragraph are writings which speak for  
6 themselves and require no interpretation, construction, and/or characterization.

7 119. Answering Defendants neither admit nor deny the legal conclusions  
8 asserted in paragraph 119 of the Amended Complaint, which do not require a response. To  
9 the extent a response is required, Answering Defendants deny the allegations in paragraph  
10 119 of the Amended Complaint.

11 120. Answering Defendants neither admit nor deny the legal conclusions  
12 asserted in paragraph 120 of the Amended Complaint, which do not require a response. To  
13 the extent a response is required, Answering Defendants deny the allegations in paragraph  
14 120 of the Amended Complaint.

15 121. Answering Defendants admit that KFI's business involves business  
16 activities distinct from racketeering acts. Answering Defendants deny the balance of the  
17 allegations in paragraph 121 of the Amended Complaint.

18 122. Answering Defendants neither admit nor deny the legal conclusions  
19 asserted in paragraph 122 of the Amended Complaint, which do not require a response. To  
20 the extent a response is required, Answering Defendants deny the allegations in paragraph  
21 122 of the Amended Complaint.  
22  
23





1 **FIFTH AFFIRMATIVE DEFENSE**

2 Cascade is barred from maintaining this action against Answering Defendants, in  
3 whole or in part, because Cascade has failed to mitigate its damages, if any.

4 **SIXTH AFFIRMATIVE DEFENSE**

5 Cascade is barred from maintaining this action against Answering Defendants, in  
6 whole or in part, because of the doctrine of unclean hands.

7 **THIRD PARTY COMPLAINT AND COUNTERCLAIMS**

8  
9 132. Defendant/Counterclaim-Plaintiff Knitting Fever, Inc. (“KFI”) is a  
10 corporation organized and existing under the laws of the State of New York with its  
11 principal place of business at 215 Bayview Avenue, Amityville, NY. 11701.

12  
13 133. Plaintiff/Counterclaim-Defendant, Cascade Yarns Inc. (“Cascade”) is a  
14 Washington Corporation having a principal place of business at 1224 Andover Park East,  
15 Tukwila, Washington, 98188.

16 134. Third Party Defendant Robert A. Dunbabin. Sr., is a natural person and, on  
17 information and belief, is a resident of Washington and president of Cascade.

18 135. Third Party Defendant Jean A. Dunbabin is a natural person and, on  
19 information and belief, is a resident of Washington and an owner and managing agent of  
20 Cascade who is personally involved in numerous business decisions of Cascade.

21 136. Third Party Defendant Robert A. Dunbabin, Jr. is a natural person and, on  
22 information and belief, resides at 3666 93rd Avenue SE, Mercer Island, WA 98040, and, as  
23

1 in-house counsel for Cascade, is personally involved in numerous business decisions of  
2 Cascade.

3 137. This Court has subject matter jurisdiction over these counterclaims pursuant  
4 to 28 U.S.C. §§ 1332 and 1367 as the counterclaims are so related to the claims in the  
5 original action that they form part of the same case or controversy under Article III of the  
6 United States Constitution, and arise out of common facts, transactions, or occurrences as  
7 provided under Fed. R. Civ. P. 13 and 20.

8 138. This Court has personal jurisdiction over the Counterclaim Defendant and  
9 the Third Party Defendants because they all reside and/or do business in the State of  
10 Washington.

11 139. Venue in this District is proper over these counterclaims pursuant to 28  
12 U.S.C. § 1391.

13 140. Cascade is a direct competitor of KFI.

14 141. Cascade and KFI sell to the same market and the same customers.

15 142. Beginning 2006 and continuing to the present, Cascade has engaged in a  
16 course of conduct that is designed to impugn the reputation of KFI and disparage the  
17 quality of KFI's yarn products.

18 143. Robert A. Dunbabin Sr., Jean A. Dunbabin, and Robert A. Dunbabin Jr.  
19 (collectively, the "Third Party Defendants"), each participated in and/or knowingly  
20 approved of this improper course of conduct and agreed to the dissemination of the false  
21 and misleading statements described herein.  
22  
23

1           144.     This course of conduct includes the distribution of press releases and/or  
2 announcements and selectively publishing documents related to the present litigation upon  
3 Cascade’s website located at www.cascadeyarns.com. The press releases and/or  
4 announcements and documents selected for posting on the website contain intentionally  
5 false and misleading statements and unfounded allegations as to KFI’s business practices,  
6 the quality of its goods, and the reputation and character of its officers and employees.

7           145.     By way of specific example, the selected documents published on  
8 Cascade’s website make false and misleading statements as to the cashmere content and  
9 labeling of KFI’s yarns.

