

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

CASCADE YARNS, INC., a Washington
Corporation,

Plaintiff,

vs.

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.), and entity organized
or existing under the laws of Italy, SION
ELALOUF, an individual, DIANE ELALOUF,
an individual, JAY OPPERMAN, an individual,
DEBBIE BLISS, an individual, DAVID
WATT, an individual and DOES 1-50

Defendants.

Case No.

**COMPLAINT FOR UNFAIR
COMPETITION, FALSE
ADVERTISING AND BUSINESS
INJURY BY A RACKETEER
INFLUENCED AND CORRUPT
ORGANIZATION**

JURY DEMAND

COMES NOW Cascade Yarns, Inc. ("Cascade"), by and through counsel, and files this
Complaint and in support thereof alleges as follows:

INTRODUCTION

1. To better "compete" in the importation, marketing, distribution and sale of high-
end designer handknitting yarn, defendants KNITTING FEVER, INC. ("KFI"), DESIGNER
YARNS, LTD. ("Designer Yarns"), FILATURA PETTINATA V.V.G. DI STEFANO

COMPLAINT FOR UNFAIR COMPETITION AND
CIVIL RICO FOR BUSINESS INJURY - 1
Case No.

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ONE MARITIME PLAZA, SUITE 300
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1 VACCARI & C. (S.A.S.) (“VVG”), SION ELALOUF, DIANE ELALOUF, JAY OPPERMAN,
 2 DAVID WATT and DEBBIE BLISS (collectively, “Defendants”) engaged in a concerted
 3 scheme, beginning nearly a decade ago, to defraud consumers and injure their competitors by
 4 making literally false representations regarding the fiber content of certain yarn products,
 5 including but not necessarily limited to the *Noro Silk Garden*, *Debbie Bliss Cashmerino*, *Elsebeth*
 6 *Lavold Silky Wool* and *Louisa Harding Cashmere* brands. Defendants’ conduct caused harm to
 7 its competitors, including Cascade by driving customers away from purchasing Cascade’s
 8 products in the false belief the KFI’s competing products were of similar content and of equal
 9 quality.

10 2. Cascade is one of the nation’s finest purveyors of yarns and sells its products
 11 through specialty retailers and boutiques throughout the United States. Cascade is one of KFI’s
 12 chief competitors in the wholesale yarn marketplace. Cascade’s products include many yarns
 13 containing a mix of wool and other natural fibers such as kid mohair, silk and cashmere. KFI
 14 similarly sells its products through retailers and boutiques throughout the United States.

15 3. On information and belief, in order to make an unreasonable profit and to undercut
 16 its competitors’ (including Cascade’s) business, beginning sometime in the early 2000s and
 17 certainly no later than 2006, KFI began selling products that had literally false labels
 18 misrepresenting the products’ cashmere, kid mohair and/or silk content. The literally false labels
 19 allowed KFI to sell their products for a significantly lower price than Cascade’s products, thereby
 20 damaging Cascade in the form of lost profits and business injury.

21 THE PARTIES

22 4. **Cascade** is a Washington corporation having a principal place of business at 1224
 23 Andover Park East, Tukwila, Washington 98188.

24 5. **KFI**, on information and belief, is a corporation organized and/or existing since
 25 1980 under the laws of the State of New York. On information and belief, KFI has its principal
 26 place of business at 315 Bayview Avenue, Amityville, New York, 11701-2801.

6. **Designer Yarns**, on information and belief, is a closely held corporation organized under the laws of England with a principal place of business at Unit 8-10 Newbridge Industrial Estate, Pitt Street, Keighly, West Yorkshire, United Kingdom, BD21 4PQ. On information and belief, Designer Yarns holds a license for the international marketing of handknitting yarns bearing the Debbie Bliss brand name and has a distributorship agreement with KFI by which KFI is the exclusive U.S. importer and distributor of yarns marketed by Designer Yarns. On information and belief, defendant Sion Elalouf and/or KFI control Designer Yarns.

7. **VVG**, on information and belief, is a closely held entity organized or held under the laws of Italy with a principal place of business at 11 Via Gianasso, 13871 BENNA (BI) ITALIA. On information and belief, VVG brokered (*i.e.*, identified and arranged for manufacture) yarns for the KFI and Debbie Bliss brand names, including but not necessarily limited to the mislabeled yarns described in this Complaint. On information and belief, Sion Elalouf exerts significant, if not complete, control over VVG.

8. **Sion Elalouf** is a natural person and, on information and belief, resides at 22 Longwood Road, Port Washington, New York 11050-1260. On information and belief, since 1980, Mr. Elalouf has been the sole or controlling shareholder and chief executive of KFI and has been and continues to be responsible for setting KFI's trade policies and practices. On information and belief, except where explicitly stated otherwise, Mr. Elalouf has actively participated in the tortious, fraudulent and wrongful conduct that is the subject of this Complaint, including but not limited to falsely advertising and labeling goods distributed in interstate and/or foreign commerce, committing predicate acts of racketeering (including wire fraud and mail fraud), conspiring with the other defendants to engage in acts to further the racketeering scheme and causing harm to Cascade's business by the acts of that racketeering enterprise. On information and belief, Mr. Elalouf operates KFI as his alter ego.

9. **Diane Elalouf** is a natural person and, on information and belief, resides at 22 Longwood Road, Port Washington, New York 11050-1260. On information and belief, at times

1 material to this Complaint, Mrs. Elalouf was and continues to be a KFI officer, director or
2 shareholder. On information and belief, Mrs. Elalouf has access to and responsibility for
3 reviewing, approving and paying invoices from KFI's foreign suppliers.

4 10. **Jay Opperman** is a natural person and, on information and belief, resides at 78
5 Clinton Avenue, Montclair, New Jersey 07042-2116. On information and belief, as recently as
6 2002, Mr. Opperman has held himself out as an independent sales representative of KFI, and
7 more recently as KFI sales manager responsible for managing a national sales force tasked with
8 "pushing" sales of handknitting yarn products to retailers. On information and belief, since 2001,
9 Mr. Opperman is a director of, and one of the registered owners of, the shares of Designer Yarns,
10 Ltd. On information and belief, at all time relevant to this Complaint, Mr. Opperman actively
11 participated in the wrongful conduct that is the subject of this Complaint, including but not
12 limited to making false representations of the fiber content of KFI's yarn products and thereby
13 causing injury to Cascade.

14 11. **Debbie Bliss** is a natural person and, on information and belief, is a subject of the
15 United Kingdom residing at 9 Folkestone Road, Walthamstow, London, United Kingdom, E17
16 9SD. On information and belief, in late 1999, and no later than June 2000, Ms. Bliss desired to
17 create her own handknitting yarn brand name that would sell a range of value-priced yarns for
18 sale in her retail yarn business. On information and belief Ms. Bliss has licensed her name to
19 Designer Yarns for the development and marketing of a series of yarns branded under her name.
20 On information and belief, under the terms of that license, Ms. Bliss has reserved the
21 responsibility for assuring the quality for handknitting yarns branded with her name. Since 2001,
22 Ms. Bliss has regularly traveled to the U.S. for the purpose of promoting yarn products with her
23 brand name. On information and belief, Ms. Bliss has participated and facilitated the wrongful
24 conduct described in this Complaint.

