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Feld Entertainment Announces Final Performances of

***Ringling Bros. and Barnum & Bailey® Circus* in May 2017**

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Ellenton, Fla. – January 14, 2017 – Feld Entertainment Inc., parent company of *Ringling Bros. and Barnum & Bailey®* and the world's largest producer of live family entertainment, announced today that the iconic 146-year-old circus would hold its final performances later this year. *Ringling Bros.®'* two circus units will conclude their tours with their final shows at the Dunkin' Donuts Center in Providence, R.I., on May 7, and at the Nassau Veterans Memorial Coliseum in Uniondale, N.Y., on May 21, 2017.

The decision to end the circus tours was made as a result of high costs coupled with a decline in ticket sales, making the circus an unsustainable business for the company. Following the transition of the elephants off the circus, the company saw a decline in ticket sales greater than could have been anticipated.

"*Ringling Bros. and Barnum & Bailey* was the original property on which we built Feld Entertainment into a global producer of live entertainment over the past 50 years," said Kenneth Feld, Chairman and CEO of Feld Entertainment. "We are grateful to the hundreds of millions of fans who have experienced *Ringling Bros.* over the years. Between now and May, we will give them one last chance to experience the joy and wonder of *Ringling Bros.*"

"This was a difficult business decision to make, but by ending the circus tours, we will be able to concentrate on the other lines of business within the Feld Entertainment portfolio," said Juliette Feld, Feld Entertainment's Chief Operating Officer. "Now that we have made this decision, as a company, and as a family, we will strive to support our circus performers and crew in making the transition to new opportunities," she added.

Feld Entertainment's portfolio includes Marvel Universe LIVE!, Monster Jam, Monster Energy Supercross and *Disney On Ice*, among others. The company recently announced a new partnership to produce live tours of *Sesame Street* and expanded television coverage for the 2017 Monster Energy Supercross races.

Complete details on the remaining *Ringling Bros.* performances can be found online at Ringling.com. Members of the media can visit www.feldmediaguides.com/outofthisworld or www.feldmediaguides.com/circusxtreme for visual assets.

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Select Legal History for Ringling Bros. - Barnum & Bailey

Irina Tarsis, Esq.,
Center for Art Law

It's been alleged that ever since 1961, Ringling Bros. and Barnum & Bailey Circus (the "Circus") had owned trademarks and service marks for use of the phrase "The Greatest Show on Earth" in its various promotional materials. In 2017, the show closed for good. While circus and theater historians are writing the socio-cultural biography of this epic circus and while movie goers are enjoying "The Greatest Showman" in theaters near new, we propose a law-driven discussion of IP assets that are left behind when such giants, as Barnum & Bailey, or M. Knoedler & Co, or FAO Schwarz of the entertainment, arts and sports industries crumble. The following is a list of lawsuits involving the Circus, in IP, tax and negligence related cases that may be used for the Circus' law-inspired obituary.

* * *

Feld Ent't, Inc. and Ringling Bros.-Barnum & Bailey Combined Shows, Inc., v. Robert James Ritchie (PKA Kid Rock), and Live Nation Ent'l, Inc., 17-cv-03075-MSS-TBM (Mid.D.Fl.Tampa D. Dec.26, 2017) <u>IP LAW</u> Plaintiffs, who own a series of trademarks related to "The Greatest Show on Earth," filed a complaint against musical performer and a ticket booking agent for headlining a series of concerts the "Greatest Show on Earth 2018." The complaint explains that Plaintiffs license their affected trademarks for various purposes, including tee shirts, books, food and novelty products, and given Defendant's knowledge of the rights, *inter alia* seeks tremble damages for willful infringement of their IP.

ASPCA v. Feld Entm't, Inc., 677 F. Supp. 2d 55 (D.D.C. 2009) <u>ANIMAL RIGHTS/RICO</u> Multiple animal groups sued the circus, through its parent company, alleging that it violated the Endangered Species Act by its treatment of Asian elephants in its circus.The circus countersued under the Racketeer Influenced and Corrupt Organizations Act in 2007, alleging conspiracy to harm its business. In 2012, ASPCA allegedly paid the circus over $9 million to settle parts of the lawsuit.

ASPCA v Ringling Bros. & Barnum & Bailey Circus, Inc., 354 US App DC 432, 317 F3d 334 (2003)**.** <u>ANIMAL RIGHTS</u> Plaintiff animal rights organizations and a former elephant handler sued defendant circus and its owner claiming that the circus mistreated its Asian elephants in violation of the Endangered Species Act, 16 U.S.C.S. § 1531 et seq. The plaintiffs appealed the judgment of the United States District Court for the District of Columbia dismissing the complaint for plaintiffs' lack of standing under U.S. Const. art. III. The judgment of the district court dismissing the complaint for lack of standing was reversed.

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v Utah Div. of Travel Dev., 170 F3d 449 (4th Cir 1999). <u>IP LAW</u> Case involving trademark "dilution" and the Federal Trademark

Dilution Act of 1995 ("the Act"), when Defendant Utah Division of Travel Development ("Utah") an agency of the State of Utah decided to use its GREATEST SNOW mark in connection with Utah tourism services. Court affirmed decision that Utah did not dilute Plaintiff's trademark

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. BE Windows Corp., 969 F. Supp. 901 (S.D.N.Y. 1997). IP LAW Following the 1993 World Trade Center bombing, restaurateur Joseph Baum ("Baum"), of Four Seasons and Rainbow Room fame, won the rights to reopen the restaurant on the 107th floor of One World Trade Center known as "Windows on the World." In November 1994, Defendants decided to rename the bar attached to that restaurant as "The Greatest Bar on Earth," a lawsuit followed alleging that a bar named "The Greatest Bar on Earth" would be a violation of the Circus' rights. Court held that the Circus' evidence did not support a claim of willful trademark infringement by Defendants.

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc., 855 F.2d 480 (7th Cir. 1988). IP LAW In this suit, the Circus, as owner of the trademark "The Greatest Show on Earth," obtained a preliminary injunction prohibiting Celozzi-Ettelson Chevrolet, Inc., an Illinois car dealership, from using the slogan "The Greatest Used Car Show on Earth." The injunction was upheld despite the finding that originally the mark was primarily descriptive and weak.

Mikos v Ringling Bros.-Barnum & Bailey Combined Shows, Inc., 497 So 2d 630 Fla. (1986). TAX LAW An application, alleging that respondent circus tour's property was not permanently located in Sarasota County for ad valorem tax purposes under Fla. Stat. ch. 192.032(2) and (5) (1983). Based on the allegations that the circus tour spent only two months of each year in Sarasota County, the County did not constitute a permanent situs that would subject petitioner to the assessment of ad valorem taxes. The decision that for taxes circus was not permanently located in Sarasota County was affirmed.

Ringling Bros.-Barnum & Bailey Combined Shows, Inc., v. Chandris America Lines, Inc., and Albert Frank Guenther Law, Inc., 321 F. Supp. 707 (S.D.N.Y. 1971) IP LAW In this suit brought under the Lanham Act, 15 U.S.C. §§ 1051-1127, the Circus claimed that Defendants willfully infringed, diluted and maliciously disparaged its trademark "The Greatest Show on Earth," and sought permanent injunction, compensatory damages in an undetermined amount, and punitive damages in the amount of $10 million. Defendants, a Delaware corporation in the business of offering wintertime vacation cruises in the Caribbean and an advertising agency which designed the advertisement for vacation cruises successfully argued that their actions gave no rise to the contention that the advertisement violated the anti-dilution statute.

Ringling Bros.-Barnum & Bailey Combined Shows, Inc., v. ACME Circus Operations Co., Inc., 12 A.D.2d 894 (N.Y. App. Div. 1961). N/A

Jacobs v. Ringling Bros.-Barnum & Bailey Combined Shows, Inc., 141 Conn. 86, 103 A.2d 805 (Conn. App. Div. 1954). <u>ADMINISTRATION</u> Case dealing with fees owed to receiver for administering claimed in the many suits for personal injuries and deaths caused by the Hartford circus fire of 1944.

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Higgins, 189 F.2d 865 (2d Cir. 1951) <u>TAX LAW</u> Circus unsuccessfully appealed from a judgment dismissing on the merits its complaint in an action for refund of $3,105.79 paid on or about June 10, 1938, as unemployment taxes for the year 1936. In response to the question whether certain persons engaged in plaintiff's circus in 1936 were employees, as the trial court held, or independent contractors, in which case the tax is not applicable the court held that while circus is enriched by individuality of each act" and a manager of a vaudeville "could hardly be expected to direct the manner and means by which a human cannonball should be shot from a gun," together "The performers were an integral part of plaintiff's business of offering entertainment to the public. They were molded into one integrated show, `the circus.' It was not a loose collection of individual acts like a vaudeville show but that of "the circus."

Ringling Bros.-Barnum & Bailey C. Shows, Inc., v. Ringling, Inc., 53 A.2d 441, 29 Del. Ch. 610, 29 Del. 610 (1947). <u>CORPORATE LAW</u> Case dealing with shares in the Circus and validity of an agreement between co-owners.

Ringling Bros.-Barnum & Bailey C. Shows, Inc., v. Olvera, 119 F.2d 584 (9th Cir. 1941). <u>TORT LAW</u> A consolidated appeal from two judgments upon a verdict awarding damages to America Olvera, hereafter called Olvera, for injuries to her while performing as a trapeze artist. Court reversed ruling for Olvera finding that the Ringling-Olvera contract exempts the appellants from liability for their ordinary negligence and the court erred in refusing the requested instruction concerning their liability solely for gross negligence.

Schock v. Ringling Bros. Etc., 105 P.2d 838 (Wash. 1940) <u>TORT LAW</u> Attractive nuisance case. Amos D. Schock brought this action on his own behalf, and as guardian ad litem of his three minor daughters, Jacqualine, Evangeline, and Marian, to recover damages resulting from injuries sustained by the three children while watching the unloading of defendant's circus within a railroad yard in Yakima. A trial to the court, sitting without a jury, resulted in findings of fact in favor of plaintiffs in varying amounts.

On August 23, 1939, at about 2:30 a.m., appellant's circus arrived in Yakima, Washington, by way of the Union Pacific Railroad. A large crowd of spectators, composed of men, women, and children, numbering from two hundred to three hundred people, congregated at the railroad yard during the early morning hours to watch the circus unload its equipment. At about 7:30 o'clock in the morning, respondents arrived at the railroad yard… One of the wagons detached and caused an accident. From a judgment entered in accordance with the findings, defendant appealed and the ruling was reversed on appeal because even though respondents had been standing in a position of comparative safety, their act [viewing unloading of the Circus and resulting accident] cannot be charged against the Circus "in view of the fact that it used reasonable care under the existing circumstances."

Ringling Bros., Etc. v. Wilkinson, 83 S.W.2d 705 (Tex. App. 1935) <u>CRIMINAL LAW</u> Plaintiff, Wilkinson sued the Circus to recover damages for personal and property injuries sustained in a collision between the car in which he was riding and a wagon loaded with poles, belonging to the circus. The grounds of negligence alleged were due to the Circus leaving one of its wagons parked at night on a public street in the city of Dallas, without displaying thereon lights. Having pleaded contributory negligence, the Circus alleged that Plaintiff was in such a state of intoxication as not to be able to properly drive his car or to avoid the collision with the stationary wagon. Jury held for the Circus and the decision was affirmed on appeal.

Burke v. Barnum Bailey, Etc., 99 A. 1027 (R.I. 1917) <u>CRIMINAL LAW</u> This is an action of trespass on the case to recover damages for personal injuries. A trial was had in the Superior Court before Mr. Justice Brown and a jury and resulted, on December 30, 1915, in a verdict for plaintiff for $875. The defendant's motion for a new trial was denied, and the case is now before this court on the defendant's bill of exceptions.

The declaration of the plaintiff is in one count and sets up in substance that the defendant corporation, in June, 1910, was engaged in conducting a circus in the city of Cranston, Rhode Island, and that the plaintiff, having paid the defendant corporation the price of admission, was witnessing the circus performance in the tent and at the place provided by the defendant corporation, when said defendant corporation, by its agents and servants, negligently caused certain horses and vehicles to be driven against and over the plaintiff (he being then in the exercise of due care), and thereby caused the plaintiff to be severely and permanently injured.

TESS was last updated on Tue Jan 2 03:47:44 EST 2018

Word Mark	THE GREATEST SHOW ON EARTH RINGLING BROS. AND **BARNUM** & **BAILEY**
Goods and Services	IC 030. US 046. G & S: Candy; Cookies; Cotton candy; Lollipops. FIRST USE: 20170501. FIRST USE IN COMMERCE: 20170501
Mark Drawing Code	(3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS
Design Search Code	26.01.17 - Circles, two concentric; Concentric circles, two; Two concentric circles 26.01.21 - Circles that are totally or partially shaded. 26.19.01 - Spheres (geometric)
Serial Number	87588340
Filing Date	August 29, 2017
Current Basis	1A
Original Filing Basis	1A
Owner	(APPLICANT) Ringling Bros.-Barnum & Bailey Combined Shows, Inc. CORPORATION DELAWARE 8607 Westwood Center Dr. Vienna VIRGINIA 22182
Attorney of Record	Eric Pellenbarg
Prior Registrations	2511740;3847635;3993719;AND OTHERS
Description of Mark	Color is not claimed as a feature of the mark. The mark consists of The mark consists of the words "THE GREATEST SHOW ON EARTH" appearing inside a stylized sphere with the words "RINGLING BROS. AND" appearing to the left and "BARNUM & BAILEY" appearing to the right of the sphere.
Type of Mark	TRADEMARK
Register	PRINCIPAL
Live/Dead	LIVE

Indicator

Trademarks > Trademark Electronic Search System (TESS)

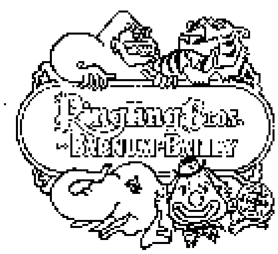
TESS was last updated on Tue Jan 2 03:47:44 EST 2018

Word Mark	THE GREATEST SHOW ON EARTH RINGLING BROS. AND **BARNUM** & **BAILEY**
Goods and Services	IC 009. US 021 023 026 036 038. G & S: PRERECORDED VIDEOS AND EDUCATIONAL CD ROMS FEATURING A PARTICULAR CIRCUS. FIRST USE: 19881200. FIRST USE IN COMMERCE: 19881200 IC 016. US 002 005 022 023 029 037 038 050. G & S: PAPER GOODS AND PRINTED MATTER, NAMELY PROGRAMS, POSTERS AND PAPER CONTAINERS. FIRST USE: 19781200. FIRST USE IN COMMERCE: 19781200 IC 025. US 022 039. G & S: CLOTHING, NAMELY HATS, SHIRTS AND JACKETS. FIRST USE: 19881200. FIRST USE IN COMMERCE: 19881200 IC 028. US 022 023 038 050. G & S: TOYS, NAMELY PLUSH, DOLLS AND HAND HELD TOYS FOR CREATING ILLUMINATION. FIRST USE: 19801200. FIRST USE IN COMMERCE: 19801200 IC 041. US 100 101 107. G & S: EDUCATIONAL AND ENTERTAINMENT SERVICES IN THE FORM OF A PARTICULAR CIRCUS AND ON-LINE DATA BASE SERVICES IN THE FIELDS OF ENTERTAINMENT, EDUCATION, HISTORICAL AND BIOGRAPHICAL INFORMATION REGARDING A SPECIFIC CIRCUS, PERFORMERS, ANIMALS AND OTHER CIRCUS-RELATED INFORMATION. FIRST USE: 19780100. FIRST USE IN COMMERCE: 19780100
Mark Drawing Code	(3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS
Design Search Code	01.07.01 - Globes with outlines of continents
Serial Number	75896507
Filing Date	January 13, 2000
Current Basis	1A
Original	1A

Filing Basis	
Published for Opposition	September 4, 2001
Change In Registration	CHANGE IN REGISTRATION HAS OCCURRED
Registration Number	2511740
Registration Date	November 27, 2001
Owner	(REGISTRANT) Ringling Bros.-Barnum & Bailey Combined Shows, Inc. CORPORATION DELAWARE 8607 Westwood Center Drive Vienna VIRGINIA 22182
Assignment Recorded	ASSIGNMENT RECORDED
Attorney of Record	Lisa Zeiler Joiner
Prior Registrations	0724946;0724947;0787963;0870254;1363330;1363568;1366779;1414050;2185161; 2188593;AND OTHERS
Type of Mark	TRADEMARK. SERVICE MARK
Register	PRINCIPAL
Affidavit Text	SECT 15. SECT 8 (6-YR). SECTION 8(10-YR) 20111229.
Renewal	1ST RENEWAL 20111229
Live/Dead Indicator	LIVE

Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Tue Jan 2 03:47:44 EST 2018



Word Mark	RINGLING BROS. AND **BARNUM** & **BAILEY** THE GREATEST SHOW ON EARTH
Goods and Services	(EXPIRED) IC 028. US 022. G & S: SWING SETS, GYMNASIUM EQUIPMENT, BALANCE BEAMS, MERRY-GO-ROUNDS, CLIMBERS, HAND BARS, AND THE LIKE. FIRST USE: 19700301. FIRST USE IN COMMERCE: 19700301 (EXPIRED) IC 025. US 039. G & S: CHILDREN'S COSTUMES-NAMELY, CLOWN SUITS, MONKEY SUITS, AND THE LIKE. FIRST USE: 19700301. FIRST USE IN COMMERCE: 19700301 (EXPIRED) IC 024. US 050. G & S: NOVELTY HATS, AND PLASTIC PLACE MATS. FIRST USE: 19700323. FIRST USE IN COMMERCE: 19700323
Mark Drawing Code	(3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS
Design Search Code	02.01.01 - Busts of men facing forward; Heads of men facing forward; Men - heads, portraiture, or busts facing forward; Portraiture of men facing forward 02.01.17 - Actors; Carnival characters (men); Clowns (men); Harlequins (men); Jesters (men); Men, clowns, actors, mimes, carnival characters, harlequins, jesters, men wearing tights; Mimes (men); Tights (men wearing) 02.01.31 - Men, stylized, including men depicted in caricature form 03.01.03 - Cats, tigers or other large cats; Cheetahs; Jaguars; Leopard; Lynx; Ocelots; Panther; Panthers; Puma; Tigers 03.01.16 - Heads of cats, dogs, wolves, foxes, bears, lions, tigers 03.01.24 - Stylized cats, dogs, wolves, foxes, bears, lions, tigers 03.03.01 - Elephants; Mammoths; Mastodons 03.03.16 - Heads of Elephants, hippopotami, rhinoceri, giraffes, alpacas, camels, llamas 03.03.24 - Stylized Elephants, hippopotami, rhinoceri, giraffes, alpacas, camels, llamas 03.11.01 - Apes; Baboons; Chimpanzees; Gorillas; Monkeys; Orangutans 03.11.24 - Stylized primates 26.11.27 - Oblongs not used as carriers for words, letters or designs
Serial Number	72385548
Filing Date	March 5, 1971

Current Basis	1A
Original Filing Basis	1A
Registration Number	0937019
Registration Date	July 4, 1972
Owner	(REGISTRANT) RINGLING BROS.-BARNUM & BAILEY COMBINED SHOWS CORPORATION DELAWARE 1250 CONNECTICUT AVE. NW. WASHINGTON D.C. 20036
Type of Mark	TRADEMARK
Register	PRINCIPAL
Affidavit Text	SECT 15. SECT 8 (6-YR).
Live/Dead Indicator	DEAD

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
TAMPA DIVISION

FELD ENTERTAINMENT, INC. AND
RINGLING BROS.-BARNUM &
BAILEY COMBINED SHOWS, INC.,

Plaintiff,

vs. CASE NO.