10          146.     As both the source of the false and misleading statements in the documents  
11 and the publisher of the documents, Cascade and the Third Party Defendants are not  
12 entitled to any immunity or privilege.

13          147.     The documents selected to be published by Cascade and the Third Party  
14 Defendants on Cascade’s website do not comprise a fair and accurate summary of this  
15 litigation.

16          148.     In addition, in an article and video report dated October 26, 2010, and  
17 released by KING5, a news outlet based in Seattle, Washington, and published on  
18 KING5’s website, Robert Dunbabin made false and misleading statements about the  
19 authenticity of KFI’s products. For example, he compared KFI’s yarns to cubic zirconia  
20 stating, "imagine if you tell your wife you bought her cubic zirconium instead of a  
21 diamond, you could see what her response would be." The article and video do not  
22  
23

1 identify whether Robert Dunbabin Sr. or Robert Dunbabin Jr. is the source of the quote.

2 149. Following the publication of these and other statements by Cascade and the  
3 Third Party Defendants, KFI experienced a loss of customers as well as loss of sales.  
4 Upon information and belief, KFI also lost prospective customers due to the false and  
5 misleading statements of Cascade and the Third Party Defendants to the public and the  
6 handknitting yarn trade in general.

7 150. Not only have the Third Party Defendants made false and misleading  
8 statements about the composition of KFI's yarns in an effort to damage KFI's business and  
9 reputation, Cascade has also made false and misleading statements about the composition  
10 and country of origin of its own yarns.

11 151. Cascade identifies the fiber content of its yarns on both the yarn label and  
12 its publicly-accessible website.

13 152. Beginning in July 2010, test reports conducted upon Cascade's yarns  
14 demonstrate that the percentages of cashmere or other specialty fibers in the yarns are at  
15 variance with the percentages indicated on Cascade's product labels and its website.  
16 Additionally, many of Cascade's yarn labels fail to identify a country of origin as required  
17 by law.

18 153. SGS Cashmere Labs conducted tests on Cascade yarn products sold under  
19 the following names: 109 Tweed, 129 Tweed, 220 Tweed, Bulky Leisure, CashVero,  
20 Cloud 9, Dolce, Cascade Kid Seta, Pastaza, Pima Tencel, Mohair Kiss, Baby Folie, Bouton  
21 Colour, Etoile, Sissi, Eden Bamboo, Fiordo, Madil Kid Seta, Inspire, Luxury Mohair,  
22  
23

1 Bamboo Cotton DK, Dream Chunky, Mirage, Zig Zag 4 Ply (collectively “Tested Yarns”).

2 154. SGS Labs issued test reports identifying the fiber content and to the extent  
3 possible from the label, the country of origin of each of the Tested Yarns.

4 155. The fiber content listed on the test reports does not correspond to the fiber  
5 content listed on the Tested Yarns’ labels.

6 156. Luxury Mohair, Bamboo Cotton DK, Dream Chunky, Mirage, Zig Zag 4  
7 Ply do not identify a country of origin on their labels.  
8

9 **FIRST COUNTERCLAIM**

10 **(Unfair Competition and False Advertising Under the Lanham Act)**

11 157. KFI incorporates by reference all allegations contained in paragraphs 132 to  
12 156 as though set forth fully herein.

13 158. In promoting Cascade’s own knitting yarns, the Third Party Defendants  
14 have made false and misleading statements about KFI’s yarns, including but not limited to  
15 the statements alleged herein.

16 159. In addition, Cascade, in promoting its own knitting yarns, has made false  
17 and misleading statements about the content and/or country of origin of its own yarns.  
18

19 160. The false and misleading statements of the Third Party Defendants about  
20 KFI’s yarns and Cascade’s false and misleading statements about its own yarns have  
21 deceived some KFI customers or have the tendency to deceive a substantial segment of  
22 KFI’s customers.  
23



1 statements about its own yarns, including but not limited to the statements alleged herein.

2 167. The Third Party Defendants' false and misleading statements about KFI's  
3 yarns and Cascade's statements about its own yarns were made in bad faith.

4 168. The Third Party Defendants' false and misleading statements about KFI's  
5 yarns and Cascade's statements about its own yarns have deceived some KFI customers or  
6 have the tendency to deceive a substantial segment of KFI's customers.

7 169. The Third Party Defendants' false and misleading statements about KFI's  
8 yarns and Cascade's statements about its own yarns are material, in that they are likely to  
9 influence customers' purchasing decisions.

10 170. KFI has been and will continue to be injured as a result of the false and  
11 misleading statements of Cascade and the Third Party Defendants, either by direct  
12 diversion of sales from itself to Cascade or by a lessening of the goodwill associated with  
13 KFI's goods and services.