25 12. **David Watt** is a natural person and, on information and belief is a subject of the
26 United Kingdom. On information and belief, Mr. Watt's business address is Designer Yarns,

1 Ltd., Unit 8-10 Newbridge Industrial Estate, Pitt Street, Keighly, West Yorkshire, United
 2 Kingdom, BD21 4PQ. Mr. Watt is the head of Designer Yarns, and, on information and belief, at
 3 all time material to this Complaint, was an active participant in the scheme alleged herein.

4 13. Cascade does not know the true names and capacities of Does 1 through 50 and
 5 will seek to amend this complaint to set forth their true names and capacities when ascertained.
 6 Cascade is informed and believes and on that basis, alleges that each of these fictitiously named
 7 defendants is responsible in some manner for the acts and damages alleged below.

8 JURISDICTION AND VENUE

9 14. This Court has subject matter jurisdiction over counts one and four pursuant to 28
 10 U.S.C. §§ 1331 and 1338, based upon the federal causes of action asserted. This Court has
 11 supplemental jurisdiction over the remaining counts pursuant to 28 U.S.C. § 1367.

12 15. Personal jurisdiction and venue are proper in this Court pursuant to 28 U.S.C.
 13 § 1391 and 18 U.S.C. § 1965 because Defendants transact business in this district, are found in
 14 this district, and/or directed conduct at this forum. In addition, the Alien Venue Act, 28 U.S.C.
 15 § 1391(d) provides that “an alien may be sued in any district.” Designer Yarns is an alien
 16 corporation organized under the laws of England, VVG is an alien entity organized and/or
 17 existing under the laws of Italy and Ms. Bliss is an alien natural person.

18 FACTUAL BACKGROUND

19 **I. KFI DISCOVERS CASHMERINO -- A YARN THAT HAS THE SAME LOOK AND FEEL AS A** 20 **CASHMERE-CONTAINING YARN BUT CONTAINS NO CASHMERE**

21 16. KFI is a participant in the U.S. wholesale market for handknitting yarns. In 2005,
 22 KFI claimed to be the leading wholesale supplier to specialty retailers.

23 17. During the 1990s, a KFI competitor experienced success with a premium
 24 “designer” line of premium, natural fiber handknitting yarn that, while branded with a specific
 25 designer’s name, was controlled by the wholesaler-importer.
 26

1 18. On information and belief, upon seeing the success of its competitor, KFI began
2 investigating creating its own KFI-controlled designer labeled handknitting yarn.

3 19. On information and belief, in the late 1990s, Ms. Bliss was also attempting to
4 develop her own line of value-priced yarns that would be sold under her brand name.

5 20. On information and belief, sometime between 1999 and 2001, and certainly by
6 June 2001, Ms. Bliss became aware of KFI, Mr. Elalouf and an Italy-based yarn, supplier and/or
7 manufacturer, VVG .

8 21. On information and belief, sometime between late 1999 and 2001, and certainly by
9 June 2001, Mr. Elalouf and/or KFI entered into an agreement with Ms. Bliss whereby Ms. Bliss
10 agreed to hold herself out as the creative source of the Debbie Bliss brand of yarns, Ms. Bliss
11 would promote the sale of products bearing the Debbie Bliss brand name and Ms. Bliss would
12 design handknitting patterns that would be sold in connection with the Debbie Bliss branded yarn.

13 22. On information and belief, to implement the plan to develop a designer yarn that
14 Mr. Elalouf and KFI could control, Mr. Elalouf and Mr. Opperman, possibly with the help of
15 others whose identities not yet known to Cascade, created a company, Designer Yarns, to hold the
16 brand names and distribution rights to the to-be-created designer yarn product. On information
17 and belief, on or around April 12, 2001, a certificate of incorporation was issued to Designer
18 Yarns in England.

19 23. On information and belief, Designer Yarns entered into an agreement whereby
20 KFI is the sole U.S. importer-wholesaler of its products.

21 24. On information and belief, Designer Yarns entered into an agreement whereby
22 Debbie Bliss has licensed her name to Designer Yarns to be used as a brand name on yarn
23 products marketed as Debbie Bliss yarns.

24 25. On information and belief, to avoid the U.S. Customs scrutiny of transactions
25 between related parties, Mr. Elalouf is not disclosed as a shareholder, director or participant in
26 Designer Yarns.

1 26. On information and belief, despite the lack of an official status as a shareholder,
2 director or participant in Designer Yarns, Mr. Elalouf maintains access to Designer Yarns through
3 Mr. Opperman's equity and directorship roles. On information and belief, Mr. Elalouf maintains
4 intimate involvement and ultimate control over Designer Yarns' products, including the Debbie
5 Bliss brand.

6 27. On information and belief, Mr. Elalouf determines, among other things, (1) the
7 specific products marketed internationally as manufactured for Designer Yarns; (2) the fiber
8 content of Designer Yarns' products; (3) the pricing of Designer Yarns' products; (4) the
9 promotion and advertising of Designer Yarns' products; and (5) personally represents Designer
10 Yarns in negotiations with its Canadian distributor and at tradeshow in Germany, Italy and other
11 European countries.

12 28. On information and belief, between July 2000 and June 2001, Mr. Elalouf
13 discovered two versions of a yarn called Cashmerino -- one of which contained cashmere and the
14 one which did not contain any cashmere.

15 29. The discovery of the two versions of Cashmerino was significant because, on
16 information and belief, Mr. Elalouf, who was extensively experienced in the yarn trade, was
17 unable to distinguish between the cashmere and non-cashmere versions of the yarn. Indeed,
18 without expert fiber analysis -- something to which the majority of KFI's and Cascade's
19 customers do not have access -- it is virtually impossible to confirm the presence of cashmere is a
20 spun yarn.

21 30. On information and belief and through processes currently unknown to Cascade,
22 no later than October 2001 and continuing through the present, among the many legitimate
23 employees and/or contractors at KFI, only Mr. and Mrs. Elalouf had access to documents
24 concerning the yarns imported and wholesaled by KFI. On information and belief, Mrs. Elalouf
25 had sole responsibility to scrutinize, approve and pay manufacturers' and suppliers' invoice and,
26 therefore, had sole access to the information regarding the attendant fiber content of the yarns

1 made by KFI's suppliers and manufacturers. On information and belief, this allowed Mrs.
2 Elalouf to prevent regular KFI employees from learning the invoiced purchase values of goods
3 imported and eventually resold by KFI, from learning the true source of the products imported
4 and eventually resold by KFI, and from learning the actual fiber content of goods imported and
5 eventually resold by KFI.