ROBERT JAMES RITCHIE
(PKA KID ROCK); AND LIVE NATION
ENTERTAINMENT, INC.

Defendants.
_______________________________________/

COMPLAINT AND DEMAND FOR JURY TRIAL
(Injunctive Relief Requested)

1. Plaintiffs, Feld Entertainment, Inc. ("Feld Ent.") and Ringling Bros.-Barnum & Bailey Combined Shows, Inc. ("Combined Shows") (collectively referred to herein as "RINGLING BROS." or "Plaintiffs"), for their Complaint against Defendants Robert James Ritchie, (professionally known as "Kid Rock") and Live Nation Entertainment, Inc. ("Live Nation") (referred to herein each as "Defendant" or collectively, as "Defendants"), state as follows:

PARTIES

2. Plaintiff Feld Ent. is a corporation duly organized and existing under the laws of the State of Delaware, headquartered and doing business at 800 Feld Way, Ellenton, FL 34221. Feld Ent. and its predecessors have been the producer and presenter of RINGLING BROS. AND BARNUM & BAILEY CIRCUS (the "RINGLING BROS. CIRCUS" or "CIRCUS") for over a century.

3. Plaintiff Combined Shows is a corporation duly organized and existing under the laws of the State of Delaware, with an office located at 8607 Westwood Center Drive, Vienna, Virginia 22182. Combined Shows is the owner of various trademarks including, *inter alia*, THE GREATEST SHOW ON EARTH.

4. Defendant Robert James Ritchie, p/k/a Kid Rock, is an individual having a correspondence address of P.O. Box 3876, Tequesta, Florida 33469 and upon information and belief, owns a residence at 11 Ocean Drive, Jupiter, Florida 33496. Kid Rock is the headlining musical performer in the "Greatest Show on Earth 2018" tour, scheduled to perform in approximately twenty-one (21) cities across the United States, and who regularly performs in Florida including in the Middle District of Florida.

5. Upon information and belief, Defendant Live Nation Entertainment ("Live Nation") is a corporation organized and existing under the laws of the State of Delaware, having an office and principal place of business located at 9348 Civic Center Drive, Beverly Hills, California 90210-3624. Live Nation is the producer, promotor, and booking and ticket sales company for the Greatest Show on Earth 2018 tour of Kid Rock. Upon information and belief, Live Nation and Ticketmaster merged and became Live Nation Entertainment, one of the Defendants herein. Live Nation does business throughout the United States, including in the State of Florida and in the Middle District of Florida.

6. Upon information and belief, one or more of the Defendants also own and operate websites located at the URLs www.kidrock.com, www.livenation.com and www.ticketmaster.com, which are accessible in the State of Florida (including this district) and through which Florida State residents can purchase tickets to Kid Rock concerts

including the Greatest Show on Earth 2018 Tour and products related to the same. Upon information and belief, kidrock.com is registered by Perfect Privacy, LLC of Jacksonville, FL.

7. Upon information and belief and as alleged herein, each of the Defendants has knowledge of, has directed to commit, and/or has personally committed, the tortious acts of trademark infringement, unfair competition, dilution, and deceptive and unfair trade practices complained of in this Complaint.

JURISDICTION AND VENUE

8. This Court has jurisdiction under Section 39 of the Lanham Act, 15 U.S.C. § 1121, 28 U.S.C. §§ 1331 and 1338(a) and (b). The Court has supplemental jurisdiction over the claims herein which arise under State statutory and common law under 28 U.S.C. § 1367(a), because the State law claims are also related to the Federal claims such that they form part of the same case or controversy.

9. Personal jurisdiction over Defendants is based on their (i) operating, conducting, engaging in and carrying on business within the State of Florida; (ii) commission of tortious acts within the State of Florida; and (iii) causing injury to residents of Florida through likelihood of confusion.

10. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391(b) and 28 U.S.C. § 89(b) because Defendants regularly conduct business in this District, and because a substantial part of the acts or omissions giving rise to the claims asserted herein occurred in this District.

RINGLING BROS. REGISTERED MARKS

11. Combined Shows is the owner of U.S. Trademark Registration No. 1,363,330 duly issued by the United States Patent and Trademark Office on October 1, 1985, for the trademark THE GREATEST SHOW ON EARTH for program books in Class 16. The registration is valid, presently subsisting, incontestable and in full force and effect. A copy of Registration No. 1,363,330 is annexed hereto as Exhibit 1 and made a part hereof.

12. Combined Shows is the owner of U.S. Trademark Registration No. 1,363,568 duly issued by the United States Patent and Trademark Office on October 1, 1985, for the trademark THE GREATEST SHOW ON EARTH & DESIGN for toy stuffed animals in Class 28. The registration is valid, presently subsisting, incontestable and in full force and effect. A copy of Registration No. 1,363,568 is annexed hereto as Exhibit 2 and made a part hereof.

13. Combined Shows is the owner of U.S. Trademark Registration No. 1,366,779 duly issued by the United States Patent and Trademark Office on October 22, 1985, for the trademark THE GREATEST SHOW ON EARTH & DESIGN for t-shirts in Class 25. The registration is valid, presently subsisting, incontestable and in full force and effect. A copy of Registration No. 1,366,779 is annexed hereto as Exhibit 3 and made a part hereof.

14. Combined Shows is the owner of U.S. Trademark Registration No. 2,185,161 duly issued by the United States Patent and Trademark Office on August 25, 1998, for the trademark THE GREATEST SHOW ON EARTH for providing an interactive on-line data base in the fields of entertainment, education, historical and biographical information regarding a specific circus, performers, animals and other circus-related information in Class

41. The registration is valid, presently subsisting, incontestable and in full force and effect. A copy of Registration No. 2,185,161 is annexed hereto as Exhibit 4 and made a part hereof.

15. Combined Shows is the owner of U.S. Trademark Registration No. 2,380,169 duly issued by the United States Patent and Trademark Office on August 29, 2000, for the trademark THE GREATEST SHOW ON EARTH for electronic on-line retailing in the field of merchandise related to a specific circus in Class 35 and providing an interactive on-line data base in the fields of entertainment, education, historical and biographical information regarding a specific circus, performers, animals and other circus-related information in Class 41. The registration is valid, presently subsisting, incontestable and in full force and effect. A copy of Registration No. 2,380,169 is annexed hereto as Exhibit 5 and made a part hereof.

16. Combined Shows is the owner of U.S. Trademark Registration No. 2,511,740 duly issued by the United States Patent and Trademark Office on November 27, 2001, for the trademark THE GREATEST SHOW ON EARTH RINGLING BROS. AND BARNUM & BAILEY & DESIGN for, *inter alia*, paper goods and printed matter, namely programs, posters and paper containers in Class 16; clothing, namely hats, shirts and jackets in Class 25; toys, namely plush, dolls and hand held toys for creating illumination in Class 28; and educational and entertainment services in the form of a particular circus and on-line data base services in the fields of entertainment, education, historical and biographical information regarding a specific circus, performers, animals and other circus-related information in Class 41. The registration is valid, presently subsisting, incontestable and in full force and effect. A copy of Registration No. 2,511,740 is annexed hereto as Exhibit 6 and made a part hereof.

17. Combined Shows is the owner of U.S. Trademark Registration No. 3,015,685 duly issued by the United States Patent and Trademark Office on November 29, 2005, for the trademark THE GREATEST SHOW ON EARTH for entertainment services in the form of a circus in Class 41. The registration is valid, presently subsisting, incontestable and in full force and effect. A copy of Registration No. 3,015,685 is annexed hereto as Exhibit 7 and made a part hereof.

18. Combined Shows is the owner of U.S. Trademark Registration No. 3,020,576 duly issued by the United States Patent and Trademark Office on November 29, 2005, for the trademark THE GREATEST SHOW ON EARTH & DESIGN for entertainment services in the form of a circus in Class 41. The registration is valid, presently subsisting, incontestable and in full force and effect. A copy of Registration No. 3,020,576 is annexed hereto as Exhibit 8 and made a part hereof.

19. RINGLING BROS. and its predecessors-in-interest have used and have been associated with the mark THE GREATEST SHOW ON EARTH continuously for more than a century; THE GREATEST SHOW ON EARTH with the Globe Design since as early as 1933; and THE GREATEST SHOW ON EARTH RINGLING BROS. AND BARNUM & BAILEY in stylized letters with the Globe Design since as early as January 1978 (collectively referred to herein as the "RINGLING BROS.' Marks" or the "Trademarks"). The Trademarks have been used to identify RINGLING BROS. and its CIRCUS in advertisements, on television, radio, print, on websites, in a motion picture and in promotional material therefor, and they are currently used on its website, as part of promotional materials and in connection with the sale of goods throughout the United States.

RINGLING BROS. has current licensees of the Trademarks, and RINGLING BROS. and its licensees are selling products bearing the Trademarks.

20. Combined Shows' current licensees of the mark THE GREATEST SHOW ON EARTH include: Primary Color for confections, snacks and different types of stationery; Sourcebooks for storybooks and personalized books; Micro Trains for N and Z scale non-electric trains; and Bachmann for complete and ready-to-run HO, G and O gauge electric train sets. In the past five years, Combined Shows has also licensed the mark THE GREATEST SHOW ON EARTH for the sale of other products including: paper products and novelty items, different types of food and drinks; tee shirts and sportswear; food preparation products such as popcorn poppers and ice cream makers; children's sunglasses; and wall calendars.

21. The services rendered under the Trademarks were provided throughout the United States, including in Florida. RINGLING BROS. CIRCUS appeared annually in major cities typically for one to two weeks at a time and in smaller cities typically for three or more days at a time. By way of example, from 2012-2016, approximately 1,000 performances were presented in approximately 80 cities per year, to an average of 3.76 million people annually.

22. Although RINGLING BROS. CIRCUS last performed its live show on May 21, 2017, RINGLING BROS. has never abandoned the use of the Trademarks and intends to continue and is continuing to use the trademark THE GREATEST SHOW ON EARTH for live performances and merchandise throughout the United States. One example of the continuing use of the trademark THE GREATEST SHOW ON EARTH is a current

broadcast agreement to air two programs related to RINGLING BROS. CIRCUS. The production work began last spring and is ongoing. The initial program airings are scheduled for May 2018 in the United States with rights granted for international distribution as well. As part of this agreement, rights to use THE GREATEST SHOW ON EARTH, rights to use footage from RINGLING BROS. CIRCUS and access to performers of RINGLING BROS. CIRCUS were granted. Other opportunities with others to grant rights to use THE GREATEST SHOW ON EARTH are under consideration.

23. The Trademarks are celebrated and valuable trademarks and service marks. Through various media, the trademark THE GREATEST SHOW ON EARTH is seen by millions of people each year. In an effort to promote its brand and related merchandise, RINGLING BROS. enters into joint promotions or sponsorships with retailers throughout the United States. The retailers, such as Chick-fil-A (national restaurant chain), Ingles Market (supermarket chain in six states), MetroPCS (telecommunications provider), Easterseals (non-profit), Gas South (natural gas utility) and Zaxby's (restaurant chain in seventeen states), pay for advertisements in consideration for the right to associate themselves with RINGLING BROS. and THE GREATEST SHOW ON EARTH mark. RINGLING BROS. has engaged in countless joint campaigns in many diverse markets. The joint promotions include the prominent display of the mark THE GREATEST SHOW ON EARTH, resulting in significant additional exposure of the mark to the public. RINGLING BROS. chooses carefully to whom it grants these joint promotions, based on the image of any potential joint promoter and the associations RINGLING BROS. wishes to create in the minds of its consumers. RINGLING BROS. also licenses its Trademarks, but only under strict quality

control provisions. RINGLING BROS. has a practice of not conducting joint promotions or entering into licensing agreements with companies or individuals who are involved in or promote violence, alcohol, illegal activities, sex or cigarettes. Moreover, unless authorized by RINGLING BROS., no variations of THE GREATEST SHOW ON EARTH are permitted.

24. There has been extensive publicity and promotion of RINGLING BROS. CIRCUS wherein the mark THE GREATEST SHOW ON EARTH was prominently used in conjunction with or as a substitute for the name RINGLING BROS. AND BARNUM & BAILEY. Such promotion and advertising includes websites, newspapers, magazines, radio, television, online, outdoor billboards and direct mail. RINGLING BROS. CIRCUS has been the subject of numerous books, radio and television features, as well as the major and award-winning motion picture production entitled "THE GREATEST SHOW ON EARTH," each of which prominently features the mark THE GREATEST SHOW ON EARTH. The mark THE GREATEST SHOW ON EARTH has also been advertised and promoted by RINGLING BROS. through, *inter alia*, press kits, posters, program books, souvenirs, internet and joint promotions with other companies. Currently, the Trademarks are used on RINGLING BROS.' website, as part of promotional materials, and by licenses in connection with the sale of goods throughout the United States.

25. RINGLING BROS. utilizes a number of techniques for prominently advertising and promoting the Trademarks. These techniques have a direct impact on the consumer and are intended to bring these Trademarks to the attention of the consumer. Such advertising and promotion, in addition to the foregoing, have included "e buzz" via electronic

communication, announcements to the press, posters, program books, souvenirs and joint promotions with other companies. Feld Ent. also maintains websites at www.ringling.com and www.ringlingonline.com, which has advertised the CIRCUS and continues to sell merchandise related to the CIRCUS. A copy of a page from the www.ringlingonlinestore.com website is annexed hereto as Exhibit 9.

26. There have been daily programming, television specials, and documentaries on CBS, NBC, CNN, ABC, Univision, Discovery Channel, Fox Sports, The History Channel, Nickelodeon, the Family Channel and other networks, viewed by approximately 60 million people, in which RINGLING BROS. CIRCUS and the mark THE GREATEST SHOW ON EARTH were prominently displayed. RINGLING BROS. CIRCUS has also been featured in many printed publications, such as *Tampa Tribune*, *Miami Herald*, *Orlando Sentinel*, *People Magazine, The Wall Street Journal, The New York Times, The Washington Post* and *USA Today*. RINGLING BROS. has offered for sale DVDs featuring the CIRCUS and its trademarks and service marks, including THE GREATEST SHOW ON EARTH, THE GREATEST SHOW ON EARTH Ball Logo and RINGLING BROS. AND BARNUM & BAILEY/THE GREATEST SHOW ON EARTH Banner Mark.

27. RINGLING BROS. CIRCUS has appeared in the State of Florida, including in Tampa, Orlando, Miami and Jacksonville annually for years. Specifically, RINGLING BROS. CIRCUS traditionally opened in Tampa every year since at least 2000. RINGLING BROS. CIRCUS also has performed annually in Miami, Orlando and Jacksonville, most recently in January 2017. Until a couple of years ago, Winter Quarters for RINGLING BROS. CIRCUS were held at the Florida State Fairgrounds in Tampa.

28. In 2012-2016, RINGLING BROS. spent in excess of $65,000,000 on advertising and promotion related to the Trademarks. In Florida alone, RINGLING BROS. spent in excess of $5,000,000 in 2012-2016 on advertising and promotion related to the Trademarks. RINGLING BROS. has promoted the Trademarks in a manner that has generated and perpetuated a wholesome, family-oriented image.

29. Revenues obtained from services rendered and goods sold under the Trademarks are in excess of $50,000,000 annually for each of the past five years. In addition, the Trademarks are licensed to third parties by Combined Shows, thereby producing additional revenue for RINGLING BROS.

30. As a result of the popularity and association of the Trademarks with RINGLING BROS. CIRCUS, there has been substantial unsolicited coverage of RINGLING BROS. CIRCUS, which is not paid for by RINGLING BROS. CIRCUS. Thus, for example, newspapers of national importance, such as *The New York Times* and *USA Today*, published numerous stories and photographs of THE GREATEST SHOW ON EARTH. According to an independent media intelligence company, the estimated earned media advertising value of unpaid media exposure related to THE GREATEST SHOW ON EARTH through print, web and broadcast materials was in excess of $375,000,000 for the first five months in 2017, with over 40 billion estimated impressions and over $700,000,000 in 2016, with over 57 billion estimated impressions. These numbers do not include radio exposure which itself is substantial. It is extremely rare for any advertising, promotion or media coverage of RINGLING BROS. CIRCUS to not include THE GREATEST SHOW ON EARTH.