14 171. The acts of Cascade and the Third Party Defendants constitute willful,  
15 deliberate, false, and misleading representations of fact as to the nature and characteristics  
16 of KFI's yarns and its own yarns. The false and misleading statements of Cascade and the  
17 Third Party Defendants regarding the fiber content of KFI's yarns and its own yarns  
18 constitutes unfair competition.

19 172. As a direct and proximate result of the false advertising and deceptive  
20 conduct of Cascade and the Third Party Defendants, KFI has suffered and will continue to  
21 suffer monetary damages and irreparable harm.  
22  
23

1 **THIRD COUNTERCLAIM**

2 **(Defamation)**

3 173. KFI incorporates by reference all allegations contained in paragraphs 132 to  
4 172 as though set forth fully herein.

5 174. Cascade and the Third Party Defendants have published and continue to  
6 publish false and defamatory statements about KFI and its yarns to customers and  
7 potential customers, including but not limited to the above-alleged representations posted  
8 on Cascade's website.

9 175. Cascade and the Third Party Defendants have made these statements with  
10 full knowledge of their falsity and/or with reckless disregard for their truth.

11 176. Cascade and the Third Party Defendants have published these false and  
12 defamatory statements with the clear intent to harm KFI's business.

13 177. A result of the false and misleading statements of Cascade and the Third  
14 Party Defendants, KFI has been damaged in its trade, profession and/or business including  
15 through the loss of sales, goodwill, and reputation.  
16

17 **FOURTH COUNTERCLAIM**

18 **(Tortious Interference with Existing Contractual Relationships)**

19 178. KFI incorporates by reference all allegations contained in paragraphs 132 to  
20 177 as though set forth fully herein.  
21

1           179.     KFI has valid, existing, and ongoing contractual relationships with its yarn  
2 products customers.

3           180.     Cascade and the Third Party Defendants are aware of these contractual  
4 relationships.

5           181.     Cascade and the Third Party Defendants have intentionally interfered with  
6 these relationships by, *inter alia*, falsely telling KFI's customers and others in the trade  
7 that KFI's yarns do not contain any cashmere and/or did not contain the amount of  
8 cashmere stated on the yarns' labels, disseminating "test" results which do not accurately  
9 reflect the composition of KFI's yarns; and making false statements to the media regarding  
10 the composition of KFI's yarns.

11           182.     Cascade and the Third Party Defendants undertook such actions with the  
12 intent to damage or terminate altogether the business relationships between KFI and its  
13 existing yarn products customers.

14           183.     The actions of Cascade and the Third Party Defendants as aforesaid were  
15 taken without privilege or justification.

16           184.     As a direct and proximate result of the conduct of Cascade and the Third  
17 Party Defendants as aforesaid, KFI has incurred monetary damages including monetary  
18 damage from the loss of existing customers.  
19  
20  
21  
22  
23

**FIFTH COUNTERCLAIM**

**(Tortious Interference with Business Expectancy)**

185. KFI incorporates by reference all allegations contained in paragraphs 132 to 184 as though set forth fully herein.

186. KFI continues to attempt to acquire new customers for its yarn products.

187. Upon information and belief, the actions of Cascade and the Third Party Defendants as aforesaid specifically intended to prevent KFI from establishing relationships with prospective customers.

188. The actions of Cascade and the Third Party Defendants as aforesaid were taken without privilege or justification.

189. As a direct and proximate result of the conduct of Cascade and the Third Party Defendants, KFI has incurred monetary damages including the loss of existing and prospective customers.

WHEREFORE, Counterclaim-Plaintiff Knitting Fever, Inc. prays that this Court enter judgment in its favor and against Cascade and the Third Party Defendants, jointly and severally, on the claims set forth above, grant preliminary and permanent injunctive relief, award KFI damages, lost profits, attorneys' fees and costs, treble damages, and pre-

1 judgment interest, and grant such other and further relief as this Court deems just and  
2 proper.

3 DATED this 18th day of January, 2011

4 Pepper Hamilton LLP

5  
6 By /s/ Joshua R. Slavitt  
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16 Attorneys for Defendants

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**CERTIFICATE OF SERVICE**

I hereby certify that on the date set forth below, I electronically filed the foregoing Answer to the First Amended Complaint and Knitting Fever, Inc's Third Party Complaint and Counterclaims for Unfair Competition, False Advertising, Defamation and Tortious Interference with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

Robert J. Guite, Esquire  
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San Francisco, CA 94111  
rguite@ssd.com

DATED this 18th day of January, 2011.

Pepper Hamilton LLP

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