6 **II. KFI DECIDES TO CASH IN ON NON-CASHMERE CASHMERINO**

7 31. On information and belief, following his discovery of the two versions of the
8 Cashmerino Yarn, on a date presently unknown to Cascade but believed to be before June 9,
9 2001, Mr. Elalouf and Designer Yarns entered into an agreement to substitute the 0% cashmere
10 version of the product for the Cashmerino spun of 12% cashmere.

11 32. On information and belief, following the agreement described above, Alberto
12 Oliaro, VVG's principal officer, was directed by Mr. Elalouf to and actually did manufacture the
13 0% cashmere yarn but nevertheless labeled the finished product as containing 12% cashmere.

14 33. On information and belief, on a date presently unknown to Cascade but believed to
15 be before June 9, 2001, the 0% cashmere Cashmerino (labeled as containing 12% cashmere) was
16 included in the new line of Debbie Bliss yarns to be launched by Designer Yarns.

17 34. The 0% cashmere version of Cashmerino was subsequently imported into the U.S.
18 by KFI and was sold, using means of interstate and/or foreign commerce, to retailers throughout
19 the U.S. under the Debbie Bliss brand name from Designer Yarns.

20 35. On information and belief, the non-cashmere Cashmerino was formally introduced
21 at a June 9-11, 2001 U.S. trade show for the yarn industry.

22 36. On information and belief, even prior to its formal introduction Mr. Opperman, in
23 his role as an independent sales representative for KFI, represented that a new KFI product, called
24 Cashmereno DK, contained 55% merino wool, 33% microfiber and 12% cashmere.

1 37. On information and belief, based on Mr. Opperman's representations as to the
2 fiber content of the Cashmereno DK product, certain of Cascade's customers bought the
3 Cashmereno DK instead of comparable Cascade products.

4 38. On information and belief, between August 2001 and continuing at through the
5 present, KFI regularly used the United States Mail and interstate wires to issue to as many as
6 2,000 specialty yarn retailers throughout the U.S. price and product lists identifying the KFI and
7 Debbie Bliss Cashmerino products as spun of a fiber content consisting of 55% merino wool,
8 33% microfiber and 12% cashmere.

9 39. On information and belief, based on the representations contained in KFI's price
10 and products list, certain of Cascade's customers bought the KFI and Debbie Bliss Cashmerino
11 products listed as being spun of a fiber content consisting of 55% merino wool, 33% microfiber
12 and 12% cashmere instead of comparable Cascade products.

13 **III. TRUE CONTENT OF KFI'S FALSELY LABELED CASHMERINO COMES TO LIGHT**

14 40. In early 2006, Cascade became aware of the extent of KFI's enormous success
15 with its Cashmerino line of yarn products.

16 41. Cascade then contacted the Cashmere and Camel Hair Manufacturers Institute
17 ("CCMI") and submitted a sample of KFI's Cashmerino yarn purportedly containing 12%
18 cashmere for fiber testing. CCMI informed Cascade that it had submitted the sample to K.D.
19 Langley Fiber Services ("K.D. Langley") for testing. On May 26, 2006, Langley issued a report
20 and concluded that "[n]o cashmere fibers were observed."

21 42. As noted above, because it is impossible to determine the true fiber content of spun
22 yarn without expert fiber test results, Cascade was ignorant of the true fiber content of the
23 mislabeled KFI products until the release of the May 26, 2006 test results.

1 43. At The National Needlework Association trade show, which took place on June 10
2 through June 12, 2006 in Indianapolis, Indiana, test results showing that KFI's Cashmerino yarn
3 products did not contain any cashmere became known.

4 44. On June 22, 2006, Mr. Elalouf contacted Cascade by telephone and left a message
5 for Robert Dunbabin, Sr. to call. Robert Dunbabin, Jr., of Cascade, returned this call by cellular
6 telephone. During the course of the conversation Mr. Elalouf represented to Mr. Dunbabin that
7 he was not surprised that the test results did not show cashmere because, according to Mr.
8 Elalouf, the type of cashmere that KFI uses will not show up in fiber tests.

9 45. On June 27, 2006, Roy A. Klein, an attorney working on behalf of KFI, Designer
10 Yarns and Ms. Bliss sent a letter by U.S. mail, facsimile and electronic mail to Cascade. In that
11 letter, Mr. Klein accused Cascade of misrepresenting the fiber content of Debbie Bliss
12 Cashmerino. Mr. Klein's letter also represented that KFI had independent lab reports showing
13 that KFI's yarn "indeed has the cashmere content indicated on its label." Mr. Klein's letter
14 further demanded a public apology, to be approved by KFI in advance, and that should Cascade
15 refuse to issue such an apology, KFI, Ms. Bliss and Designer Yarns would "not hesitate to pursue
16 all appropriate rights and remedies to recover compensatory and punitive damages for
17 [Cascade's] tortious and illegal conduct." On information and belief, Mr. Elalouf directed Mr.
18 Klein to send the June 27, 2006 letter and to make the representations contained therein.

19 46. On June 28, 2006, counsel for Cascade responded to Mr. Klein's letter and
20 explained that Cascade had not made any misrepresentation. Cascade's counsel's June 28 letter
21 further requested information regarding KFI's test results.

22 47. On July 11, 2006, Mr. Klein responded to Cascade's counsel via facsimile and,
23 while asserting that fiber tests for cashmere content in spun yarn are inherently unreliable,
24 attached copies of test results purporting to show that Debbie Bliss Cashmerino yarns contained
25 cashmere. On information and belief, Mr. Elalouf directed Mr. Klein to send the July 11, 2006
26 letter and to make the representations contained therein.

1 48. On July 17, 2006, Cascade's counsel responded to Mr. Klein. Cascade's counsel
2 challenged the assertion that it is difficult to test for cashmere content and explained that K.D.
3 Langley used a reliable testing protocol approved by the American Association of Textile
4 Chemists and Colorists when he examined the fiber content of Debbie Bliss Cashmerino yarn.

5 49. On July 20, 2006, KFI distributed by electronic mail and by U.S. mail, an open
6 letter to its customers in which it represented that Debbie Bliss Cashmerino yarn contains
7 cashmere. On information and belief, the July 20, 2006 letter was authored by Mr. Elalouf and
8 Mr. Klein.

9 50. On or around September 26, 2006, amidst the growing controversy in the hand
10 knitting yarn community, Debbie Bliss sent a letter, on information and belief by U.S. mail, to a
11 number of yarn stores throughout the United States. In the September 26 letter, Ms. Bliss
12 represents that the Debbie Bliss branded yarns contain cashmere. On information and belief, Mr.
13 Elalouf directed Ms. Bliss to send the September 26 letter and to make the representations therein.