DEFENDANTS' CONDUCT

31. In order to protect against any potential loss of the distinctiveness of the famous mark THE GREATEST SHOW ON EARTH, RINGLING BROS. has an enforcement program by which it notifies potential diluters or infringers of the mark THE GREATEST SHOW ON EARTH. As part of its enforcement program, on or about October 24, 2017, RINGLING BROS. received a press release announcing that Defendants were promoting and launching the "GREATEST SHOW ON EARTH TOUR 2018" (referred to herein as the "Tour") at www.kidrock.com and offering tickets for sale on www.livenation.com and www.ticketmaster.com (collectively referred to herein as the "Websites"). Annexed hereto as Exhibit 10 is a true copy of the Press Release announcing the Tour. In addition, on the same date, a call was received by a Vice President of Feld Ent. from Dave Brooks, Founder and Executive Editor of Amplify, a digital media company covering the live entertainment, concert and touring industry, and Senior Correspondent, Touring and Live Entertainment at Billboard Magazine, a well-known entertainment outlet. Mr. Brooks was aware of the GREATEST SHOW ON EARTH TOUR 2018 designation for Kid Rock's tour and was surprised by such use. Mr. Brooks acknowledged and stated his belief that THE GREATEST SHOW ON EARTH mark was RINGLING BROS.' intellectual property.

32. The Tour is scheduled to appear in venues throughout the United States and Canada including venues in at least, Kansas City, Missouri; Nashville, Tennessee; Louisville, Kentucky; Tulsa, Oklahoma; Houston, Texas; Atlanta, Georgia; Charlotte, North Carolina; Toronto, Ontario; Columbus, Ohio; Philadelphia, Pennsylvania; Cleveland, Ohio; Uncasville,

Connecticut; Baltimore, Maryland; Newark, New Jersey; Nassau County, New York; Chicago, Illinois; Omaha, Nebraska; Denver, Colorado; Phoenix, Arizona; Las Vegas, Nevada and three sold out shows in Durant, Oklahoma. A concert advertised by Kid Rock's website as being part of the Tour has already taken place in Laughlin, Nevada on November 11, 2017. With few exceptions, these venues have also hosted THE GREATEST SHOW ON EARTH circus over the past three years, as part of a RINGLING BROS. engagement.

33. As part of promoting the Tour, the front page of the www.kidrock.com website includes a banner stating "GREATEST SHOW ON EARTH TOUR 2018". Annexed hereto as Exhibit 11 is a true screenshot of the front page of the www.kidrock.com website.

34. The Tour is being promoted on the Websites and across social media as being "with A Thousand Horses", which upon information and belief is a reference to the band "A Thousand Horses." Annexed hereto as Exhibit 12 is a true printout of a page on the www.kidrock.com website.

35. As part of promoting the Tour, the front page of the www.livenation.com website includes a banner stating "GREATEST SHOW ON EARTH TOUR 2018". Annexed hereto as Exhibit 13 is a true screenshot of the front page of the www.livenation.com website.

36. As part of offering tickets for sale, the www.ticketmaster.com website includes a banner stating "KID ROCK'S GREATEST SHOW ON EARTH TOUR". Annexed hereto as Exhibit 14 is a true printout of a page on the www.ticketmaster.com website.

37. As part of the Tour, one of the concerts to be held on December 31, 2017 is being promoted and advertised as "THE GREATEST NEW YEAR'S EVE BASH ON EARTH". Annexed hereto as Exhibit 15 is a true screenshot of a webpage advertising and offering tickets for sale for that show.

38. Use of the RINGLING BROS.' Marks as part of the promotion of the Tour, including, without limitation, as part of radio advertisements is commercial speech, implicates an association with RINGLING BROS. and tarnishes the family friendly reputation that RINGLING BROS. has built during the last century.

39. As part of selling tickets for the Tour, Defendants are offering VIP packages, including a "Greatest Show on Earth VIP Package" that include, *inter alia,* an "exclusive Kid Rock- Greatest Show on Earth wall flag"; "collectible Greatest Show on Earth poster" and "Commemorative Greatest Show on Earth VIP ticket". Annexed hereto as Exhibit 16 is a true screenshot of a webpage offering such VIP packages and related merchandise.

40. Upon information and belief, as part of promoting the Tour, Defendants are involved in an advertising campaign, as well as a direct marketing campaign, to target potential customers who may have an interest in purchasing tickets for the Tour, at least by, sending unsolicited emails to consumers prominently displaying "Kid Rock's Greatest Show on Earth Tour" in such emails. Annexed hereto as Exhibit 17 is a true copy of an email sent to Plaintiffs' in-house counsel showing such use.

41. Upon information and belief, as part of promoting their tour, Defendants are using online marketplaces to sell merchandise, including t-shirts, that are emblazoned with

the words "GREATEST SHOW ON EARTH TOUR". Annexed hereto as Exhibit 18 is a true printout of webpages offering such t-shirts for sale.

42. As part of the process of purchasing tickets for concerts that are part of the Tour, the potential customers are repeatedly inundated with references to "GREATEST SHOW ON EARTH TOUR" at every step of the process. Annexed hereto as Exhibit 19 are true printouts and screenshots of webpages from the Websites showing the purchase of tickets that are a part of the Tour.

43. Once a ticket is purchased for a concert that is part of the Tour, a ticket is generated which states "Greatest Show on Earth" just above the venue name and location. Annexed hereto as Exhibit 20 is a true copy of a ticket (redacted to remove the "issued to" and "order number" fields) that was purchased on November 8, 2017 for a concert at the Prudential Center to be held on March 9, 2018, that is part of the Tour. The unauthorized uses of GREATEST SHOW ON EARTH set forth in ¶31 through ¶43 inclusively are collectively referred to herein as "Unauthorized Uses."

44. A live performance of Kid Rock is antithetical to the family friendly reputation of the Circus and the Trademarks. During at least one performance, Kid Rock repeatedly used vulgar language, both in his songs and in addressing the audience. During the opening song for such show, dancers appeared in bright lights on a riser with Kid Rock. The dancers were wearing bikini tops, short skirts and readily visible undergarments. They were featured prominently on two large video screens, on either side of the stage throughout the performance.

45. As part of promoting the Tour, Kid Rock has created a video entitled "Greatest Show on Earth [Official Video]" (referred to herein as the "Video") featuring music from Kid Rock's album entitled "Sweet Southern Sugar." The Video has been posted to the website www.kidrock.com as well as www.youtube.com. On YouTube, it has received more than 2 million views since its release. Annexed hereto as Exhibit 21 are a true printout of a page from YouTube showing 2,100,000 views of the Video and a DVD of the Video entitled "Greatest Show on Earth [Official Video], downloaded from Kid Rock's YouTube channel.

46. In the Video, Kid Rock states numerous times "Welcome to the greatest f***in' show on earth." In addition to use of vulgar language, the Video includes obscene gestures, smoking and images of women in various stages of undress which would be inappropriate for children and inconsistent with the family friendly entertainment of RINGLING BROS. and the RINGLING BROS.' Marks. As part of promoting the Tour, towards the end of the Video the words "GREATEST SHOW ON EARTH" and "COMING TO A CITY NEAR YOU" appear on the screen. Annexed hereto as Exhibit 22 is a copy of the lyrics from the Video.

47. On information and belief on September 11, 2017, Kid Rock gave a concert in the Little Caesars Arena in Detroit, Michigan, where he took the stage beginning with his newly released song "Greatest Show on Earth" surrounded by an array of circus characters. Annexed hereto as Exhibit 23 is a true copy of an article from the Detroit Free Press describing the concert and related protests.

48. On or about October 6, 2017 employees of Feld Ent. were contacted by a venue contact seeking information about how to obtain (1) stilt walkers, (2) a little person and (3) a juggler (collectively "Circus Performers"), which Circus Performers, on information and belief, were to perform on stage with Kid Rock for a single song at a Nashville-area concert. Although information was provided as to who could provide the Circus Performers, it was later learned that Kid Rock or his team cancelled the request for Circus Performers. Prior to cancelling the request for Circus Performers, there was no mention of a Kid Rock tour named the Greatest Show on Earth.

49. The Unauthorized Uses of an identical trademark by Defendants for entertainment services and merchandise, as well as the advertising and promotion thereof, are commercial speech and are willful and blatant violations of RINGLING BROS.' rights. Kid Rock's performance with circus characters, as well as the apparent intention to use the aforementioned Circus Performers, is further evidence of bad faith. No rights were granted by RINGLING BROS. to Defendants.

50. On October 26, 2017, in-house counsel for RINGLING BROS. sent an email to Lee Trink, Kid Rock's manager, advising him of RINGLING BROS.' position regarding its trademark rights in THE GREATEST SHOW ON EARTH. A copy of the email is annexed hereto as Exhibit 24.

51. On October 27, 2017, in-house counsel for RINGLING BROS. sent a message through the website www.kidrock.com identified as "URGENT" advising of RINGLING BROS.' position regarding its trademark rights in THE GREATEST SHOW ON EARTH. A true screenshot showing this message is annexed hereto as Exhibit 25.

52. On October 27, 2017, Mr. Trink provided the name of Kid Rock's attorney, Peter Paterno. On October 30, 2017, in-house counsel for RINGLING BROS. sent an email to, and on October 31, 2017 had a conversation with, Peter Paterno, counsel for Kid Rock. A copy of the email is annexed hereto as Exhibit 26. Subsequent telephone conversations took place between in-house counsel for RINGLING BROS. and Mr. Paterno.

53. On November 2, 2017, outside counsel for RINGLING BROS. sent a cease and desist letter to the attorney for Kid Rock, copied to Lee Trink (Kid Rock's agent), Michael Rapino and Michael Rowles of Live Nation, and Jon Loba of BBR Music Group (Kid Rock's record label), setting forth RINGLING BROS.' position regarding its trademark rights in THE GREATEST SHOW ON EARTH and requesting that Defendants contact RINGLING BROS. no later than November 3, 2017 regarding their use of the designation the "Greatest Show on Earth." A copy of this letter is annexed hereto as Exhibit 27.

54. On November 16, 2017, outside counsel for Kid Rock sent a letter to RINGLING BROS.' counsel claiming that the assertions in the November 2, 2017 letter were misplaced. A copy of this letter is annexed hereto as Exhibit 28.

55. Contrary to the position set forth by counsel in Exhibit 28, Robert Ritchie himself has registered and owns several trademarks comprised of "common words" and a song title. Robert Ritchie owns a trademark registration for the mark AMERICAN BAD ASS for *inter alia*, entertainment services, namely live musical performances by a musical performer or group, Registration No. 2,877,990. A copy of Registration No. 2,877,990 is annexed as Exhibit 29. The trademark AMERICAN BAD ASS was the name of Kid Rock's tour in 2001 and is the name of a song by him. Annexed as Exhibit 30 is a screenshot

showing the American Bad Ass tour and the album cover including the song "American Bad Ass." In addition, Robert J. Ritchie also owns a trademark registration for the mark CHILLIN THE MOST for *inter alia*, entertainment services in the nature of live musical performances, Registration No. 4,555,942. "Chillin the most" is part of the lyrics of a song, "Cowboy," by Kid Rock. A copy of Registration No. 4,555,942 and the lyrics from the song "Cowboy" are annexed hereto as Exhibits 31 and 32, respectively.

56. Upon information and belief, the purpose of Defendants' adoption of the designation "Greatest Show On Earth Tour 2018" was to trade on, misappropriate and wrongfully reap the benefits of the established recognition, goodwill and reputation which has attached to the RINGLING BROS.' Mark, THE GREATEST SHOW ON EARTH, by reason of the substantial expenditure of time, money and effort by RINGLING BROS.

57. Based upon the foregoing and Defendants' insistence to continue their course of conduct unaltered, it is clear that Defendants have no intention to cease infringing the RINGLING BROS.' Marks.

58. Defendants' Unauthorized Uses of the Trademarks have been made in willful disregard of RINGLING BROS.' prior rights in the RINGLING BROS.' Marks.

59. Based on the promotion of Kid Rock's Tour, there is a likelihood that Defendants' goods and services will be associated or affiliated with RINGLING BROS., its Trademarks and/or its goods and services.

60. Such false suggestion and association is causing and will cause irreparable harm to RINGLING BROS.' reputation.

61. Further, Defendants' infringement of RINGLING BROS.' Marks in this manner will dilute them by tarnishing and blurring the distinctiveness of RINGLING BROS.' Marks and the reputation of RINGLING BROS. RINGLING BROS.' Marks will be tarnished, blurred, impaired, and suffer negative associations through Defendants' use of the Greatest Show on Earth in the manner set forth above.

62. RINGLING BROS. has suffered and will continue to suffer irreparable harm if Defendants' conduct is not enjoined. RINGLING BROS. has no adequate remedy at law.

COUNT I
FEDERAL TRADEMARK DILUTION

63. COUNT I is an action for trademark dilution, arising under §43(a) of the Lanham Act, 15 U.S.C. §1125(c). Subject matter jurisdiction over this Count is based on 15 U.S.C. §1121 and 28 U.S.C. §§1331 and 1338.

64. RINGLING BROS. repeats and realleges the allegations in paragraphs 1 through 62, above as if fully set forth herein.

65. The RINGLING BROS.' Marks are distinctive and famous marks, which have been used and advertised continuously throughout the continental United States of America for over a century.

66. The RINGLING BROS.' Marks have received extensive publicity both as a result of the efforts of RINGLING BROS. and through third party recognition. The RINGLING BROS.' Marks are famously associated and extensively recognized with RINGLING BROS. CIRCUS and entertainment-related goods and services.

67. The foregoing acts of Defendants are intended to create an association, constituting dilution by tarnishing and blurring of RINGLING BROS.' Marks in violation of

Section 43(c) of the Lanham Act, 15 U.S.C. §1125(c), as the RINGLING BROS.' Marks will suffer negative associations through Defendants' use of "Greatest Show on Earth" in the manner set forth above. RINGLING BROS. has no ability to control such uses of Defendants with which it does not wish to be associated.

68. By reason of all the foregoing, RINGLING BROS. is being damaged by Defendants' willful use of the Trademarks in the manner set forth above and will continue to be damaged unless Defendants are enjoined from using the same.

69. RINGLING BROS. will be irreparably injured by the continued acts of Defendants, unless such acts are enjoined. RINGLING BROS. has no adequate remedy at law.

COUNT II
FEDERAL TRADEMARK INFRINGEMENT

70. COUNT II is a claim for trademark infringement under the trademark laws of the United States (Lanham Act), 15 U.S.C. §1114. Subject matter jurisdiction over this Count is based upon 15 U.S.C. §1121 and 28 U.S.C. §§1331 and 1338.

71. RINGLING BROS. repeats and realleges the allegations in paragraphs 1 through 62 above as if fully set forth herein.

72. Defendants' Unauthorized Uses of RINGLING BROS.' Marks in the manner set forth above is commercial speech trading on RINGLING BROS.' Marks and the goodwill of RINGLING BROS., and is likely to confuse and deceive the consuming public into believing that Defendants are associated with RINGLING BROS.

73. The actions of Defendants complained of herein are likely to cause confusion, to cause mistake or to deceive others into erroneously believing that Defendants, the Tour

and related products are authorized by, licensed by, sponsored by, endorsed by, approved by or otherwise associated with RINGLING BROS.

74. RINGLING BROS. has repeatedly placed Defendants on oral and written notice of its infringement and unlawful conduct, but Defendants have failed to terminate their wrongful conduct.

75. The acts and conduct of Defendants complained of herein constitute willful and deliberate infringements of RINGLING BROS.' Marks.

76. The foregoing acts of Defendants constitute infringement of RINGLING BROS.' federally registered trademarks in violation of Section 32 of the Lanham Act, 15 U.S.C. §1114.

77. By reason of all the foregoing, RINGLING BROS. is being damaged by Defendants' willful use of the Trademarks in the manner set forth above and will continue to be damaged unless Defendants are enjoined from using the RINGLING BROS.' Marks.

78. RINGLING BROS. will be irreparably injured by the continued acts of Defendants, unless such acts are enjoined. RINGLING BROS. has no adequate remedy at law.

COUNT III
FEDERAL UNFAIR COMPETITION

79. COUNT III is an action for false designation of origin and false or misleading descriptions and representations, arising under §43(a) of the Lanham Act, 15 U.S.C. §1125(a). Subject matter jurisdiction over this Count is based on 15 U.S.C. §1121 and 28 U.S.C. §§1331 and 1338.

80. RINGLING BROS. repeats and realleges the allegations in paragraphs 1 through 62 above as if fully set forth herein.

81. The actions complained of herein constitute false designations of origin and false descriptions, in that the unlawful use by Defendants of "THE GREATEST SHOW ON EARTH" mark and designation is likely to cause confusion or to deceive as to the affiliation, connection or association of RINGLING BROS.' Marks with Defendants, as to the origin, sponsorship or approval of Defendants, their websites, performances and products. No permission has been granted by RINGLING BROS. to Defendants to use the RINGLING BROS. Marks.

82. RINGLING BROS. has repeatedly placed Defendants on oral and written notice of its infringement, but Defendants have failed to terminate its wrongful conduct.

83. The foregoing acts of Defendants constitute unfair competition in violation of Section 43(a) of the Lanham Act, 15 U.S.C. §1125(a).

84. By reason of all the foregoing, RINGLING BROS. is being damaged by Defendants' willful use of the Trademarks in the manner set forth above and will continue to be damaged unless Defendants are enjoined from using the Greatest Show on Earth.

85. RINGLING BROS. will be irreparably injured by the continued acts of Defendants, unless such acts are enjoined. RINGLING BROS. has no adequate remedy at law.

COUNT IV
FLORIDA COMMON LAW TRADEMARK INFRINGEMENT

86. Count IV is an action for trademark infringement under the common law of the State of Florida. Subject matter jurisdiction over this Count is founded upon supplemental jurisdiction under 28 U.S.C. §1367.

87. RINGLING BROS. repeats and realleges each and every allegation contained in paragraphs 1 through 62 above, as if fully set forth herein.

88. By reason of all of the foregoing, RINGLING BROS. has acquired common law trademark rights in the RINGLING BROS.' Marks.

89. The actions of Defendants herein complained of are likely to create confusion, mistake and deception of consumers into believing that Defendants is authorized by, licensed by, sponsored by or otherwise associated with the common law trademark rights in the RINGLING BROS.' Marks.

90. Upon information and belief, the acts and conduct of Defendants complained of constitute willful and deliberate infringement of RINGLING BROS.' common law rights in the RINGLING BROS.' Marks and will continue in willful and wanton disregard of RINGLING BROS.' valuable trademark rights.

91. The foregoing acts of Defendants constitute infringement of the RINGLING BROS.' Marks in violation of the common law of the State of Florida.

92. By reason of all the foregoing, RINGLING BROS. is being damaged by Defendants' willful use of the RINGLING BROS.' Marks in the manner set forth above and will continue to be damaged unless Defendants are enjoined from using the Greatest Show on Earth.

93. RINGLING BROS. will be irreparably injured by the continued acts of Defendants, unless such acts are enjoined. RINGLING BROS. has no adequate remedy at law.

COUNT V
VIOLATION OF FLORIDA STATUTORY TRADEMARK DILUTION AND INJURY TO BUSINESS REPUTATION

94. Count V is an action for violation of Florida statutory trademark dilution and injury to business reputation under Fla. Stat. § 495.151 *et seq*. Subject matter jurisdiction over this Count is founded upon supplemental jurisdiction under 28 U.S.C. §1367.

95. RINGLING BROS. repeats and realleges each and every allegation contained in paragraphs 1 through 62 above, as if fully set forth herein.

96. The RINGLING BROS.' Marks are distinctive and famous marks in the State of Florida by virtue of their substantial inherent and acquired distinctiveness, their extensive use in the State of Florida, and the extensive advertising and publicity of the RINGLING BROS. Marks in Florida which have developed strong, widespread recognition thereof.

97. The actions of Defendants complained of herein are likely to injure the business reputation and dilute the distinctive quality of RINGLING BROS.' well-known and famous Trademarks.

98. The RINGLING BROS.' Marks have received extensive publicity both as a result of the efforts of RINGLING BROS. and through third party recognition. The RINGLING BROS.' Marks are famously associated and extensively recognized with RINGLING BROS. CIRCUS and entertainment-related goods and services.

99. The foregoing acts of Defendants were commercial in nature and are using the RINGLING BROS.' Marks in commerce.

100. The foregoing acts of Defendants are intended to create an association, constituting dilution by tarnishing and blurring of RINGLING BROS.' Marks as the RINGLING BROS.' Marks will suffer negative associations through Defendants' use of the marks in the manner set forth above and cause injury to RINGLING BROS.' business reputation and goodwill.

101. By reason of all the foregoing, RINGLING BROS. is being damaged by Defendants' willful use of the Trademarks in the manner set forth above and will continue to be damaged unless Defendants are enjoined from using the same.

102. RINGLING BROS. will be irreparably injured by the continued acts of Defendants, unless such acts are enjoined. RINGLING BROS. has no adequate remedy at law.

COUNT VI
COMMON LAW UNFAIR COMPETITION

103. Count VI is an action for unfair competition under the common law of the State of Florida. Subject matter jurisdiction over this Count is founded upon 28 U.S.C. §§ 1338 and supplemental jurisdiction under 28 U.S.C. §1367.

104. RINGLING BROS. repeats and realleges each and every allegation contained in paragraphs 1 through 62 above, as if fully set forth herein.

105. The actions of Defendants complained of herein constitute a misappropriation of the RINGLING BROS.' Marks and the goodwill associated therewith, acts of passing off

RINGLING BROS.' Marks, all of which constitute unfair competition under the common law of the State of Florida.

106. The actions of Defendants herein complained of are likely to create confusion, mistake and deception of consumers into believing that Defendants are authorized by, licensed by, sponsored by or otherwise associated with the common law trademark rights in the RINGLING BROS.' Marks.

107. Upon information and belief, the acts and conduct of Defendants complained of constitute willful and deliberate unfair competition and Defendants will continue those acts and conduct in willful and wanton disregard of RINGLING BROS.' valuable trademark rights.

108. The foregoing acts of Defendants constitute unfair competition under the common law of the State of Florida.

109. By reason of all the foregoing, RINGLING BROS. is being damaged by Defendants' willful use of the RINGLING BROS.' Marks in the manner set forth above and will continue to be damaged unless Defendants are enjoined from using the Greatest Show on Earth.

110. RINGLING BROS. will be irreparably injured by the continued acts of Defendants, unless such acts are enjoined. RINGLING BROS. has no adequate remedy at law.

COUNT VII
UNJUST ENRICHMENT UNDER COMMON LAW

111. Count VII is an action for unjust enrichment under common law. Subject matter jurisdiction over this Count is founded upon supplemental jurisdiction under 28 U.S.C. §1367.

112. RINGLING BROS. repeats and realleges each and every allegation contained in paragraphs 1 through 62 above, as if fully set forth herein.

113. The acts of Defendants complained of herein constitute a misuse and misappropriation of RINGLING BROS.' rights by the unlawful use by Defendants of the RINGLING BROS.' Marks and the goodwill associated therewith.

114. Defendants' use of the RINGLING BROS. Marks have conferred a benefit upon Defendants, with Defendants' knowledge thereof, which Defendants have retained and which benefits would be inequitable to retain without payment of the value thereof to RINGLING BROS.

115. Defendants have been unjustly enriched under Florida law and should be required to make restitution to RINGLING BROS. in an amount to be determined at trial.

116. Defendants' acts have caused and will continue to cause irreparable injury and damage to RINGLING BROS. unless such acts are enjoined. RINGLING BROS. has no adequate remedy at law.

WHEREFORE, Plaintiffs pray for the following relief:

A. That the Court enter a judgment against Defendants as follows:

1. Defendants have violated Section 43 of the Lanham Act, 15 U.S.C. § 1125(c) by diluting the RINGLING BROS.' Marks through tarnishment and blurring;

2. Defendants have infringed Plaintiffs' trademark in violation of 15 U.S.C. § 1114(a) and the common law of the state of Florida;

3. Defendants acts constitute unfair competition under Section 43 of the Lanham Act, 15 U.S.C. § 1125(a) and Florida common law;

4 Defendants have violated Florida's statutory trademark dilution and injury to business reputation under Fla. Stat. § 495.151 et seq.;

5. Defendants have through their tortious acts detailed in this Complaint been unjustly enriched, under the common law of Florida; and

6. In all instances, Defendants acted in bad faith, willfully, intentionally, and/or in malicious disregard of Plaintiffs' lawfully protected rights.

B. That the Court enters an Order that Defendants and their parents, subsidiaries and affiliated companies, their respective officers, agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, be preliminarily and permanently restrained and enjoined from using the Trademarks, and from using, affixing, offering for sale, selling, advertising, promoting or rendering goods or services with the Trademarks, "Greatest Show On Earth," "The Greatest New Year's Eve Bash on Earth" or any other trade name or trademark confusingly similar to the Trademarks.

C. That the Court enters an Order that Defendants and their parents, subsidiaries and affiliated companies, their respective officers, agents, servants, employees and attorneys and those persons in active concert or participation with them who receive actual notice of the injunction by personal service or otherwise, be preliminarily and permanently restrained and enjoined from use of any false descriptions or representations or any false designations of origin or from otherwise committing any acts of unfair competition with respect to RINGLING BROS. and its Trademarks by using the Trademarks or any trade name or trademark confusingly similar to the Trademarks.

D. That the Court enters an Order that Defendants and their parents, subsidiaries and affiliated companies, their respective officers, agents, servants, employees and attorneys, and those persons in act of concert or participation with them who receive actual notice of the injunction by personal service or otherwise, be preliminarily and permanently enjoined from diluting by tarnishing and blurring the distinctiveness and goodwill established by RINGLING BROS. in its Trademarks, by using the Trademarks or any trade name or trademark diluting by tarnishing and blurring of the Trademarks.

E. That the Court enters an Order directing Defendants to deliver all catalogs, signs, displays, labels, brochures, videos, images, merchandise, advertising and promotional material bearing the Trademarks or any trade name or trademark confusingly similar to the Trademarks in their possession or subject to Defendants' control or direction to the Clerk of the Court for maintenance during the pendency of this action and for destruction upon entry of a Final Judgment.

F. That the Court enters an Order directing Defendants to promptly remove the Trademarks and any trade name or trademark confusingly similar to the Trademarks from all websites owned or operated on behalf of Defendants their parents, subsidiaries and affiliated companies, their respective officers, agents, servants, employees and attorneys and those persons in active concert or participation with them.

G. That the Court enters an Order directing Defendants to file with the Court within 30 days of the Order a report, signed under oath with a copy to RINGLING BROS.' attorneys, setting forth in detail the manner and form in which Defendants have complied with any order issued hereunder.

H. That the Court enters an Order waiving any requirement that Plaintiffs post a bond.

I. That the Court award RINGLING BROS. the profits of Defendants and the damages sustained by RINGLING BROS. as a result of the willful, intentional and wrongful conduct of Defendants.

J. That the Court award RINGLING BROS. damages in an amount to be proven at trial, together with prejudgment interest, including without limitation damages sufficient to allow Plaintiffs to conduct adequate and appropriate corrective advertising.

K. That because of the willful nature of Defendants' acts, the Court enter a judgment for treble the amount of the aforesaid damages.

L. That because of the willful, intentional and wrongful nature of Defendants' acts, the Court award to RINGLING BROS. in an amount to be determined by the jury at trial.

M. That the Court require Defendants to pay RINGLING BROS. its costs in this action including reasonable attorneys' fees.

N. That the Court grant RINGLING BROS. such other and further relief as the Court deems just and proper.

DEMAND FOR JURY TRIAL

Pursuant to Rule 38(b), Fed.R.Civ.P., RINGLING BROS. hereby demands trial by jury as to all claims in this litigation.

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Knoedler Obituary (1857 – 2011): Select Legal History of the Oldest American Art Gallery

By Irina Tarsis, Center for Art Law (2014)[1]

> *What we call the beginning is often the end. And to make an end is to make a beginning. The end is where we start from. ~ T. S. Eliot*

Every important art museum and private collection in the United States likely owns works of art that at one point or another, or more than once, sold through one of the oldest and finest American art galleries, Knoedler & Co (the Gallery). A tour through the annals of case law also uncovers many a Knoedler references, from matters under review by the United States Tax Court to illegal wire-tapping hearings, from the United States Customs Court citations to nineteenth century unfair competition conflicts, from World War II looted art to Soviet nationalization title disputes, from warranty breaches to racketeering, and fraud.

The rise and demise of the Gallery span three centuries. It was established by Michael Knoedler and members of a French firm Goupil, Vibert & Cie (later Boussod, Valadon & Cie) in 1848, well before the founding of the major museums in the United States. In 1857, Michael Knoedler bought out the Gallery from his French partners and shifted from selling French Salon paintings to providing old master paintings to the American art market. In 1971, the Gallery was acquired by Armand Hammer, a clever businessman and the founder of The Armand Hammer Museum of Art and Culture Center in California, who decades earlier brought valuables nationalized by the Soviets into the United States and sold books, paintings, jewels and much more in American department stores as well as antique shops.

On November 11, 2011, the Gallery suddenly announced that it was shutting down and going out of business. The apparent reason for closing this venerable institution was the sale of dozens of works falsely attributed to the high-ticket twentieth century artists such as Jackson Pollock, Mark Rothko, and Robert Motherwell. The Gallery and its principles and agents were subsequently sued for fraud, racketeering, breach of contract, breach of the covenant of good faith and fair dealing, unjust enrichment and more.

Recognized for its significance in the field, parts of the Gallery's archives were purchased by the Getty Institute in 2012. The archive contained letters written by the preeminent nineteenth and twentieth century collectors and artists, including Léon Bakst, Alexander Calder, Edgar Degas, Greta Garbo, Paul Gauguin, Sarah Bernhardt, Childe Hassam, Winslow Homer, Rockwell Kent, Henri Matisse, Irving Penn, Mark Rothko, John Singer Sargent, and Edward Steichen.

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[1] **About the Author:** Irina Tarsis specializes in art law, provenance research and cultural heritage law. She may be reached at tarsis@itsartlaw.com. This article is reprinted with permission from: *Entertainment, Arts and Sports Law Journa*l, Fall/Winter 2013, Vol. 24, No. 3, published by the NYS Bar Association, One Elk Street, Albany, NY 12207.

The Gallery had been in existence for more than 160 years and its demise was a sad chapter in the American art and business history. This article will explore select cases that map a footprint the Gallery left on the American legal history.

Intervivos

The first legal action on record involving the Gallery, in a role of a plaintiff, dates back to 1891. Michael Knoedler tried to stop successor in interest to the French gallery from operating under the name he was using for his business. In 1887, three decades after he bought out the the New York concern, new owners of the French gallery owners opened another storefront in New York City, operating under the name of “Goupil & Co., of Paris; Boussod, Valadon & Co., successors.” The name was confusingly similar to that used by Knoedler, who has been doing business under the name of “Goupil & Co., M. Knoedler & Co., successors” since the 1850s. Nevertheless, the court held that the acts of the defendants did not “depreciate the value of the good-will of the concern bought by M. Knoedler in 1857,” and that Knoedler did not acquire “the exclusive right to use the name of Goupil & Co. as a trade designation in [the United States]”. In 1893, the Second Circuit Court of Appeals affirmed the ruling denying Knoedler’s request to enjoin the French art gallery from using the Goupil & Co business name in New York and the United States.

Next, in 1919, the Gallery protested assessment of import duties by the collector of customs at the Port of New York. In the case of M. Knoedler & Co. v. United States, 36 Treas. Dec. 63, T. D. 37898, G. A. 8229 (1919), the court considered proper classification of a bronze statue produced by Auguste Rodin. There, a board of three assessors agreed that Rodin was a professional sculptor of high order and his sculpture, imported by Knoedler, was produced (carved, remodeled and improved) by the artist. Thus the court held that the bronze statue was an ‘original’ and not subject to an ad valorem 15% fee as initially estimated. At the time the sculpture was valued at 12,000 francs.

Some of the Gallery-affiliated sales from the 1930s and 1950s would instigate legal action decades later. For example, between 1997 and in 2000, the Gallery found itself a third party defendant to the dispute between the Seattle Art Museum (the Museum) and Elaine Rosenberg, heir of Paul Rosenberg, an important Jewish art dealer in Paris, whose collection was confiscated by the Nazis during World War II. The facts of the dispute revealed that in 1954, the Gallery sold a 1928 Matisse painting, Odalisque, to Virginia and Prentice Bloedel, who bequeathed it to the Museum. The Museum took possession of the painting in 1991 and full ownership in 1996. Elaine Rosenberg sued the Museum to recover the painting, and the Museum impleaded the Gallery, alleging fraud and/or negligent misrepresentation at the time of the 1954 sale. The Gallery was able to get out of the dispute, with its costs reimbursed, by demonstrating that it was not a party to the Bloedel’s bequest to the Museum.

Ultimately, the Museum Board of Trustees decided to return Odalisque to the Rosenberg heirs in 1999, and following the return, the Museum and the Gallery reached an out-of-court agreement, whereby the Museum was able to chose “at least one painting from the inventory of the Knoedler gallery” and the Gallery waived its right to collect awarded attorney’s fees. The Director of the Gallery at the time, Ann Freedman, was quoted as saying “If there’s anything I would choose to emphasize, it’s that this settlement is larger than our specific case… Being in the world of art, this case has the potential to be part of a universal understanding and healing.”

Four years later, in 2004, the Gallery was defending itself for a sale of another painting stolen during World War II. In 1955, the Gallery sold a painting Spring Sowing by the Italian artist Jacopo da Ponte to the Springfield Library and Museum Association (the Association) for $5,000. The bill of sale stated that the defendant “covenants with the grantee that it [is] the lawful owner of the said goods and chattels; that they are free from all encumbrances; that it have [sic] good right to sell same as aforesaid; and that it will warrant and defend the same against lawful claims and demands of all persons.” However, in 1966, the Director General of the Arts for the Italian Government wrote to the Association’s director, claiming that Spring Sowing belonged to the Uffizi, a museum in Florence, Italy. Apparently the painting was on loan to the Italian Embassy in Poland before World War II, and it went missing during the War. The Association exchanged letters with the Gallery staff and Italian officials, and while the Gallery staff acknowledged that probably this painting was the one stolen from the embassy, little action was taken until the early 2000s, when the Italian government reached out again to the Association. Following the 2001 return of the painting, the Association sued the Gallery alleging breach of contract, breach of implied warranty, fraud and deceit, negligence and misrepresentations, among other counts. The ultimate decision or the terms of a settlement between the Association and the Gallery are not public; however, the court refused to dismiss this case even though the Gallery argued that the plaintiff’s actions were time barred. In fact, the court refused to decide the case at the pleading stage, and found that the Museum may be able to argue equitable estoppel to overcome the Gallery’s time limitations argument, ruling that the statute of limitation was tolling since the 1960s.

Posthumously

Ann Freedman turned out to be the last of the Gallery directors. Now a principle of another art gallery at 25 East 73rd Street in New York City, called FreedmanArt, Freedman worked at the Knoedler Gallery from 1977 through 2009.