14 51. KFI responded to the growing controversy regarding its yarns, and the increase of
15 retailer testing of its products by liquidating its intentionally mislabeled yarns, without correcting
16 the labels or informing the purchasers of the problem. For example, on information and belief in
17 or around August 2006, one of KFI's customers, A.C. Moore, raised concerns regarding the
18 cashmere content of certain KFI-supplied products, whose labels stated that the product contained
19 12% cashmere. KFI, despite its repeated criticism of results from CCMI-approved fiber testing
20 laboratories, advised A.C. Moore to engage a testing facility recommended by CCMI. On
21 information and belief, A.C. Moore then had the suspect product tested and the test results
22 revealed that the product had 0% cashmere. On information and belief, when Mr. Elalouf was
23 informed of these results, and with knowledge of those results, stated that the product was fine
24 and that A.C. Moore should sell through its current inventory and the inventory that KFI was
25 holding for A.C. Moore.

1 52. On information and belief, Mr. Elalouf, with the advice of Mr. Klein, contacted
2 VVG and reformulated a number of the “cashmerino” type products. On information and belief,
3 this led to a letter from VVG to Mr. Watt and Mr. Elalouf outlining VVG’s view of the situation.
4 On information and belief, in this letter, VVG stated that “if everybody start[s] testing everything
5 on the market the consequences would be big war and everybody will only get problems.” On
6 information and belief, VVG further sated that “there is no need to use the best cashmere qualities
7 because nobody would feel the difference.” On information and belief, VVG nevertheless noted
8 that “if there are these kind of risks, we need to seriously think how to proceed in the future.” On
9 information and belief, VVG advised that there were three possibilities, “a) we continue so as
10 done so far, if were think the risks are not too big. b) we stop this kind of blend. c) we change
11 the blend and use the best possible cashmere quality, which will be easier to find in case of lab
12 check. Of course the price would change.”

13 53. On information and belief, the communications between VVG, Mr. Watt and Mr.
14 Elalouf led to a reformulation of certain of Defendants’ products. On information and belief,
15 prior to this, Cashmere was wholly absent and was replaced by surplus acrylic: dyelots of this
16 type contained no letter. After this dyelots with a “B” or a “C” were introduced. On information
17 and belief, these dyelots contained some cashmere, but significantly less than the amount stated
18 on the label. On information and belief, these dyelots “B” and “C” had surplus wool, unlike
19 surplus acrylic in the pre-June 2006 “no letter in dyelot” versions of the yarn. On information
20 and belief, the purpose for this change was to make detection more difficult by including some
21 cashmere and keeping the easily detectable acrylic fiber content consistent with the labeling. On
22 information and belief, Mr. Klein advised Mr. Elalouf that this change would make charges of
23 intentional mislabeling more difficult to establish.

1 **IV. WHEN KFI'S CUSTOMERS COMPLAIN ABOUT THE LACK OF CASHMERE, KFI**
 2 **RESPONDS BY BRINGING LAWSUITS**

3 54. On information and belief, in 2006 certain of KFI's customers began complaining
 4 about the fiber content of certain of its yarn products. On information and belief, when KFI
 5 received complaints from its customers, it actively discouraged the customers from having
 6 independent testing of the yarns' fiber content conducted. On information and belief, KFI offered
 7 to sign "letters of guarantee" that were drafted by Mr. Klein and would not have effectively
 8 insulated KFI's customers from liability from selling mislabeled products. On information and
 9 belief these complaints led to disputes between KFI, on the one hand, and certain of its customers,
 10 on the other.

11 55. On information and belief, in furtherance of the unlawful conduct that is the
 12 subject of this complaint, KFI instituted lawsuits against certain of its customer, including but not
 13 limited to the following yarn stores: Knit and Purl in Rochester New York; Red Needle in
 14 Savannah, Georgia; NY Knits in Victor, New York, and A.C. Moore in New Jersey. On
 15 information and belief, Mr. Elalouf directed KFI to undertake these lawsuits to collect on debts
 16 incurred for purchases of yarn with labels that were literally false as to the fiber content of the
 17 yarn.

18 **V. NUMEROUS INDEPENDENT TESTS CONFIRM THAT KFI HAS ATTACHED LITERALLY**
 19 **FALSE LABELS TO CERTAIN YARN PRODUCTS SINCE AT LEAST 2006 AND CONTINUING**
 20 **TO THE PRESENT**

21 56. In addition to the May 26, 2006 test described above, numerous other independent
 22 test confirm that KFI has used literally false labels on certain of its yarn products.

23 57. On July 18, 2006, K.D. Langley issued a fiber content test report to one of KFI's
 24 customers for Debbie Bliss baby cashmerino yarn. The label for this product represented that it
 25 contained 12% cashmere. K.D. Langley's test results state that "[n]o cashmere fibers were
 26 observed" in the yarn sample. A true and correct copy of the results of the July 18 report is
 attached as **Exhibit A**.

1 58. On July 18, 2006, K.D. Langley issued a fiber content test report to one of KFI's
2 customers for KFI Cashereno yarn. The label for this product represented that it contained 12%
3 cashmere. K.D. Langley's test results state that "[n]o cashmere fibers were observed" in the yarn
4 sample. *See Ex. A.*

5 59. On July 18, 2006, K.D. Langley issued a fiber content test report to one of KFI's
6 customers for Debbie Bliss cashmerino aran yarn. The label for this product represented that it
7 contained 12% cashmere. K.D. Langley's test results state that "[n]o cashmere fibers were
8 observed" in the yarn sample. *See Ex. A.*

9 60. On July 25, 2006, K.D. Langley issued a fiber content test report to one of KFI's
10 customers for Debbie Bliss cashmerino aran yarn. The label for this product represented that it
11 contained 12% cashmere. K.D. Langley's test results state that "[n]o cashmere fibers were
12 observed in the sample." A true and correct copy of the results of the July 25 report is attached as
13 **Exhibit B.**

14 61. On August 31, 2006, Specialized Technology Resources, Inc. ("STR") issued a
15 test report to one of KFI's customers for Debbie Bliss Baby Cashmereno. The label for this
16 product represented that it contained 12% cashmere. STR's test results state that "[t]here was no
17 cashmere" in the yarn sample. A true and correct copy of the results of the August 31 report is
18 attached as **Exhibit C.**

19 62. On August 31, 2006, STR issued a test report to one of KFI's customers for KFI
20 Cashmereno. The label for this product represented that it contained 12% cashmere. STR's test
21 results state that "[t]here was no cashmere" in the yarn sample. *See Ex. C.*

22 63. On August 31, 2006, STR issued a test report to one of KFI's customers for
23 Debbie Bliss Cashmereno Aran. The label for this product represented that it contained 12%
24 cashmere. STR's test results state that "[t]here was no cashmere" in the yarn sample. *See Ex. C.*

25 64. Despite these results -- and the results of other fiber tests conducted at the request
26 of the CCMI -- and in reliance upon the Defendants' representations made in Fall 2006 regarding

1 the accuracy of KFI's labels, Cascade took no further immediate actions in 2006. Nevertheless,
2 Cascade's lingering concerns remained and in 2010, it engaged Langley to conduct fiber tests of
3 certain of KFI's yarns. A true and correct copy of a May 15, 2010 report summarizing the results
4 of K.D. Langley's tests of KFI yarns from April 10, 2010 through May 15, 2010, including copies
5 of the labels of the yarns tested, is attached as **Exhibit D**. As detailed below, certain of the yarns
6 tested contained materially and literally false representations regarding the yarn products' true
7 fiber content.