When venerable establishments like the Gallery crumble, the aftershocks tend to reverberate far and wide. The circumstances of its demise in particular, sale of numerous forgeries at high market value prices, triggered many legal proceedings. The fakes came from a single source, an art dealer named Glafira Rosales, who offered the Gallery dozens of “previously unknown works painted by important Abstract Artists.” Rosales provided only basic background about the original collector of these works, but the art world was eager to embrace a crop of fresh Pollocks, Rothkos, Klines and other prized artists. Many art experts, including curators with the leading galleries and authors of catalogue raisonnes, seasoned collectors and gallerists, such as Ann Freedman, viewed the works offered by Rosales and believed them to be authentic. As more heretofore unseen works were entering the market, Rosales fabricated provenance information, even allegedly naming Alfonso Ossorio, an artist and a collector, as a conduit from the famed artists to the anonymous collector as an explanation of their long lost status.

The too good to be true discovery of the Abstract Expressionist treasure trove was simply just that. On September 16, 2013, Rosales plead guilty to all counts brought against her, including charges of wire fraud, tax evasion, failure to file financial statements, money laundering, and more. She is facing a prison sentence of almost 100 years, revocation of her U.S. citizenship, as well as monetary penalties in excess of $80 million. Rosales is reportedly cooperating with the government, but that does nothing for the defunct Gallery.

Between 2011 and 2013, there were half a dozen legal actions started against the Gallery in the Southern District of New York, and complaints continue to materialize. First, on December 1, 2011, Pierre Lagrange, a businessman from London, filed a complaint against Knoedler Gallery LLC and Ann Freedman, having received a forensic report that showed that the work attributed to Pollock that he purchased from the Gallery for $17 million was a forgery. In 2012, John D. Howard sued Freedman, Rosales and the Gallery, accusing them of common-law fraud, breach of warranty, mistake and RICO violations, for selling him a fake Rothko for $8.4 million.

Next, in rapid succession, the Martin Hilti Family Trust, Domenico and Eleanore De Sole, Frances Hamilton White, David Mirvish Gallery Limited, and The Arthur Taubman Trust all sued to recover their losses on forgeries the Gallery sold to them from the Rosales Collection. For example, Frances Hamilton White brought action seeking compensatory and punitive damages for the sale of a fake Pollock. Together with her ex-husband, she purchased a purported Jackson Pollock painting for $3.1 million, which has since been determined to be a forgery. In the complaint, the plaintiff submitted that she “chose to acquire art through Knoedler because of its reputation as New York City’s oldest art gallery.” She purchased multiple works for about $5 million because she and her former husband relied on the “knowledge, experience and sterling reputation” of the Gallery and its staff. The collectors tried to unwind the sale when the work was declined on consignment by an auction house because it did not appear in a Pollock catalogue raisonne. White alleged that the defendants “profited greatly from the fraudulent sale(s),” namely Rosales received about $670,000 for her “Pollock”, a price well below market value, while the Gallery and its agents kept more than $2.4 million.

The most recent complaint to name the Gallery as defendant was filed on August 30, 2013. Michelle Rosenfeld Galleries sued two collectors, Martin and Sharleen Cohen, and Knoedler Gallery LLC, because Rosenfeld felt threatened that its art sales from 1997 and 1998 were under suspicion by the Cohens. These clients allegedly requested a refund for a Pollock and a de Kooning Rosenfeld sold to the Cohens (having first purchased them from the Gallery). Rosenfeld is seeking declaratory judgment that any claim by the Cohens is barred as a matter of controlling law, that any continued pursuit of refund would be frivolous and merit compensation of Rosenfeld’s legal expenses. Lastly, Rosenfeld requests an indemnification by the Gallery against any purported liability in case the claim by the collectors proceeds.

According to Freedman, Knoedler sold about 40 paintings from the Rosales Collection. In a conservative prognosis, more suits against Knoedler are coming down the legal conveyer belt. The aftershocks of the Gallery's demise are also leaving marks in the courts. Most recently, Ann Freedman, named defendant in some of the lawsuits, brought a legal action of her own. In Freedman v. Grassi, she alleges that another art dealer, Marco Grassi owner of Grassi Studios gallery, defamed her when his opinion of Freedman's due diligence in investigating the Rosales Collection appeared in the New York Magazine. Grassi was quoted as saying, "It seems to me Ms. Freedman was totally irresponsible, and it went on for years… Imagine people coming to someone and saying every painting you sold me is a fake. It is an unthinkable situation. It is completely insane. A gallery person has an absolute responsibility to do due diligence, and I don't think she did it. The story of the paintings is so totally kooky. I mean, really. It was a great story and she just said, 'this is great.' by stating that she did not do her due diligence."

Freedman alleges that she was acting in good faith and with due diligence conducted research into the provenance of the Rosales Collection. She alleges that Grassi deliberately published a false defamatory statement about her to harm her reputation, and thus she seeks compensatory damages, nominal damages and punitive damages, as well as judgment interest allowable by law, attorney fees, legal costs and any other appropriate relief. Whether Freedman's case survives pretrial motions or not remains to be seen. However, the Gallery is now figuring in association with a First Amendment and freedom of speech dispute.

Even posthumously the Gallery finds itself in a rare situation having shaped the habits of generations of collectors, going out of business with a bang and not a whisper, and having been sued multiple times. The way things are developing, it may merit the prize for the most sued art galleries of the modern times, second perhaps only to Salander-O'Reilly. However, as the Rosales conspiracy fades away, and the complete history of the Knoedler Gallery waits to be written, what is worth emphasizing is that this venerable Gallery will more likely be remembered for its avant-garde aesthetic and the authentic gems it dealt in rather than the fakes and legal disputes that marred its last chapter. Having left an indelible mark on the world of art in the United States, the Gallery's legacy is larger than the series of recent and pending cases.

On September 30, 2013, U.S. District Judge Paul G. Gardephe ruled in de Sole and Howard actions against Knoedler Gallery, Ann Freedman, Glafira Rosales and other Defendants. The Judge dismissed all claims of wrongdoing against the gallery owner, Michael Hammer; but he denied most motions to dismiss charges against Freedman and Rosales, such as the charges of fraud, unilateral and mutual mistake, fraudulent concealment, and aiding and abetting fraud. Naturally, the court granted Plaintiffs leave to amend their complaints.

Postscript

Since the scandal broke in the press, at least 10 cases have been brought against the gallery and its affiliates. The artist who is believed to have created all of the Rosales forgeries, Pei–Shen

Qian, fled to China from where he had been quoted as saying that "he was duped too". Before the Knoedler legal saga ends, collectors should heed the warning of John Cahill, a New York-based art attorney wrote "[if] impact of the Knoedler scandal will likely have repercussions on the New York art market for years to come, it highlights one of the risks that art purchasers should now be aware of. While maintaining the confidentiality of sellers is an accepted part of the art world, the Knoedler case highlights the importance of actually knowing the identity of the consignor."

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Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Tue Jan 2 03:47:44 EST 2018

KNOEDLER

Word Mark	**KNOEDLER**
Goods and Services	(CANCELLED) IC 035. US 101. G & S: BUYING AND SELLING WORKS OF ART FOR OTHERS; ACCEPTING WORKS OF ART ON CONSIGNMENT FROM ARTISTS, COLLECTORS, DEALERS, AND OTHERS, FOR SALE ON A COMMISSION BASIS. FIRST USE: 18450000. FIRST USE IN COMMERCE: 18450000
Mark Drawing Code	(5) WORDS, LETTERS, AND/OR NUMBERS IN STYLIZED FORM
Serial Number	72437570
Filing Date	October 5, 1972
Current Basis	1A
Original Filing Basis	1A
Registration Number	0982100
Registration Date	April 9, 1974
Owner	(REGISTRANT) M. KNOEDLER & CO., INC. CORPORATION DELAWARE 21 E. 70TH ST. NEW YORK NEW YORK (LAST LISTED OWNER) 8-31 HOLDINGS, INC. CORPORATION DELAWARE 19 EAST 70TH STREET NEW YORK NEW YORK 10021
Assignment Recorded	ASSIGNMENT RECORDED
Attorney of Record	Alicia Morris Groos
Type of Mark	SERVICE MARK

Register	PRINCIPAL
Affidavit Text	SECT 15. SECT 8 (6-YR). SECTION 8(10-YR) 20040517.
Renewal	2ND RENEWAL 20040517
Live/Dead Indicator	DEAD
Cancellation Date	March 11, 2016

KNOEDLER PUBLISHING

Word Mark	**KNOEDLER** PUBLISHING
Goods and Services	(CANCELLED) IC 016. US 002 005 022 023 029 037 038 050. G & S: Printed materials, namely, books in the field of art, catalogs in the field of art, postcards, calendars and printed certificates; fine art reproductions, namely serigraphs, limited edition prints, mounted and unmounted posters; paintings and photographic reproductions mounted on postcards. FIRST USE: 19700000. FIRST USE IN COMMERCE: 19700000
Standard Characters Claimed	
Mark Drawing Code	(4) STANDARD CHARACTER MARK
Serial Number	78836378
Filing Date	March 14, 2006
Current Basis	1A
Original Filing Basis	1A
Published for Opposition	December 4, 2007
Registration Number	3385452
Registration Date	February 19, 2008
Owner	(REGISTRANT) Knoedler Publishing, LLC LIMITED LIABILITY COMPANY DELAWARE 19 East 70th Street New York NEW YORK 10021 (LAST LISTED OWNER) 8-31 HOLDINGS, INC. CORPORATION DELAWARE 19 EAST 70TH STREET NEW YORK NEW YORK 10021

Assignment Recorded	ASSIGNMENT RECORDED
Attorney of Record	Alicia Morris Groos
Prior Registrations	0982100
Disclaimer	NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "PUBLISHING" APART FROM THE MARK AS SHOWN
Type of Mark	TRADEMARK
Register	PRINCIPAL-2(F)
Live/Dead Indicator	DEAD
Cancellation Date	September 26, 2014

Trademarks > Trademark Electronic Search System (TESS)

TESS was last updated on Tue Jan 2 03:47:44 EST 2018

Word Mark	F ·A ·O **SCHWARZ** SINCE 1862
Goods and Services	IC 009. US 021 023 026 036 038. G & S: Cameras; karaoke machine; karaoke microphones IC 011. US 013 021 023 031 034. G & S: String Lights; electric warmer to melt and remold colored wax IC 016. US 002 005 022 023 029 037 038 050. G & S: Books; coloring books; coloring posters; gift bags, wrapping paper, tissue paper, cards, stationary, decorative paper bows for wrapping; packaging; displays and gift boxes; holders specially adapted for holding greeting and holiday cards IC 025. US 022 039. G & S: Costumes for use in children's dress up play IC 028. US 022 023 038 050. G & S: Toys; games and children's playthings; stuffed and plush toys; toy construction sets; scale model kits; toy model kit cars and accessories for model kit cars; toy model kit for constructing ferris wheels; toy model kit for constructing roller coasters; toy building blocks; toy laser tag shooting games; train set; remote control toys, namely, vehicles; marble track toys; toy cars; rideable toys and accessories therefor; toy tea sets; toy pianos; portable structures for dance; play tents; toy drones; toy tools and toy workbench; magic tricks; magic kit; toy spy kit; toy rock polishing kit; toy excavation kits; arts and craft paint kits; arts and craft loom kits; arts and crafts crystal growing kit; arts and craft fashion plates kits; play cosmetics and nail adornments; party favors in the nature of small toys, crackers and noisemakers; snow globes; Christmas tree ornaments; holiday and Christmas decorations; Santa evidence kit IC 030. US 046. G & S: Candy, sweets, ice cream, popcorn, snack mix, trail mix and confectioneries IC 035. US 100 101 102. G & S: Retail store services featuring candy, sweets, ice cream, popcorn, snack mix, trail mix and confectionaries; wholesale distributorship featuring general merchandise; global sourcing services, namely, locating, competitively negotiating, and procuring for others buyer-specified products on a fully outsourced basis for consumer-branded hard goods companies, namely, by coordinating events which can be attended by potential buyers and potential suppliers and running advertising campaigns; advertising, business management, business administration, demonstration of goods for advertising purposes, distribution of samples, business organization consulting, business management consulting, business research, cost price analysis, direct mail advertising, import-export agencies, promotional marketing, business information and advisory services, global outsourcing services, locating, negotiating, and procuring for others buyer-specified products, business

	management services in the nature of sales management services, retail store services and wholesale ordering services provided via the internet and telephone, and mail ordering services all in the field of general consumer merchandise; retail store services features toys, electronics and clothing, online retail store and wholesale store services featuring toys, electronics and clothing; mail order catalog services
Mark Drawing Code	(3) DESIGN PLUS WORDS, LETTERS, AND/OR NUMBERS
Design Search Code	25.01.25 - Borders, ornamental; Other framework and ornamental borders
Serial Number	87511148
Filing Date	June 29, 2017
Current Basis	1B
Original Filing Basis	1B
Owner	(APPLICANT) F.A.O. Schwarz Family Foundation Alex Millard; Caroline S. Schastny; Eliza Ladd Schwarz; Eric Schwarz; Rae Schwarz; and Molly Wing-Berman charitable trust NEW YORK Trust New York 114 West 47th St. New York NEW YORK 10036
Attorney of Record	Jennifer H. Hamilton
Prior Registrations	2299292;3386501;3901139;AND OTHERS
Description of Mark	Color is not claimed as a feature of the mark. The mark consists of the word FAO with a center dot after the letter "F" and a center dot after the letter "A" with the word SCHWARZ under the word FAO and SINCE 1862 underneath the word SCHWARZ.
Type of Mark	TRADEMARK. SERVICE MARK
Register	PRINCIPAL
Other Data	The name(s), portrait(s), and/or signature(s) shown in the mark does not identify a particular living individual.
Live/Dead Indicator	LIVE

FAO SCHWARZ FIFTH AVENUE

Word Mark	**FAO SCHWARZ** FIFTH AVENUE
Goods and Services	(CANCELLED) IC 028. US 022 023 038 050. G & S: Children's toys and games, namely, plush toys and animals, puppets, rocking horses, baby toys, toy trains, marble games, beads, model cars and toy musical bands, rag dolls, dolls and dolls accessories, beads, children's play cosmetics, soccer balls, volley balls, baseballs, baseball bats and gloves, jump ropes and four square balls; hobby craft kits comprising foam shapes, foam sheets, pipe cleaners, sequins, glitter glue, feathers, confetti, craft sticks, ribbons, fabric trim, yarns, colored poms, beads, wiggle eyes, flower and butterfly dangles and figurative lampshades; children's hobby science kits, lab kits, chemistry kits and educational activity kits comprising children's telescopes, binoculars and microscopes. FIRST USE: 19860930. FIRST USE IN COMMERCE: 19860930 (CANCELLED) IC 035. US 100 101 102. G & S: retail toy store services. FIRST USE: 19851231. FIRST USE IN COMMERCE: 19851231
Mark Drawing Code	(1) TYPED DRAWING
Serial Number	76302929
Filing Date	August 21, 2001
Current Basis	1A
Original Filing Basis	1A
Published for Opposition	September 24, 2002
Registration Number	2662322
Registration Date	December 17, 2002
Owner	(REGISTRANT) TOY SOLDIER, INC. CORPORATION DELAWARE 767 FIFTH AVENUE NEW YORK NEW YORK 10153

	(LAST LISTED OWNER) FAO SCHWARZ FAMILY FOUNDATION TRUST NEW YORK UNITED STATES TRUST COMPANY, 114 WEST 47TH, STREET NEW YORK NEW YORK 10036
Assignment Recorded	ASSIGNMENT RECORDED
Attorney of Record	/James E. Rosini/
Prior Registrations	2299292
Disclaimer	NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "FIFTH AVENUE" APART FROM THE MARK AS SHOWN
Type of Mark	TRADEMARK. SERVICE MARK
Register	PRINCIPAL
Live/Dead Indicator	DEAD
Cancellation Date	July 25, 2009

ENTERTAINMENT, ARTS AND SPORTS LAW SECTION ANNUAL MEETING

Take a Bow: What Happens to the Assets After the "Greatest Show on Earth" is Over

I. Trademark Licenses Under US Bankruptcy Code Section 365(n) [11 U.S.C. §365(n)] and Related Provisions:

(a) Except as provided in sections 765 and 766 of this title and in subsections (b), (c), and (d) of this section, the trustee, subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor.

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(c) The trustee may not assume or assign any executory contract or unexpired lease of the debtor, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties, if—

(1)

(A) applicable law excuses a party, other than the debtor, to such contract or lease from accepting performance from or rendering performance to an entity other than the debtor or the debtor in possession, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties; and

(B) such party does not consent to such assumption or assignment; or

(2) such contract is a contract to make a loan, or extend other debt financing or financial accommodations, to or for the benefit of the debtor, or to issue a security of the debtor; or

(3) such lease is of nonresidential real property and has been terminated under applicable nonbankruptcy law prior to the order for relief.

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(e)

(1) Notwithstanding a provision in an executory contract or unexpired lease, or in applicable law, an executory contract or unexpired lease of the debtor may not be terminated or modified, and any right or obligation under such contract or lease may not be terminated or modified, at any time after the commencement of the case solely because of a provision in such contract or lease that is conditioned on—

(A) the insolvency or financial condition of the debtor at any time before the closing of the case;

(B) the commencement of a case under this title; or

(C) the appointment of or taking possession by a trustee in a case under this title or a custodian before such commencement.

(2) Paragraph (1) of this subsection does not apply to an executory contract or unexpired lease of the debtor, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties, if—

(A)(i) applicable law excuses a party, other than the debtor, to such contract or lease from accepting performance from or rendering performance to the trustee or to an assignee of such contract or lease, whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties; and

(ii) such party does not consent to such assumption or assignment; or

(B) such contract is a contract to make a loan, or extend other debt financing or financial accommodations, to or for the benefit of the debtor, or to issue a security of the debtor.