8 65. On April 10, 2010, K.D. Langley issued a fiber content test report to Cascade for
9 Debbie Bliss Cashmerino Aran yarn. The label for this product represented that it contained 12%
10 cashmere. K.D. Langley's test results state that the yarn sample contained just 4.7% cashmere.
11 *See Ex. D* at 1.

12 66. On April 10, 2010, K.D. Langley issued a fiber content test report to Cascade for
13 Debbie Bliss Cashmerino Astrakan yarn. The label for this product represented that it contained
14 10% cashmere. K.D. Langley's test results state that the yarn sample contained 0% cashmere.
15 *See Ex. D* at 1.

16 67. On April 10, 2010, K.D. Langley issued a fiber content test report to Cascade for
17 Louisa Harding Kashmir Aran yarn. The label for this product represented that it contained 10%
18 cashmere. K.D. Langley's test results state that the yarn sample contained 0% cashmere. *See Ex.*
19 **D** at 1.

20 68. On April 10, 2010, K.D. Langley issued a fiber content test report to Cascade for
21 Noro Cash Iroha yarn. The label for this product represented that it contained 20% cashmere.
22 K.D. Langley's test results state that the yarn sample contained only 13.1% cashmere. *See Ex. D*
23 at 1.

24 69. On April 10, 2010, K.D. Langley issued a fiber content test report to Cascade for
25 Noro Silk Garden yarn. The label for this product represented that it contained 45% Kid Mohair.

1 K.D. Langley's test results state that the yarn sample contained only 30.0% Kid Mohair. *See Ex.*
2 *D* at 1.

3 70. On April 20, 2010, K.D. Langley issued a fiber content test report to Cascade for
4 Debbie Bliss Cashmerino Aran yarn. The label for this product represented that it contained 12%
5 cashmere. K.D. Langley's test results state that the yarn sample contained just 4.4% cashmere.
6 *See Ex. D* at 2 and 22.

7 71. On April 20, 2010, K.D. Langley issued a fiber content test report to Cascade for
8 Debbie Bliss Cashmerino Aran yarn. The label for this product represented that it contained 12%
9 cashmere. K.D. Langley's test results state that the yarn sample contained just 5.9% cashmere.
10 *See Ex. D* at 2 and 22.

11 72. On April 27, 2010, K.D. Langley issued a fiber content test report to Cascade for
12 Debbie Bliss Cashmerino Superchunky yarn. The label for this product represented that it
13 contained 12% cashmere. K.D. Langley's test results state that the yarn sample contained just
14 7.6% cashmere. *See Ex. D* at 2.

15 73. On April 27, 2010, K.D. Langley issued a fiber content test report to Cascade for
16 Noro Silk Garden yarn. The label for this product represented that it contained 45% Kid Mohair.
17 K.D. Langley's test results state that the yarn sample contained just 28.3% Kid Mohair. *See Ex.*
18 *D* at 2.

19 74. On April 27, 2010, K.D. Langley issued a fiber content test report to Cascade for
20 Queensland Collection Big Wave yarn. The label for this product represented that it contained
21 10% cashmere. K.D. Langley's test results state that the yarn sample contained just 4.9%
22 cashmere. *See Ex. D* at 2-3.

23 75. On April 27, 2010, K.D. Langley issued a fiber content test report to Cascade for
24 Queensland Collection Katmandu Aran Tweed yarn. The label for this product represented that it
25 contained 5% cashmere. K.D. Langley's test results state that the yarn sample contained only a
26 trace (~.3%) amount of cashmere. *See Ex. D* at 2-3.

1 76. On April 27, 2010, K.D. Langley issued a fiber content test report to Cascade for
2 Queensland Collection Katmandu DK Tweed yarn. The label for this product represented that it
3 contained 5% cashmere. K.D. Langley's test results state that the yarn sample contained only a
4 trace (~.6%) amount of cashmere. *See Ex. D* at 2-3.

5 77. On April 29, 2010, K.D. Langley issued a fiber content test report to Cascade for
6 Elizabeth Lavold Silky Cashmere yarn. The label for this product represented that it contained
7 45% cashmere. K.D. Langley's test results state that the yarn sample contained just 22.5%
8 cashmere. *See Ex. D* at 3.

9 78. On April 30, 2010, K.D. Langley issued a fiber content test report to Cascade for
10 Louisa Harding Kashmir Baby yarn. The label for this product represented that it contained 10%
11 cashmere. K.D. Langley's test results state that the yarn sample did not contain cashmere. *See*
12 **Ex. D** at 3.

13 79. On May 2, 2010, K.D. Langley issued a fiber content test report to Cascade for
14 Debbie Bliss Cashmerino Chunky yarn. The label for this product represented that it contained
15 12% cashmere. K.D. Langley's test results state that the yarn sample did not contain cashmere.
16 *See Ex. D* at 4.

17 80. On May 2, 2010, K.D. Langley issued a fiber content test report to Cascade for
18 Debbie Bliss Baby Cashmerino yarn. The label for this product represented that it contained 12%
19 cashmere. K.D. Langley's test results state that the yarn sample did not contain cashmere. *See*
20 **Ex. D** at 4.

21 81. On May 2, 2010, K.D. Langley issued a fiber content test report to Cascade for
22 Debbie Bliss Cashmerino Astrakhan yarn. The label for this product represented that it contained
23 10% cashmere. K.D. Langley's test results state that the yarn sample did not contain cashmere.
24 *See Ex. D* at 4.

25 82. On May 4, 2010, K.D. Langley issued a fiber content test report to Cascade for
26 Elsebeth Lavold Calm Wool yarn. The label for this product represented that it contained 30%

1 Camel hair. K.D. Langley's test results state that the yarn sample contained just 15.7% Camel
2 hair. *See Ex. D* at 4.

3 83. On May 8, 2010, K.D. Langley issued a fiber content test report to Cascade for
4 Louisa Harding Kashmir Aran yarn. The label for this product represented that it contained 10%
5 cashmere. K.D. Langley's test results state that the yarn sample contained just 3.0% cashmere.
6 *See Ex. D* at 5.

7 84. On May 8, 2010, K.D. Langley issued a fiber content test report to Cascade for
8 Louisa Harding Kashmir Aran yarn. The label for this product represented that it contained 10%
9 cashmere. K.D. Langley's test results state that the yarn sample contained just 2.4% cashmere.
10 *See Ex. D* at 5.

11 85. On May 8, 2010, K.D. Langley issued a fiber content test report to Cascade for
12 Louisa Harding Kashmir DK yarn. The label for this product represented that it contained 10%
13 cashmere. K.D. Langley's test results state that the yarn sample contained just 1.0% cashmere.
14 *See Ex. D* at 5.