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(f)
(1) Except as provided in subsections (b) and (c) of this section, notwithstanding a provision in an executory contract or unexpired lease of the debtor, or in applicable law, that prohibits, restricts, or conditions the assignment of such contract or lease, the trustee may assign such contract or lease under paragraph (2) of this subsection.

(2) The trustee may assign an executory contract or unexpired lease of the debtor only if—

(A) the trustee assumes such contract or lease in accordance with the provisions of this section; and

(B) adequate assurance of future performance by the assignee of such contract or lease is provided, whether or not there has been a default in such contract or lease.

(3) Notwithstanding a provision in an executory contract or unexpired lease of the debtor, or in applicable law that terminates or modifies, or permits a party other than the debtor to terminate or modify, such contract or lease or a right or obligation under such contract or lease on account of an assignment of such contract or lease, such contract, lease, right, or obligation may not be terminated or modified under such provision because of the assumption or assignment of such contract or lease by the trustee.

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(g) Except as provided in subsections (h)(2) and (i)(2) of this section, the rejection of an executory contract or unexpired lease of the debtor constitutes a breach of such contract or lease—

(1) if such contract or lease has not been assumed under this section or under a plan confirmed under chapter 9, 11, 12, or 13 of this title, immediately before the date of the filing of the petition; or

(2) if such contract or lease has been assumed under this section or under a plan confirmed under chapter 9, 11, 12, or 13 of this title—

> (A) if before such rejection the case has not been converted under section 1112, 1208, or 1307 of this title, at the time of such rejection; or
>
> (B) if before such rejection the case has been converted under section 1112, 1208, or 1307 of this title—
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> > (i) immediately before the date of such conversion, if such contract or lease was assumed before such conversion; or
> >
> > (ii) at the time of such rejection, if such contract or lease was assumed after such conversion.

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(n)
(1) If the trustee rejects an executory contract under which the debtor is a licensor of a right to intellectual property, the licensee under such contract may elect—

> (A) to treat such contract as terminated by such rejection if such rejection by the trustee amounts to such a breach as would entitle the licensee to treat such contract as terminated by
> virtue of its own terms, applicable nonbankruptcy law, or an agreement made by the licensee
> with another entity; or
>
> (B) to retain its rights (including a right to enforce any exclusivity provision of such contract, but excluding any other right under applicable nonbankruptcy law to specific performance of such contract) under such contract and under any agreement supplementary to
> such contract, to such intellectual property (including any embodiment of such

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intellectual
property to the extent protected by applicable nonbankruptcy law), as such rights existed
immediately before the case commenced, for—

(i) the duration of such contract; and

(ii) any period for which such contract may be extended by the licensee as of right under applicable nonbankruptcy law.

(2) If the licensee elects to retain its rights, as described in paragraph (1)(B) of this subsection, under such contract—

(A) the trustee shall allow the licensee to exercise such rights;

(B) the licensee shall make all royalty payments due under such contract for the duration
of such contract and for any period described in paragraph (1)(B) of this subsection for which the licensee extends such contract; and

(C) the licensee shall be deemed to waive—

(i) any right of setoff it may have with respect to such contract under this title or applicable nonbankruptcy law; and

(ii) any claim allowable under section 503(b) of this title arising from the performance of such contract.

(3) If the licensee elects to retain its rights, as described in paragraph (1)(B) of this subsection, then on the written request of the licensee the trustee shall—

(A) to the extent provided in such contract, or any agreement supplementary to such contract, provide to the licensee any intellectual property (including such embodiment) held by
the trustee; and

(B) not interfere with the rights of the licensee as provided in such contract, or any agreement supplementary to such contract, to such intellectual property (including such embodiment) including any right to obtain such intellectual property (or such embodiment) from another entity.

(4) Unless and until the trustee rejects such contract, on the written request of the licensee the trustee shall—

(A) to the extent provided in such contract or any agreement supplementary to such contract—

(i) perform such contract; or

(ii) provide to the licensee such intellectual property (including any embodiment of such intellectual property to the extent protected by applicable nonbankruptcy law) held by the trustee; and

(B) not interfere with the rights of the licensee as provided in such contract, or any agreement supplementary to such contract, to such intellectual property (including such embodiment), including any right to obtain such intellectual property (or such embodiment) from another entity.

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11 USC § 101(35): The term “intellectual property” means—

(A) trade secret;
(B) invention, process, design, or plant protected under title 35; [Patents]
(C) patent application;
(D) plant variety;
(E) work of authorship protected under title 17; or [Copyrights]
(F) mask work protected under chapter 9 of title 17;

to the extent protected by applicable nonbankruptcy law.

NOTE: Trademark rights are NOT expressly covered by this definition. The legislative history of Section 365, however, shows that Congress specifically did not include trademarks because “such contracts raise issues beyond the scope of [the] legislation. In particular, trademark, trade name and service mark licensing relationships depend to a large extent on control of the quality of the products or services sold by the licensee. Since these matters could not be addressed without more extensive study, it was determined to postpone congressional action in this area *and to allow the development of equitable treatment of this situation by bankruptcy courts.*” S. Rep. No. 100-505, at 5 (1988). [Emphasis added]

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II. Bankruptcy and Trademark Licenses - Key Cases

Lubrizol Enterprises, Inc. v. Richmond Metal Finishers, Inc., 756 F.2d 1043 (4th Cir.1985)

Pre 365(n) case that compelled Congress to enact that Section. Court permitted a debtor-licensor to reject an intellectual property license it had granted to a licensee, holding that under Section 365, the rejection of an intellectual property license deprived a licensee of rights previously granted under the license, but also constituted a breach. As such, the licensee was entitled to monetary damages under Section 365(g), but could not retain its contractual license rights.

Raima UK Ltd. v. Centura Software Corp., 281 B.R. 660 (Bankr. N.D. Cal. 2002)

In a case of first impression, court rules that Section 365(n) does not protect trademark licensees because it's not an "intellectual property" license as defined in Section 101(35A) of the Code, which only covers works of authorship under Title 17, trade secrets, patent licenses, mask works and other inventions, designs and processes etc. that are protected under Title 35. Thus, the trustee could properly terminate a license.

In re Old Carco L.L.C., 406 B.R. 180, 211 (Bankr. S.D.N.Y. 2009)

Court refused to protect trademark licensees due to exclusion of "trademarks" in definition of "Intellectual Property" for Section 365(n).

In re Exide Technologies, *607 F.3d 957 (3d Cir. 2010)*

Court found a license not to be executory and thus not subject to rejection. A concurring opinion noted that Congress likely intended "equitable treatment" of trademark licenses where a court can use its general equitable powers to deny rejection of trademark licenses. This contrasts with the judicial view that no protection exists under 365(n) for non-debtor trademark licensees, including under a court's general equitable powers.

Sunbeam Products v. Chicago American Manufacturing, 686 F.3d 372 (7th Cir. 2012)

Significant 7th Circuit decision on trademark licenses that are rejected in bankruptcy under Sections 365(a) and (g). A debtor's rejection of a trademark (or other IP license in the absence of a 365(n) clause) only absolves the debtor of any obligation to perform and gives rise to a damage claim for breach of contract under 365(g), but does not rescind the underlying contract (license). When the debtor here rejected the agreement, the licensee, CAM, continued to sell branded products, and the debtor filed an adversary proceeding against it to halt such sales.

The Bankruptcy Court judge held that she would allow CAM, which had invested substantial resources in making Lakewood-branded box fans (Lakewood had been acquired by Sunbeam), to continue using the Lakewood marks "on equitable grounds" to sell branded products it had made that were by contract to have been purchased by the debtor, which had rejected the contract. The Circuit did not share this broad "equitable" view, but nevertheless upheld the decision in favor of CAM on the alternative basis that a straight reading of 365(g) speaks only of a "breach" by a debtor upon rejection, not a "rescission," and the two are mutually exclusive contract remedies. Thus, while the debtor was relieved of the purchase obligation, the license survived and was not terminated.

In re Interstate Bakeries Corporation [Lewis Brothers Bakeries Inc. v. Interstate Brands Corp.] 690 F.3d 1069 (8th Cir. 2012); Reversed En Banc, 751 F.3d 955 (8th Cir. 2014)

En banc panel reversed first panel's affirmance that an underlying license was executory under 365(n), holding that because the perpetual license was an integrated part of an overall asset purchase agreement, which itself was fully performed, the license was not executory because the parties' obligations had been substantially performed under both the asset purchase agreement and license, and the debtor's "failure to perform any of its remaining obligations would not be a material breach of the integrated agreement."

In Re: Crumbs Bake Shop, Inc., 522 B.R. 766 (Bankr. N.J. 2014)

"Debtors entered into licensing agreements with third parties, which allowed such parties to utilize the Crumbs trademark and trade secrets, and sell products under the Crumbs brand." The debtors entered into an asset purchase agreement, to sell substantially all its assets to a third party, LFAC. The debtors themselves, however, did *not* move to reject the licenses. Rather, LFAC moved to determine the parties' respective rights, arguing that "in the event of a rejection, the trademark Licensees would not be protected by § 365(n) based on the sale being free and clear of all encumbrances." LFAC further argued that the *Exide Technologies* equitable principles should not apply where a third party purchased a debtor's trademark assets. The court rejected this (at p. 772):

> While some courts have suggested that § 365(n) rights of third parties should succumb to the interests of maximizing the bankruptcy estate in liquidation contexts, this Court finds no basis for such a distinction. Bankruptcy estates, whether reorganizing or liquidating, benefit already from the ability to assume or reject executory agreements. There is no reason to augment such benefits at the expense of third parties and a licensing system which Congress sought to protect by means of preserving certain rights under § 365(n). Indeed, in sale cases, which currently dominate the retail Chapter 11 landscape, monetary recoveries primarily benefit the pre-petition and post-petition lenders and administrative claimants. Minimal distributions to general unsecured creditors are the norm. *It is questionable that Congress intended to sacrifice the rights of licensees for the benefit of the lending community. Rather, as noted by Judge Ambro, Congress envisaged the Bankruptcy Courts as exercising discretion and equity on a case by case basis*….

> LFAC submits that, in the event Licensees were to make an election under § 363(n) to continue using the trademarks, LFAC would be placed in a licensor-licensee arrangement that it never intended to assume. Yet, LFAC or any other purchaser, has come into this transaction with eyes wide-open, after engaging in due diligence, and can adjust their purchase price to account for such existing License Agreements. *The Court does not conclude that Licensees' trademark rights should be vitiated completely to aid in LFAC's recovery under its credit bid*.
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> …………………
>
> For the reasons stated above, LFAC's motion is denied. *Trademark Licensees can be protected by § 365(n), notwithstanding the omission of "trademarks" from the Bankruptcy Code definition of "intellectual property." Furthermore, the sale under § 363(f) did not extinguish the rights afforded to Licensees by § 365(n) because Licensees did not consent to the sale*. *To the extent that Licensees' rights under § 365(n) were not vaporized by the sale, Licensees are entitled to elect to continue using the intellectual property granted under their respective License Agreements, for the duration of their terms. Royalties generated as a result of this use are payable to Debtors, because the agreements themselves have not been assumed, assigned or rejected, and thus continue to be Debtors' property*. [Emphasis added]

In re Trump Entertainment Resorts, Inc., 526 B.R. 116 (Bankr. D. Del. 2015)

Bankruptcy Court held that trademark licenses are not assignable by a debtor licensee without the consent of the licensor. The court stated that exclusive and non-exclusive trademark licenses are precluded from being assigned by a licensee without the licensor's consent, even if the original license agreement did not expressly prohibit assignments. When the licensee breached, the licensor sued for breach and termination of the license, but the licensee filed for Ch. 11 staying the case.

While 365(f)(1) provides that a debtor may assume an executory contract, even if the non-debtor objects, the Court nevertheless found exceptions to this rule and held that under federal trademark law, a trademark license agreement is non-assignable without the licensor's consent, stating that: "Because intellectual property and technology licenses are generally executory contracts, a debtor may assume or assign of them under Section 365 of the United States Bankruptcy Code." The Delaware Bankruptcy Court adopted the "hypothetical test," which is a strict interpretation of Section 365(c). The court concluded that because the license agreement was unassignable under non-bankruptcy law, the debtor could not assume it. Under the "hypothetical test," the court found that under federal trademark law, a debtor may not assume an executory contract over the objection of the non-debtor even if the debtor does not have any intentions of assigning the contract.

Note: If this case was filed in a jurisdiction that did not follow the hypothetical test, then Section 365(c) would not have prevented the assumption of the trademark license, and there would have been no relief from the automatic stay. *See In re Trump*, 526 B.R. at 120–21.

In re Tempnology LLC, 559 B.R. 809 (B.A.P. 1st Cir. 2016)

Adopts application of 365(n) by Seventh Circuit in *Sunbeam Products, supra*. While 365(n) excludes trademarks and related distribution and contractual rights, rejection of a trademark license under 365(g) constitutes a breach by the debtor-licensor. A rejection still maintains a licensee's rights and remedies for breach of the license agreement, without necessarily terminating all the licensee's rights under the terms of the agreement and non-bankruptcy law.

III. Trademark Abandonment From Non-Use

A. "Use in commerce": Requires "*bona fide* use of the mark in the ordinary course of trade, and not made merely to reserve a right in a mark." 15 U.S.C. § 1127. The Lanham Act defines "commerce" as all activity that can be regulated by Congress. "Token use" will not suffice. *But see Christian Faith Fellowship v. Adidas AG*, 841 F.3d 986 (Fed. Cir. 2016) (Federal Circuit reversed TTAB's cancellation of ADD A ZERO slogan marks owned by a church, where the church had made a couple out-of-state sales of hats depicting the slogans, thus finding that "de minimis" use in commerce can meet the commerce requirement under the Commerce Clause). See *United Drug v. Theodore Rectanus*, 248 U.S. 90, 97-98 (1918):

> There is no such thing as property in a trade-mark except as a right appurtenant to an established business or trade in connection with which the mark is employed. The law of trade-marks is but a part of the broader law of unfair competition; the right to a particular mark grows out of its use, not its mere adoption; its function is simply to designate the goods as the product of a particular trader and to protect his good will against the sale of another's product as his; and it is not the subject of property except in connection with an existing business. *Hanover Milling Co. v. Metcalf*, 240 U.S. 403, 412-414.
>
> The owner of a trade-mark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly.

B. Lanham Act § 45(1) (15 U.S.C. § 1127(1)): Non-use of a mark for three consecutive years creates a rebuttable presumption of abandonment. *See also Rivard v. Linville*, 133 F.3d 1446 (Fed. Cir. 1998). The focus is on "intent not to resume use":

> Abandonment of mark. A mark shall be deemed to be "abandoned" if either of the following occurs:
>
> (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark….

C. Test for Abandonment Under Lanham Act: More restrictive than at common law, which generally required "intent to abandon" versus "intent not to resume use." *See Exxon v. Humble Exploration*, 695 F.2d 96 (5th Cir. 1983), where the court emphasized this point and noted that where actual use had ceased, the mark's owner must demonstrate "plans to resume commercial use" of the mark. Otherwise, it would be almost impossible to prove abandonment. Federals courts have adopted this standard.

> There is a difference between intent not to abandon or relinquish and intent to resume use in that an owner may not wish to abandon its mark but may have no intent to resume its use. In factual contexts where there is no issue of a hoarding of a mark, the language "an intent to abandon or relinquish" may be used to express the Lanham Act requirement of an "intent not to resume use."
>
> An "intent to resume" requires the trademark owner to have plans to resume commercial use of the mark. Stopping at an "intent not to abandon" tolerates an owner's protecting a mark with neither commercial use nor plans to resume commercial use. Such a license is not permitted by the Lanham Act.
>
> 695 F.2d at 102-03.

See also Silverman v. CBS Inc., 870 F.2d 40, 47 - (2d Cir. 1989):

> A proprietor who temporarily suspends use of mark can rebut the presumption of abandonment by showing reasonable grounds for the suspension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate….But a proprietor may not protect a mark if he discontinues

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> using it for more than 20 years and has no plans to use or permit its use in the reasonably foreseeable future. A bare assertion of possible future use is not enough. [*Citations omitted*]

D. Global: Most countries and applicable territories (such as the EU) provide that if a registered mark is not used for three (*e.g.*, Australia, Japan, South Korea, Canada, China, Russia and various Latin American countries) or five (various EU countries), consecutive years it can be canceled for non-use if a third party challenges it. Note that under the EUTM, use in any one EU member state is sufficient.

E. Intervening Factors/Residual Good Will: May interrupt use but not constitute abandonment. This could include intervening negative market conditions, bankruptcy for reorganization purposes, licensing and permitting changes in regulated industries that take time to comply with, temporary unavailability of raw materials, etc. *See, e.g.:*

(i) *Crash Dummy Movie v. Mattel Inc.*, 601 F.3d 1387 (Fed. Cir. 2010), finding no abandonment where Mattel, while not yet selling products under the "Crash Dummies" marks from 1997 - 2003, had intended to resume use of the marks but needed adequate time to re-tool production, and research and develop a market, for the toys after acquiring the marks from the original owner.

(ii) *Wells Fargo & Co. v. ABD Ins. & Financial Services, Inc.*, 758 F.3d 1069 (9th Cir. 2014), finding no abandonment of financial insurance company's service mark despite purchaser's intent to re-brand the company, where purchaser continued to use the mark in marketing and customer solicitation presentations so as to benefit from the residual goodwill and mark recognition that had been associated with the company."