15 86. On May 15, 2010, K.D. Langley issued a fiber content test report to Cascade for
16 Debbie Bliss Cashmerino Aran yarn. The label for this product represented that it contained 12%
17 cashmere. K.D. Langley's test results state that the yarn sample contained just 7.0% cashmere.
18 *See Ex. D* at 5.

19 87. On May 15, 2010, K.D. Langley issued a fiber content test report to Cascade for
20 Debbie Bliss Cashmerino Aran yarn. The label for this product represented that it contained 12%
21 cashmere. K.D. Langley's test results state that the yarn sample contained only a trace (~.4%)
22 amount of cashmere. *See Ex. D* at 6.

23 88. On information and belief, all of the yarns tested by K.D. Langley were sold
24 throughout the U.S., since at least 2006 and continuing through the present, by one or more of
25 Defendants using means of interstate and/or foreign commerce.

89. On information and belief, the representations contained on the labels of the yarn products tested by K.D. Langley were made by one or more of Defendants through the use of U.S. mail, since at least 2006 and continuing through the present, including, for example by mailing price lists and/or catalogues to its customers.

90. On information and belief the representations contained on the labels of the yarn products tested by K.D. Langley were made by Defendants through the use of interstate wires, since at least 2006 and continuing through the present, including, for example by using electronic mail, the worldwide web, telephones, cellular telephones and/or facsimile machines to distribute price lists and/or catalogues to its customers.

COUNT ONE

(Unfair Competition Under 15 U.S.C. § 1125(a))

91. Cascade hereby incorporates by reference all previous allegations of this Complaint as if specifically set forth herein.

92. As set forth above, Defendants have made and continue to make deceptive, misleading and fraudulent statements the fiber content of yarn products sold throughout the U.S. Such representations have been made through oral and written representations.

93. Defendants are in competition with Cascade.

94. Defendants past and ongoing harm of Cascade is continuing to the present and foreseeable future, and is a serious and unmitigated hardship.

95. As a direct and proximate cause of Defendants' conduct, Cascade has been damaged in an amount to be proven at the time of trial. Cascade will continue to suffer injury to its goodwill, its rights and its business, unless and until Defendants are restrained from continuing their wrongful acts.

COUNT TWO

(False Advertising Under 15 U.S.C. § 1125(a))

96. Cascade hereby incorporates by reference all previous allegations of this Complaint as if specifically set forth herein.

97. As set forth above, Defendants have made and continue to make deceptive, misleading and fraudulent statements the fiber content of yarn products sold throughout the U.S. Additionally, Defendants have made and continue to make deceptive, misleading and fraudulent statements in marketing materials, on their website(s) and in promotional materials, and in the visual look and feel of product packaging and labeling, regarding the true content of certain of its yarn products, including but not necessarily limited to the mislabeled products identified in this Complaint. These statements are meant to influence customer into purchasing Defendants' products to the exclusion of Cascade's products.

98. Defendants' past and ongoing harm of Cascade is continuing to the present and foreseeable future, and is a serious and unmitigated hardship.

99. As a direct and proximate cause of Defendants' conduct, Cascade has been damaged in an amount to be proven at the time of trial. Cascade will continue to suffer injury to its goodwill, its rights and its business, unless and until Defendants are restrained from continuing their wrongful acts.

COUNT THREE

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

100. Cascade hereby incorporates by reference all previous allegations of this Complaint as if specifically set forth herein.

101. As set forth above, Defendants have made and continue to make deceptive, misleading and fraudulent statements on labels of products sold throughout the U.S. Additionally, Defendants have made and continue to make deceptive, misleading and fraudulent statements marketing materials, on their website(s) and in promotional materials, and in the visual

1 look and feel of product packaging and labeling, regarding the true content of certain of its yarn
2 products, including but not necessarily limited to the mislabeled products identified in this
3 Complaint.

4 102. Such conduct constitutes unfair or deceptive acts or practices in trade or commerce
5 affecting public interest, capable of repetition, and caused Cascade to suffer injury to its business,
6 goodwill and reputation as a result of those unfair or deceptive practices.

7 **COUNT FOUR**

8 **(Common Law Unfair Competition)**

9 103. Cascade hereby incorporates by reference all previous allegations of this
10 Complaint as if specifically set forth herein.

11 104. Defendants are in competition with Cascade.

12 105. As set forth above, Defendants have made and continue to make deceptive,
13 misleading and fraudulent statements on labels of products sold throughout the U.S.
14 Additionally, Defendants have made and continue to make deceptive, misleading and fraudulent
15 statements in marketing materials, on their website(s) and in promotional materials, and in the
16 visual look and feel of product packaging and labeling, regarding the true content of certain of its
17 yarn products, including but not necessarily limited to the mislabeled products identified in this
18 Complaint. These statements are meant to influence customers to purchase Defendants' products
19 to the exclusion of Cascade's products.

20 106. Defendants' past and ongoing harm of Cascade continuing to the present and
21 foreseeable future, and is a serious and unmitigated hardship.

22 107. As a direct and proximate cause of Defendants' conduct, Cascade has been
23 damaged in an amount not totally ascertainable at this time. Cascade will continue to suffer
24 injury to its goodwill, its rights and its business, unless and until Defendants are restrained from
25 continuing their wrongful acts.

COUNT FIVE

**(Injury to Business and Property Pursuant to Racketeer Influenced And Corrupt
Organization Act)**

108. Cascade hereby incorporates by reference all previous allegations of this Complaint as if specifically set forth herein.

109. Pursuant to 18 U.S.C. § 1964(c) of the Racketeer Influenced And Corrupt Organization Act, Cascade brings this action against Defendant Sion Elalouf.

110. On information and belief, Mr. Elalouf is employed by or associated, directly or indirectly, with the enterprise, as described in the Complaint, in the conduct of the enterprise's affairs through the pattern of racketeering activity as described in this Complaint.

111. Cascade is informed and believes that Defendants, individually and/or collectively, constitute an enterprise as that term is defined in 18 U.S.C. § 1961.

112. On information and belief, after 1998, and continuing through the present, Mr. Elalouf has knowingly and willfully conducted the affairs of the enterprise described by this Complaint, including but not necessarily limited to directing the actions of KFI, through a pattern of racketeering activities specified by 18 U.S.C. § 1961. This pattern of racketeering activity consists of a least two racketeering acts, including without limitation, the following:

a) Mail Fraud:

1. Cascade hereby incorporates by reference all previous allegations of this Complaint as if specifically set forth herein.
2. Mr. Elalouf participated in the fraudulent conduct that is the subject of this Complaint knowing, or in reckless disregard of, the true fiber content of certain of Defendants' yarn products, including but not necessarily limited to the mislabeled products identified in this Complaint. On information and belief, this conduct began in or around 2001, and certainly by 2006, and continues through the present.