(iii) *Macy's Inc. v. Strategic Marks LLC*, Nos. 11-6198, 15-0612, U.S. Dist. LEXIS 11676 (N.D. Cal. Feb. 1, 2016). Macy's sued Strategic Marks, which exploits "zombie" brands, for seeking to register and use various regional store brands that had previously been converted to the Macy's brand, including Abraham & Straus, Filene's, The Broadway, Jordan Marsh, The Bon Marche, Robinson's, Bullock's, May Company, and others. Macy's held prior registrations for eight of these disputed marks and had continued to sell shirts depicting the marks on a dedicated "Heritage" brands website. The Court granted Macy's partial summary judgment, finding that "the disputed marks are well-known marks that were specifically chosen by Strategic Marks precisely because they are well-known and there remains favorable consumer recollection and feelings towards the brands….Additionally, on the [Macy's] shirts, the marks are followed by 'TM,' clearly indicating to the consumer that the mark is being used as a trademark."

> []Strategic Marks's primary argument is that because Macy's no longer operates the regional brands, the marks have been

> abandoned and can now be used by any other individual. Thus, Strategic Marks seems to contend that principles of abandonment should be used to inform consumer perception, *i.e.*, whether a consumer would view the disputed marks purely as ornamental rather than also source-identifying. However, Strategic Marks admits that it knows of no specific case in which a court has found that as a matter of law, consumers would no longer associate a mark with the source after a store is closed, and the Court could not find any….
>
> This is not surprising. Simply because a store has ceased operations does not mean that its proprietor or owner does not maintain a valid interest in the registered trademark of the business. A trademark can still exist and be owned even after a store closes. If an accused infringer uses the mark, a consumer may still be confused as to whether the owner of the trademark authorized or licensed the infringer [*citations omitted*].

(iv) *Hornby v. TJX Companies Inc.,* 87 U.S.P.Q.2D 1411 (TTAB 2008): TTAB rejected trademark cancellation challenge by former famous model/actress "Twiggy" against registrant of TWIGGY marks because "petitioner cannot rely on her use of the mark TWIGGY for clothing between 1967 and 1970 to establish her priority over respondent, and her later use was subsequent to respondent's filing date, and was also abroad and insufficient to establish trademark rights in the United States. Because petitioner cannot prove priority of use of the mark TWIGGY, her likelihood of confusion claim must fail."

F. <u>Licensee Use</u>: Trademark rights licensed to others inure to the benefit of the licensor and qualify as use "by" a licensor, provided the license is not a "naked" license where the licensor has relinquished or failed to provide any quality control oversight. In that case, the entire trademark can be invalidated. *See Eva's Bridal Limited v. Halanick Enterprises*, 639 F.3d 788 (7th Cir. 2011) (in dispute over license to bridal shop, court found the plaintiffs had, and exercised, no authority over the appearance and operations of defendants' business, including what inventory to market and sell, resulting in a "naked license" and abandonment of the mark).

G. <u>Case study: Usquaebach Scotch whisky</u>. *Cobalt Brands, LLC v. Gowling LaFleur Henderson LLP*, 2010 FC 260 (Canadian Fed. Ct. 2010) (the author represented Cobalt Brands with Canadian counsel). Court rejected abandonment claim despite non-use of USQUAEBACH registered mark in Canada for six-years (Canada has a three year non-use initial presumption of abandonment, subject to "special circumstances") where there were intervening bankruptcies and deaths affecting prior owners of the mark, and Cobalt (as purchaser) had undertaken material steps to re-introduce the regulated whisky brand to Canadian and other world markets, including soliciting orders from the Quebec Liquor Authority.

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Handling US trade mark licensees in bankruptcy

Oliver Herzfeld and Richard R. Bergovoy*

An envelope arrives from the bankruptcy court. You open it and realize with a shock that one of your trade mark licensees has filed a bankruptcy petition and listed you as a creditor. Over the last two years, this has become an increasingly common event. But from a trade mark licensor's point of view, a licensee entering bankruptcy is not always the disaster it might appear to be.

This article will provide an overview of the main issues faced and decisions to be made by a trade mark licensor whose licensee has filed for bankruptcy.

The authors

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This article

- The article provides an overview of the main issues faced and decisions to be made by a trade mark licensor whose licensee has filed for bankruptcy in the USA.
- It covers the following four scenarios: (i) if the licensee seeks to assume and the licensor consents, (ii) if the licensee seeks to assume and the licensor objects, (iii) if the licensee seeks to reject and the licensor consents, and (iv) if the licensee seeks to reject and the licensor objects. The article also covers trade mark licence agreement performance after a bankruptcy filing.

US bankruptcy and trade mark law

First, here is a brief outline of bankruptcy and trade mark law in the USA. Bankruptcy is a process for adjusting the debts and adjudicating the property of a bankrupt debtor's estate. Trade marks are distinctive names, logos, designs, symbols, or other indicators to identify to consumers that the products or services on which the trade mark appears originate from a unique source, and to distinguish the trade mark owner's products or services from those of other entities. The Lanham Act, which codifies US trade mark law, does not address or even mention bankruptcy and the Bankruptcy Code, which codifies US bankruptcy law, does not address or even mention trade marks. Nonetheless, it is well understood that valid trade mark licence agreements are considered assets of the debtor subject to the provisions of the Bankruptcy Code.

The two main categories of business bankruptcy in the USA are Chapter 7 and Chapter 11. Chapter 7 is a so-called liquidation bankruptcy, in which a trustee carves up the debtor, liquidates its assets, and then distributes the proceeds to creditors according to a priority scheme contained in the Bankruptcy Code. Chapter 11 is a so-called reorganization bankruptcy, in which the debtor itself restructures its affairs, and pays off creditors a portion of what it owes them, usually from a combination of loans, selected asset sales, stock issuance, and current revenues. Chapter 11 bankruptcies are carried out according to a plan that must be voted on by creditors and holders of equity interests, and approved by the bankruptcy court. Reorganizations under Chapter 11 sometimes fail and convert to Chapter 7 liquidations, or sometimes are intentionally utilized by the debtor to liquidate its assets, similar to a Chapter 7 trustee.

Executory contracts

The Bankruptcy Code treats a valid licence agreement as a special kind of asset called an 'executory contract'. There is no definition of executory or executory contracts in the Bankruptcy Code, but the most commonly accepted definition in the case law is an agreement where substantial performance remains due by both parties. Most unexpired trade mark licences will meet the definition of executory contract because, typically, the licensee is required to observe the quality

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specifications of the licensor and pay royalties to the licensor, while the licensor is required to maintain quality control of the licensed product and refrain from suing the licensee for trade mark infringement.

Automatic stay

Most executory contracts are subject to the automatic stay provisions of the Bankruptcy Code.[1] That means that, once a licensee files for bankruptcy, the licensor is prohibited from taking any action to collect a debt from the licensee without the express approval of the bankruptcy court.

> The automatic stay is one of the fundamental debtor protections provided by the bankruptcy laws. It gives the debtor a breathing spell from his creditors, stopping all collection efforts, all harassment, and all foreclosure actions. It permits the debtor to attempt a repayment or reorganization plan, or simply to be relieved of the financial pressures that drove him into bankruptcy.[2]

As part of the automatic stay, the licensor is forbidden to make any attempt to terminate the licence agreement. Boilerplate provisions that state the licence agreement is automatically terminated if the licensee files for bankruptcy are so-called ipso facto clauses that are automatically invalid in bankruptcy.[3] A licensor should therefore definitely resist the impulse to send its bankrupt licensee a termination notice with a demand for immediate payment of all royalties due since such an action could be a violation of the automatic stay and put the licensor in contempt of the bankruptcy court.

Licensee must assume or reject

Another consequence of a licence agreement being executory is that the Bankruptcy Code requires the licensee to choose whether to 'assume' the licence agreement (ie accept it in full, both benefits and responsibilities, and render performance according to its original terms) or 'reject' it (ie terminate the agreement and excuse itself from any further performance obligations).[4] The rationale behind this right goes to the heart of bankruptcy law, namely to maximize the value of the bankruptcy estate by allowing the debtor to retain useful, profitable, and advantageous agreements, and reject unprofitable and disadvantageous ones. The licence agreement may be a revenue producer that is critical to the licensee's Chapter 11 reorganization efforts, or the licensee may wish to sell (assume and assign) the licence agreement to a third party as part of either a Chapter 11 or Chapter 7 asset sale.

A Chapter 7 licensee (or, more precisely, the trustee of its bankruptcy estate) must elect to assume an executory licence agreement within 60 days of the bankruptcy filing unless it obtains an extension from the bankruptcy court, or the licensee is deemed to have automatically rejected the agreement.[5] The Chapter 7 licensee (or the trustee) would typically notify the licensor by serving notice of a motion to assume executory agreements. A Chapter 11 licensee has until confirmation of its plan of reorganization (which is usually at least six months after the bankruptcy filing but could be longer—sometimes more than a year) to elect to assume or reject the licence agreement.[6] However, many Chapter 11 licensees make that decision much earlier—often as part of a pre-confirmation asset sale—and send their licensor a notice of intention to assume as part of the sale.

So what can a trade mark licensor do when a licensee makes its election to assume or reject?

If licensee seeks to assume and licensor consents

Trade mark licensors would normally want their licensees to assume licence agreements, especially if the licensees are in default of their agreements, which bankrupt licensees almost always are. The reason is that in order for a licensee in default to assume, the Bankruptcy Code requires it to

(A) cure, or provide adequate assurance that it (or the trustee) will promptly cure, such default;

(B) compensate, or provide adequate assurance that it will promptly compensate, a party other than the debtor to the licence, for any actual pecuniary loss to such party resulting from such default; and

(C) provide adequate assurance of future performance under such licence.[7]

1 s 362(a) of the Bankruptcy Code.

2 Notes of Committee on the Judiciary, Senate Report No 95–989.

3 ss 365(e)(1) and 541(c) of the Bankruptcy Code.

4 s 365 of the Bankruptcy Code. Technically speaking, s 365(d)(2) of the Bankruptcy Code states that a Chapter 11 debtor 'may' assume or reject until the confirmation of its plan of reorganization, but see n 6 and its text.

5 See s 365(d)(1) of the Bankruptcy Code.

6 Although not required to do so, in actuality most Chapter 11 debtors either make an affirmative election to assume or reject, or their contractual counterparties file motions to compel them to do so.

7 s 365(b)(1) of the Bankruptcy Code.

Among other things, this means that the licensor must receive 100 cents on the dollar of what it is owed, as well as assurances that the licensee will meet payment and all other contractual obligations in the future.

But even if the licensor is prepared to accept the assumption of the licence agreement, it should carefully review the notice of intention to assume, and file an objection in bankruptcy court if it believes the licensee has not met its burden under any of these factors. Obviously, under (A) above, the licensor should determine whether the licensee has listed the correct cure amount for any arrears, both pre- and post-petition. Under (C), the licensor should determine whether the licensee has shown that it or any proposed assignee has the resources available to continue performing all contractual obligations. And the good news for licensors is that under (B), if the licence contains an attorneys' fees provision that applies to bankruptcy proceedings and is valid under state law, the licensor can request to be compensated for its reasonable attorneys' fees arising out of its filing of such objection (although whether as an unsecured creditor it can actually collect will depend on the law of that judicial district).[8]

If licensee seeks to assume and licensor objects

In contrast, the licensor may believe that the licensee or its proposed assignee is incapable of properly performing the licence agreement. One of the fundamental principles of US trade mark law is that a licensor must control the quality of the goods and services provided by the licensee under the licensed mark. This rule is designed to fulfil the public policy objective of consumer protection, in that trade mark laws help prevent the public from being misled as to the quality of branded products and services. A prohibited 'assignment in gross of a mark'[9] or other failure to maintain quality control standards could give rise to a so-called naked licence claim.[10] The consequences of such a claim can be quite severe. In particular, 'a court may find that the trade mark owner has abandoned the trade mark, in which case the owner would be estopped from asserting rights to the trade mark'.[11]

To prevent such damage from occurring, the licensor may object to a licensee's assumption or assumption and assignment of a licence agreement on the following four grounds:

1. The licence agreement was terminated prior to the bankruptcy filing. A licence agreement that has been terminated prior to the licensee entering bankruptcy is no longer executory, and therefore not subject to assumption, provided that all the conditions for termination have occurred prior to the bankruptcy filing (including, in the event of a material breach, the expiration of any permitted remedy or cure periods);
2. The licence agreement is not executory. If either party to a licence agreement has substantially performed its material obligations under the agreement, the licence may no longer be considered executory. For example, the Third Circuit recently held a perpetual, exclusive, and royalty-free trade mark licence entered into in connection with an asset purchase agreement to be non-executory, because the licensee had no royalty payment obligations, and none of its other obligations could be considered material;[12]
3. The licensee cannot possibly fulfil its requirements for assumption, in the case of a defaulted contract. In other words, the licensee cannot satisfy its burden of proof that it is capable of promptly curing all defaults, compensating third parties for their pecuniary losses, and providing adequate assurances of future performance by the licensee or its assignee;[13] or
4. The licence agreement is not assumable and/or assignable. By its literal language, the Bankruptcy Code prohibits a debtor from *assuming* an agreement without the consent of the other party when the debtor does not have the explicit right to *assign* the agreement under 'applicable law' in the absence of a bankruptcy.[14] 'Applicable law' is often interpreted to mean state law and federal common law prohibitions on assignments of agreements that are 'personal' in nature. The two courts that have directly considered the issue of when a trade mark licence is assignable under non-bankruptcy

8 See *Travelers Casualty & Surety Co. v Pacific Gas & Electric Co.*, 549 US 433 (2007) (no blanket prohibition in the Bankruptcy Code against recovery of attorneys' fees). But compare *Ogle v Fidelity & Deposit Co. of Maryland*, 586 F.3d 143 (2d Cir. 2009) and *In re SNTL Corp.*, 571 F.3d 826 (9th Cir. 2009) (unsecured creditors permitted to recover attorneys' fees) with *Adams v Zimmerman*, 73 F.3d 1164 (1st Cir. 1996) and *Waterman v Ditto*, 248 BR 567 (BAP 8th Cir. 2000) (unsecured creditors not permitted to recover attorneys' fees).

9 s 1060 of the Lanham Act.

10 *Barcamerica Int'l USA Trust v Tyfield Importers*, 289 F.3d 589, 596, 62 USPQ.2d (BNA) 1673 (9th Cir. 2002).

11 id.

12 See *Exide Technologies v EnerSys Delaware Inc.*, 607 F.3d 957 (3d Cir. 2010).

13 See s 365(b)(1) of the Bankruptcy Code and above text at n 8.

14 See s 365(c)(1)(A) of the Bankruptcy Code.

law concluded that non-exclusive trade mark licences are unassignable without the licensor's consent. The first court reasoned that 'the grant of a non-exclusive license is an "assignment in gross" under the Lanham Act, that is, one that is personal to the assignee and thus not freely assignable to a third party'.[15] The second court reasoned that 'copyright and trade mark licensors share a common retained interest in the ownership of their intellectual property – an interest that would be severely diminished if a licensee were allowed to sub-license without the licensor's express permission'.[16] Other courts have permitted the transfer of trade mark licences without the licensors' consent, but usually without full analysis of precisely what is 'applicable law' as required by the Bankruptcy Code.[17] Further, as may be inferred from the statutory language above, the non-assignability of the licence may affect not only the licensee's ability to assume it and assign it to a third party, but also merely to assume it and continue performance itself as prior to the bankruptcy.[18]

If licensee seeks to reject and licensor consents

What happens if the licensee decides not to accept, but rather to reject an executory licence agreement? As mentioned above, an executory agreement in a Chapter 7 bankruptcy is deemed automatically rejected if the licensee does not announce its intent to assume within 60 days of the bankruptcy filing. In a Chapter 11 bankruptcy, the motion to assume will normally state that any agreements not listed as being assumed will be deemed rejected.

A rejected licence agreement is treated as a breach of contract effective as of the date of the bankruptcy filing, and the licensor would normally file a claim for damages on that basis. Usually, the claim will be an unsecured one, meaning that the licensor will have to stand in line with all the other general unsecured creditors and probably receive no more than the proverbial '10 cents on the dollar', at least as to amounts due as of the bankruptcy filing date (but see below regarding post-petition amounts).

If licensee seeks to reject and licensor objects

If the licensor is opposed to the licensee's rejection, it can in theory file an objection, but judges will usually not overturn the licensee's decision to reject if it was made in good faith and with reasonable business judgment as to what is most beneficial to the bankruptcy estate.

Licence agreement performance after the bankruptcy filing

As mentioned above, in the absence of a court order, usually by way of a licensor's motion to lift the automatic stay or to compel the licensee's assumption or rejection of an executory agreement, the licensee is permitted to exercise its rights under the licence agreement after the bankruptcy filing, unless and until the agreement is rejected. An important clarification is necessary: the licensor's prospect, as described above, between receiving 100 cents on the dollar if the licensee assumes versus only cents on the dollar if the licensee rejects, applies only to amounts owing as of the bankruptcy filing date. A different set of rules applies as to amounts due during the limbo period after the filing date, but before assumption/rejection goes into effect.

Specifically, the Bankruptcy Code requires the debtor to reimburse creditors for the benefits that they provide to the bankruptcy estate during such limbo period.[19] In the licence context, this is commonly interpreted to mean that the licensee must pay all post-filing running royalties.[20] The debtor in a

15 *In re Travelot Co.,* 286 BR 447 (SD Ga 2002).

16 *N.C.P. Marketing Group, Inc. v BG Star Productions, Inc. et al.*, 279 Fed. Appx. 561 (9th Cir. 2008).

17 *In re Varisco*, 16 BR 634 (Bankr. MD Fla 1981); *In re Rooster, Inc.*, 100 BR 228 (Bankr. ED Pa 1989); *In re Sunrise Restaurants, Inc.,* 135 BR 149 (Bank. MD Fla 1991).