- 1 3. In furtherance of this scheme, at different times, Mr. Elalouf caused to
2 be placed with, for delivery by, the U.S. Mail or other commercial
3 interstate carrier various documents wherein the fiber content of
4 Defendants' yarn products, including but not necessarily limited to the
5 mislabeled products identified in this Complaint, was materially
6 misstated.
- 7 4. For example, on July 20, 2006, under circumstances more particularly
8 known to Defendants, Mr. Elalouf caused the U.S. Postal Service to
9 deliver to as many as 2,000 yarn shops, a general letter addressing the
10 fiber contents of certain of KFI's yarn products. On information and
11 belief, the letter was sent with the purpose and intent of having these
12 yarn shops rely on the representations regarding the yarn's fiber content
13 and to induce the shops to purchase KFI products to the exclusion of
14 Cascade's products.
- 15 5. The July 20 letter, contained numerous material misleading statements
16 as well as misstatements of fact, including but not necessarily limited to
17 the following:
- 18 i. "a disgruntled competitor maliciously publish[ed] false and
19 defamatory statements that . . . Cashmerino . . . does not contain
20 cashmere" is materially misleading because the report was
21 based upon independent, objective and generally accepted
22 testing methods that determined the cashmere content of the
23 Debbie Bliss Cashmerino yarn tested to be 0%;
- 24 ii. the "Debbie Bliss's Cashmerino yarn contains cashmere" is
25 materially false in two ways: first, tested samples drawn from
26 retail inventories indicated the yarn contains 0% cashmere and,

1 second, KFI has yet to produce any test reporting contrary
2 findings based on samples drawn from stocks in any retail store
3 as of June 10, 2006;

4 iii. "TFT Limited . . . confirmed all six ...Cashmerino samples ...
5 contain cashmere" is materially misleading because TFT's test
6 report could state no more than "a quantity of cashmere" was
7 found and TFT did not say the quantity was the labeled 12%;

8 iv. "it is difficult to test accurately for cashmere content" is
9 materially false because, while fiber content analysis is a
10 specialized scientific endeavor, the fiber analysis field has
11 developed generally accepted procedures to assure the accuracy
12 and uniformity of testing results;

13 v. "when one uses a projection microscope to examine . . .
14 cashmere . . . blended with extrafine merino wool – both of
15 which have the same micron of approximately 18/19 – there
16 will be some fibers . . . identified as wool, some as cashmere
17 and others that are indeterminate" is materially false because,
18 on information and belief, expert fiber analysis distinguishes
19 fiber types by scale patterns (analogous to fingerprints) and not
20 micron count, which measures only fiber diameter and because
21 micron count is non-determinative of the fiber's species of
22 origin; and

23 vi. "Stated simply, it is virtually impossible to differentiate
24 between Iranian cashmere and extrafine merino wool [as] the
25 two fibers have virtually the same characteristics" is materially
26 and recklessly false because the fiber analysis field functions for

1 the very purpose of identifying the animal species which
2 produced the fiber.

3 6. Additionally, on or around September 2006, under circumstances more
4 particularly known to Defendants, Mr. Elalouf caused the U.S. Postal
5 Service to deliver to as many as 2,000 yarn shops, a general letter,
6 signed by Ms. Bliss, addressing the fiber contents of certain of KFI's
7 Debbie Bliss branded yarn products. On information and belief, the
8 letter was sent with the purpose and intent of having these yarn shops
9 rely on the representations regarding the yarn's fiber content and to
10 induce the shops to purchase KFI products to the exclusion of
11 Cascade's products.

12 7. The September 2006 letter, contained numerous material, misleading
13 statements as well as misstatements of fact, including but not
14 necessarily limited to the following:

15 i. Designer Yarns "have initiated the most stringent state of the art
16 tests, including DNA, every one of which confirms the presence
17 of cashmere in the yarn" is a materially and recklessly
18 misleading statement in two respects. First, on information and
19 belief, DNA testing, as it existed in 2006, could only determine
20 the genus of animal which produced the fiber spun into yarn (
21 *e.g.*, goat as opposed to sheep) and cannot distinguish the
22 specific species producing the fiber (*e.g.*, angora goat as
23 opposed to cashmere goat) – a fact known, or which should
24 have been known, to Ms. Bliss and Mr. Elalouf. Second, the
25 results of testing "initiated" by Designer Yarns on samples not
26 drawn from retailers' shelves is irrelevant to the fiber content of

yarns already sold to retailers for resale to consumers, a fact known, or which should have been known, to Ms. Bliss and Mr. Elalouf.

8. On information and belief, Mr. Elalouf has continuously and regularly used the U.S. Postal Service and/or commercial carriers to deliver price lists knowingly, or with reckless disregard for the truth, misrepresenting the fiber content of certain of Defendants' yarn products, including but not necessarily limited to the mislabeled products identified in this Complaint. On information and belief, Mr. Elalouf made these uses of the U.S. Postal Service and/or commercial carriers with the intent of causing Yarn retailers to purchase Defendants' yarn products to the exclusion of Cascade's products. On information and belief, Mr. Elalouf has made these uses since 2001, and certainly since 2006, and continuing to the present.

b) Wire Fraud:

1. Cascade hereby incorporates by reference all previous allegations of this Complaint as if specifically set forth herein.
2. Mr. Elalouf participated in the fraudulent conduct that is the subject of this Complaint knowing, or in reckless disregard of, the true fiber content of certain of Defendants' yarn products, including but not necessarily limited to the mislabeled products identified in this Complaint. On information and belief, this conduct began in or around 2001, and certainly by 2006, and continues through the present.
3. In furtherance of this scheme, at different times, Mr. Elalouf materially misrepresented the fiber content of certain of Defendants' yarn products, including but not necessarily limited to the mislabeled

1 products identified in this Complaint, through the use of wire, radio, or
2 television communication in interstate or foreign commerce.

- 3 4. For example, on June 22, 2006, Mr. Elalouf represented to Robert
4 Dunbabin, Jr., in a cellular telephone conversation, that the type of
5 cashmere that he uses will not show up in tests and threatened litigation
6 if Cascade did publicly state that Debbie Bliss Cashmerino contained
7 the requisite amount of cashmere stated upon the label..
- 8 5. Additionally, on July 11, 2006, Mr. Klein, on information and belief at
9 the direction of Mr. Elalouf and in furtherance of the scheme described
10 in this Complaint, sent a letter by facsimile to Cascade's counsel
11 containing material factual misrepresentations or misleading
12 statements. Specifically, the July 11 fax contained misrepresentations
13 that certain of KFI's yarns contained cashmere.
- 14 6. Additionally, on information and belief, on July 20, 2006, to further the
15 scheme described in this Complaint, Mr. Elalouf caused the letter
16 discussed in ¶¶ 112(a)(4-5), which are incorporated herein, to be
17 transmitted by electronic mail to yarn retailers for which KFI possesses e-
18 mail addresses.
- 19 7. Additionally, on information and belief, on July 20, 2006, in
20 furtherance of the scheme described in this Complaint, Mr. Elalouf
21 directed a KFI employee Jeffrey Denecke to publish on the Internet
22 through the use of interstate wires the letter discussed in ¶¶ 112(a)(4-5),
23 which are incorporated herein, on the online *Knitter's Review* forum.
- 24 8. Additionally, on October 19, 2006, on information and belief, Mr.
25 Elalouf directed and caused Mr. Denecke to publish on the online
26 *Knitters Review* forum a letter addressing one of KFI's customer's, The

1 Knit With, decision to recall KFI yarn products due to their misleading
2 and/or false labels.

3 9. The October 19 online posting contained numerous material misleading
4 statements as well as misstatements of fact, including but not
5 necessarily limited the following:

6 i. “[T]here was never any reason for The Knit With to recall these
7 products in the first place” is materially false because, on
8 information and belief, as known to KFI in advance of the
9 recall, fiber analyses of Cashmerino samples drawn from The
10 Knit With’s inventory show the products supplied to The Knit
11 With contain a 0% cashmere content rendering such
12 Cashmerino stocks unsalable as labeled;

13 ii. Recent “[t]ests . . . performed for KFI . . . confirm what KFI
14 *has been saying all along – the products contain cashmere*”
15 (emphasis in original) is, on information and belief, a materially
16 false statement for two reasons: (1) none of the tests
17 ‘performed for KFI’ were performed on samples drawn from
18 The Knit With’s inventory or from stocks of any KFI-supplied
19 retailer and (2) tests performed on product samples available
20 only after the absence of cashmere content was detected can
21 hardly confirm the presence of cashmere in stocks supplied to
22 retailers by KFI before July, 2006 and as early as Fall 2001.

23 iii. “So KFI continues to stand behind the products, even issuing
24 . . . guarantees (sic) in the form prescribed by the FTC” is, on
25 information and belief, materially false statement vis-à-vis The
26

1 Knit With because KFI refused to provide Plaintiff a twice-
2 requested Guaranty of Compliance;

- 3 iv. The Knit With's recall is a purposeful "smear campaign
4 targeting KFI's products" is, on information and belief,
5 materially false because KFI had notice the recalled yarns in
6 question were found, at great expense to The Knit With, to not
7 be spun with the labeled quantity of cashmere and therefore
8 should never have been sold to consumers as labeled.
- 9 v. On information and belief, Mr. Elalouf has continuously and
10 regularly used interstate wires to deliver price lists knowingly,
11 or with reckless disregard for the truth, misrepresenting the
12 fiber content of certain of Defendants' yarn products, including
13 but not necessarily limited to the mislabeled products identified
14 in this Complaint, for example by representing the products'
15 fiber content on KFI's website, by sending out pricelists
16 through electronic mail and/or by sending out pricelists by
17 facsimile. On information and belief, Mr. Elalouf made these
18 uses of the interstate wires with the intent of causing yarn
19 retailers to purchase Defendants' yarn products to the exclusion
20 of Cascade's products. On information and belief, Mr. Elalouf
21 has made these uses since 2001, and certainly since 2006, and
22 continuing to the present.

23 **c) Money Laundering:**

- 24 1. Cascade hereby incorporates by reference all previous allegations of
25 this Complaint as if specifically set forth herein.

2. On information and belief, as a result of the scheme described in this Complaint, Mr. Elalouf received payments for the sale of mislabeled products.
3. On information and belief, beginning in or around 2001, and certainly by 2006, and continuing through the present, subsequent to receiving those payments, Mr. Elalouf attempted to and/or did conduct a financial transactions involving those payments.
4. On information and belief, at the time Mr. Elalouf made or attempted to make those financial transactions involving those payments, he knew that the money involved in the transaction represented the proceeds of the unlawful activity described in this Complaint.
5. On information and belief, Mr. Elalouf made or attempted to make those financial transactions, with the intent of promoting the unlawful conduct that is the subject of this Complaint.

d) Travel:

1. Cascade hereby incorporates by reference all previous allegations of this Complaint as if specifically set forth herein.
2. On information and belief, beginning in or around 2001, and certainly by 2006, and continuing through the present, in connection with and in furtherance of the scheme describe in this Complaint, Mr. Elalouf traveled domestically and internationally to locations including but not limited to Columbus, Ohio, Indianapolis, Indiana, the United Kingdom and Italy to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of the scheme described in this Complaint.

1 3. On information and belief, at the time Mr. Elalouf engaged in interstate
2 travel within the United States or internationally, he was engaging in
3 such travel in furtherance of the unlawful activity described in this
4 Complaint.

5 4. On information and belief, Mr. Elalouf engaged in interstate travel
6 within the United States or internationally, with the intent of promoting
7 the unlawful conduct that is the subject of this Complaint.

8 113. The numerous acts of racketeering activities particularized in ¶ 112 constitute a
9 pattern of racketeering activity beginning, on information and belief, in 2001 and continuing
10 though the present.

11 114. The numerous acts of racketeering activities particularized in ¶ 112 are related in
12 that they were all in furtherance of the fraudulent and misleading sale of deceptively and/or
13 falsely labeled yarn products.

14 115. The activities particularized in ¶ 112 illustrate Mr. Elalouf's regular way of
15 conducting the affairs of KFI. KFI's business, and the business of Defendants, which relate to the
16 creation, importation and wholesale distribution of hand knitting products, involves business
17 activities ordinarily distinct from racketeering acts.

18 116. The pattern of continuous racketeering activity particularized in ¶ 112 indicates
19 that Mr. Elalouf conducts, operates and/or manages KFI and/or the other Defendants as a
20 racketeering enterprise.

21 117. Cascade, on information and belief, alleges that Defendants' business affects
22 interstate and/or interstate commerce.

23 118. Cascade's business has been injured by reason of Mr. Elalouf's violation of section
24 1962(c) as alleged in this Complaint because, as a result of the racketeering activities, Cascade's
25 customers were deceived into purchasing KFI's products to the exclusion of Cascade's similar
26 products.

1 (1) awarding damages for all injuries suffered as a result of Defendants' conduct,
2 including from any Defendant, which is not a natural person but whose "corporate veil" is
3 pierced;

4 (2) awarding treble damages pursuant to 18 U.S.C. §1964(c);

5 (3) awarding the reasonable costs of this suit, including attorneys' fees pursuant to 18
6 U.S.C. §1964(c) or any other applicable law;

7 (4) awarding disgorgement of wrongfully obtained profits in an amount to be
8 determined at trial;

9 (5) awarding exemplary damages in an amount to be determined at trial;

10 (6) awarding prejudgment interest in an amount to be determined at trial;

11 (7) awarding injunctive relief prohibiting Defendants from engaging in the conduct
12 described herein, including but not limited to prohibiting Defendants from misrepresenting the
13 fiber content of their yarn products; and

14 (8) such other and further relief to which Plaintiffs may be entitled.

15
16 Dated: May 24, 2010

SQUIRE, SANDERS & DEMPSEY L.L.P.

17 By: 
18 Robert J. Guite, WSBA No. 25753

19 Attorneys for Plaintiff
20 CASCADE YARNS, INC.