18 The Third, Fourth, Ninth, and Eleventh Circuits and several bankruptcy courts have interpreted this rule to mean the debtor cannot assume the agreement in bankruptcy without the other party's consent *regardless* of whether the debtor intends to assume the agreement for itself and not actually assign it to a third party (ie the hypothetical test). Thus, licensors in a 'hypothetical' jurisdiction will probably be able to block either the debtor's assumption or assumption and assignment of a non-exclusive trade mark agreement. However, the First and Fifth Circuits and several bankruptcy courts have interpreted this rule to mean the debtor cannot assume the agreement in bankruptcy without the other party's consent only if the debtor actually intends to assign it to a third party (ie the actual test). This disagreement between the circuits has existed for several years and, even though the US Supreme Court was recently presented with a clear opportunity to resolve the conflict, it declined to do so. See *N.C.P. Marketing Group, Inc. v BG Star Productions, Inc. et al.*, No 08–463 (23 March 2009).

19 s 503(b)(1)(A) of the Bankruptcy Code.

20 Cf *In re Dak Industries, Inc.*, 66 F.3d 1091 (9th Cir. 1995), an unusual Ninth Circuit opinion which appears to hold that if a software licence agreement is structured to contain minimum guaranteed royalty payments, it should be treated as a sale, not a licence, for bankruptcy purposes, and that any guarantee payments scheduled to be paid after the bankruptcy filing should be treated entirely as pre-petition general unsecured claims, even if the licensee continues to use the software after filing. (The wiser course would have been to allow administrative expense claims to the extent of the post-filing running royalties, and treat any

Chapter 11 bankruptcy will sometimes pay post-filing royalties voluntarily, especially for a licence agreement that it plans to assume but, more often, the licensor in both Chapter 7 and Chapter 11 bankruptcies is required to file a so-called administrative expense claim for post-filing royalties. Sometimes courts allow filing of such claims on the same pre-printed form as an unsecured claim with no motion required, but more frequently, they require a separate motion to be filed. Since the administrative expense claim is treated as one of the most preferred of 'priority' claims in business bankruptcies,[21] the licensor will usually receive 100 cents on the dollar, or something close to it, rather than the general unsecured claimant's cents on the dollar.

Post-shock realization

After the initial shock of the licensee's bankruptcy wears off, licensors may realize that such an event puts them in an even better position than they were previously. But trade mark licensors should retain an attorney knowledgeable about the intersection of bankruptcy and trade mark law to help guide them through an arcane and specialized process and assist them in maximizing the likelihood of a positive outcome.

excess payments required by the minimum guarantees as general unsecured claims.) As a precaution, a trade mark licensor that is owed substantial minimum guaranteed royalties in the post-filing 'limbo' period should seek advice from its bankruptcy attorney.

21 See ss 503(b)(1)(A) and 507(a) of the Bankruptcy Code.

Federal Court Cour fédérale

Date: 20100305

Docket: T-1054-09

Citation: 2010 FC 260

Ottawa, Ontario, March 5, 2010

PRESENT: The Honourable Mr. Justice Martineau

BETWEEN:

COBALT BRANDS, LLC

Applicant

and

GOWLING LAFLEUR HENDERSON LLP

Respondent

REASONS FOR JUDGMENT AND JUDGMENT

[1] The appellant, Cobalt Brands LLC (Cobalt), appeals the decision of the Registrar of Trade-Marks (the Registrar) to expunge from the Trade-Mark register (the register), registration number TMA219908 for the USQUAEBACH trade-mark and design (the USQUAEBACH mark) as a result of the appellant's failure to file evidence of use pursuant to subsection 45(3) of the *Trade-marks Act*, R.S.C. 1985, c. T-13, as amended (the Act).

[2] For the reasons that follow, the appeal will be allowed, the decision of the Registrar will be set aside, and the Registrar will be ordered to reinstate on the register, the appellant's USQUAEBACH mark bearing the registration number TMA219908.

[3] Section 45 of the Act provides the Registrar with the power to expunge any registered trade-mark from the register, where the registered owner is unable to show that the ware or service specified in the registration of their trade-mark was in use in Canada during the three-year period immediately preceding notice by the Registrar. This section also provides, however, that a registered trade-mark will not be expunged if it "appears" to the Registrar that the absence of use was due to special circumstances.

[4] For ease of reference, Section 45 of the Act provides the following:

45. (1) The Registrar may at any time and, at the written request made after three years from the date of the registration of a trade-mark by any person who pays the prescribed fee shall, unless the Registrar sees good reason to the contrary, give notice to the registered owner of the trade-mark requiring the registered owner to furnish within three months an affidavit or a statutory declaration showing, with respect to each of the wares or services specified in the registration, whether the trade-mark was in use in Canada at any time during the three year period immediately preceding the date of the notice and, if not, the date when it was last so in use and the reason for the absence of such use since that date.	**45.** (1) Le registraire peut, et doit sur demande écrite présentée après trois années à compter de la date de l'enregistrement d'une marque de commerce, par une personne qui verse les droits prescrits, à moins qu'il ne voie une raison valable à l'effet contraire, donner au propriétaire inscrit un avis lui enjoignant de fournir, dans les trois mois, un affidavit ou une déclaration solennelle indiquant, à l'égard de chacune des marchandises ou de chacun des services que spécifie l'enregistrement, si la marque de commerce a été employée au Canada à un moment quelconque au cours des trois ans précédant la date de l'avis et, dans la négative, la date où elle a été ainsi employée en dernier lieu et la raison de son défaut d'emploi

depuis cette date.

(2) The Registrar shall not receive any evidence other than the affidavit or statutory declaration, but may hear representations made by or on behalf of the registered owner of the trade-mark or by or on behalf of the person at whose request the notice was given.

(2) Le registraire ne peut recevoir aucune preuve autre que cet affidavit ou cette déclaration solennelle, mais il peut entendre des représentations faites par le propriétaire inscrit de la marque de commerce ou pour celui-ci ou par la personne à la demande de qui l'avis a été donné ou pour celle-ci.

(3) Where, by reason of the evidence furnished to the Registrar or the failure to furnish any evidence, it appears to the Registrar that a trade-mark, either with respect to all of the wares or services specified in the registration or with respect to any of those wares or services, was not used in Canada at any time during the three year period immediately preceding the date of the notice and that the absence of use has not been due to special circumstances that excuse the absence of use, the registration of the trade-mark is liable to be expunged or amended accordingly.

(3) Lorsqu'il apparaît au registraire, en raison de la preuve qui lui est fournie ou du défaut de fournir une telle preuve, que la marque de commerce, soit à l'égard de la totalité des marchandises ou services spécifiés dans l'enregistrement, soit à l'égard de l'une de ces marchandises ou de l'un de ces services, n'a été employée au Canada à aucun moment au cours des trois ans précédant la date de l'avis et que le défaut d'emploi n'a pas été attribuable à des circonstances spéciales qui le justifient, l'enregistrement de cette marque de commerce est susceptible de radiation ou de modification en conséquence.

(4) When the Registrar reaches a decision whether or not the registration of a trade-mark ought to be expunged or amended, he shall give notice of his decision with the reasons therefor to the registered owner of the trade-mark and to the

(4) Lorsque le registraire décide ou non de radier ou de modifier l'enregistrement de la marque de commerce, il notifie sa décision, avec les motifs pertinents, au propriétaire inscrit de la marque de commerce et à la personne à la

person at whose request the notice referred to in subsection (1) was given.	demande de qui l'avis visé au paragraphe (1) a été donné.
(5) The Registrar shall act in accordance with his decision if no appeal therefrom is taken within the time limited by this Act or, if an appeal is taken, shall act in accordance with the final judgment given in the appeal.	(5) Le registraire agit en conformité avec sa décision si aucun appel n'en est interjeté dans le délai prévu par la présente loi ou, si un appel est interjeté, il agit en conformité avec le jugement définitif rendu dans cet appel.

I. BACKGROUND

[5] The appellant, Cobalt, is a limited liability company under the laws of the state of New Jersey, U.S.A. that was created for the purpose of managing the production, marketing, bottling, labelling, shipping, importing and exporting blended Scotch Whiskey. In 2007, Cobalt purchased all the ownership rights and goodwill associated with the global USQUAEBACH mark including, but not limited to, the registration of the mark in Canada.

[6] The USQUAEBACH mark was originally registered in Canada on April 7, 1977, by Twelve Stone Flagons Ltd. (Twelve Stone), a manufacturer and retailer of blended Scotch Whiskey based in Pennsylvania, U.S.A. This trade-mark was registered for use in association with blended Scotch Whiskey. Between 1976 and 1997, Twelve Stone registered the USQUAEBACH mark in over twenty countries worldwide.

[7] In 2003, after the death of Mr. and Mrs. Stankiwicz, who collectively owned 95% of Twelve Stone, the production and sales of products associated with USQUAEBACH mark were suspended.

In April of 2003, all the global rights and interests in the USQUAEBACH mark were assigned to a Dutch liquor company and creditor of Twelve Stone, Van Caem International, B.V. (Van Caem), by order of the U.S. District Court for Western Pennsylvania. Van Caem then assigned all of their rights to their Belgian subsidiary, Van Caem Belgium, BVBA (Van Caem Belgium).

[8] On May 7, 2003, the Registrar amended the register to reflect Van Caem Belgium as the new registered owner of the USQUAEBACH mark in Canada

[9] Due to unforeseen circumstances, namely the death of Van Caem's principal owner in late 2003, by early 2004, Van Caem and its subsidiaries were forced to liquidate. Starting in 2005, Mr. Shai Perry, the President of Cobalt, negotiated with the Van Caem liquidators for the purchase of the USQUAEBACH mark. After incorporating Cobalt in 2006, Mr. Perry presented a formal written Asset Purchase Agreement and Bill of Sale for the USQUAEBACH mark in January 2007. This agreement included the purchase of the Canadian registration in question, and on March 28, 2007, the liquidators in charge of Van Caem's assets signed said agreement and had it notarized in accordance with applicable Dutch and Belgian law. The agreement became official on April 5, 2007 when Mr. Perry accepted on behalf of Cobalt, however due to a lien on the trade-mark file, it was not until mid-September 2007 that Cobalt had uninhibited control over the use of the USQUAEBACH mark.

[10] On May 23, 2007, this second assignment was communicated to the Registrar who entered Cobalt as the registered owner of the USQUAEBACH mark bearing the registration number TMA219908.

[11] On November 21, 2008, the respondent sent a letter to the Registrar requesting that a notice pursuant to section 45 of the Act be sent to the appellant. On December 15, 2008, the Registrar purportedly sent the appellant and its Canadian representatives, Blaney McMurtry LLP, a notice pursuant to subsection 45(1) of the Act, requesting that within three months, the appellant, as the registered owner, furnish an affidavit or statutory declaration showing whether the wares listed in association with the USQUAEBACH mark had been used in Canada at any time within the preceding three years.

[12] Both the appellant and their representatives submit that they never received said notice.

[13] The Registrar notified the appellant and their representatives by way of a letter dated April 28, 2009, that as a result of a failure to submit evidence of use or evidence of special circumstances that justify a lack of use, the registration for the USQUAEBACH mark was to be expunged from the register, pursuant to subsection 45(4) of the Act. The appellant, as well as its Canadian representatives, acknowledge receipt of this second notice. As a result, the appellant filed this application pursuant to section 56 which provides a right of appeal from any decision of the Registrar under the Act:

56. (1) An appeal lies to the	**56.** (1) Appel de toute décision

Federal Court from any decision of the Registrar under this Act within two months from the date on which notice of the decision was dispatched by the Registrar or within such further time as the Court may allow, either before or after the expiration of the two months.	rendue par le registraire, sous le régime de la présente loi, peut être interjeté à la Cour fédérale dans les deux mois qui suivent la date où le registraire a expédié l'avis de la décision ou dans tel délai supplémentaire accordé par le tribunal, soit avant, soit après l'expiration des deux mois.
(2) An appeal under subsection (1) shall be made by way of notice of appeal filed with the Registrar and in the Federal Court.	(2) L'appel est interjeté au moyen d'un avis d'appel produit au bureau du registraire et à la Cour fédérale.
(3) The appellant shall, within the time limited or allowed by subsection (1), send a copy of the notice by registered mail to the registered owner of any trade-mark that has been referred to by the Registrar in the decision complained of and to every other person who was entitled to notice of the decision.	(3) L'appelant envoie, dans le délai établi ou accordé par le paragraphe (1), par courrier recommandé, une copie de l'avis au propriétaire inscrit de toute marque de commerce que le registraire a mentionnée dans la décision sur laquelle porte la plainte et à toute autre personne qui avait droit à un avis de cette décision.
(4) The Federal Court may direct that public notice of the hearing of an appeal under subsection (1) and of the matters at issue therein be given in such manner as it deems proper.	(4) Le tribunal peut ordonner qu'un avis public de l'audition de l'appel et des matières en litige dans cet appel soit donné de la manière qu'il juge opportune.
(5) On an appeal under subsection (1), evidence in addition to that adduced before the Registrar may be adduced and the Federal Court may exercise any discretion vested in the Registrar.	(5) Lors de l'appel, il peut être apporté une preuve en plus de celle qui a été fournie devant le registraire, et le tribunal peut exercer toute discrétion dont le registraire est investi.

[14] The appellant filed a motion on consent to have the respondent's Notice of Appearance struck out. This motion was granted by way of an order dated September 21, 2009, by Prothonotary Milczynski. While they remain a party to these proceedings, the respondent has not opposed this appeal and has not appeared before or filed any submissions with the Court.

II ISSUE

[15] The appellant does not contest that the mark in question fell into disuse. Rather, the question before the Court is whether there exist special circumstances that excuse the absence of use of the USQUAEBACH mark for the purposes of section 45 of the Act.

III ANALYSIS

[16] In the case at bar, the appellant failed to adduce any evidence before the Registrar. According to the appellant, this is because neither it nor its Canadian representatives ever received the Registrar's notice under subsection 45(1). Subsection 56(5) permits the appellant to adduce before the Federal Court, evidence in addition to that adduced before the Registrar. It has been clearly established in the jurisprudence that the appellant will not be prohibited from adducing evidence before the Federal Court simply because none was produced before the Registrar. This is especially so since pursuant to subsection 45(3), a registered owner of a trade-mark may have their trade-mark expunged for a "failure to furnish any evidence". In order to give registered owners a meaningful right of appeal, subsection 56(5) must be interpreted so as to enable a registered owner the same opportunity to file evidence before the Court as he or she had before the Registrar. This

interpretation is also in line with the principle that the Federal Court be allowed to exercise any discretion vested in the Registrar (*Austin Nichols & Co., Inc. v. Cinnabon Inc.*, [1998] 4 F.C. 569 at paragraphs 11 and 13 (C.A.) (*Austin Nichols*)).

[17] It is the owner of a registered trade-mark who has the obligation, under section 45 of the Act, to furnish affidavit evidence in support of their position. That said, the registered owner is entitled to furnish more than one affidavit and there is no rule prohibiting these affidavits from being sworn by third parties (*Canada (Registrar of Trade Marks) v. Harris Knitting Mills Ltd.* (1985), 60 N.R. 380 at page 383, [1985] F.C.J. No. 226 (F.C.A.) (QL) (*Harris Knitting*)). In determining this appeal therefore, the Court has given consideration to all of the evidence filed by the appellant, which includes the following four affidavits and their corresponding exhibits:

1. the affidavit of Shai Perry, President of the appellant
2. the affidavit of Arien Kroon, previously a manager of Van Caem Belgium
3. the affidavit of Colin Halpern, Vice President of Halpern Imports Limited (Halpern)
4. the affidavit of Aroujan Arman, a law student working at Blaney McMurtry

[18] Since the evidence which forms the record before the Court was not before the Registrar, the normal deferential standard of review does not apply. Normally, where new evidence is adduced before the Court that would materially affect the Registrar's decision, the applicable standard of review is correctness (*Molson Breweries v. John Labatt Ltd.*, [2000] 3 F.C. 145 at paragraph 51 (C.A.)). Because the evidence before the Court was not before the Registrar, the same standard

should apply in the present application (*3082833 Nova Scotia Co. v. Lang Michener LLP*, 2009 FC 928 at paragraph 29).

[19] The proceedings under section 45 are designed to remove the "dead wood" from the Trade-Marks Register in that they are intended to be a "simple, summary and expeditious procedure for cleaning up the trade-mark register of trade-marks that have fallen into disuse" (*Osler, Hoskin & Harcourt v. United States Tobacco Co.* (1997), 139 F.T.R. 64, [1997] F.C.J. No. 1671 at paragraph 21 (QL) (*Osler*)). The proceedings are not meant to be contentious as is evidenced by the fact that the requesting party is not entitled to file evidence and is not entitled to cross-examine the registered owner on their affidavits (*Osler*, above, at paragraph 17). Similarly, the proceedings under section 45 do not impose a heavy burden on the registered owner. While a bald assertion is not enough, the registered owner must simply demonstrate before the Registrar, or before the Court, that the trade-mark in question was used during the relevant period or that any disuse is due to special circumstances (*Osler*, above, at paragraph 16; *Swabey Ogilvy Renault v. Golden Brand Clothing (Canada) Ltd.*, 2002 FCT 458 at paragraph 7).

[20] The Federal Court of Appeal in *Scott Paper Ltd. v. Canada (Attorney General)*, 2008 FCA 129 (*Scott Paper*) recently shed light on what is meant by the phrase "special circumstances". According to the Court of Appeal at paragraph 22 of its decision, the general rule is that in the absence of use, a trade-mark will be expunged. While an exception to this general rule exists where the absence is due to special circumstances, what are considered to be special circumstances must be circumstances that are not found in most cases of absence of use of a

trade-mark. Finally, the special circumstances, which excuse the absence of use of a trade-mark, must be the circumstances to which the absence of use is due. It is important to highlight that the Federal Court of Appeal states that the inquiry into whether special circumstances exist is an inquiry into the reasons for the non-use and that an intention to resume use cannot be used to support a finding of special circumstances (paragraphs 25 and 35).

[21] In *Scott Paper*, the Federal Court of Appeal was explaining its earlier decision in, *Harris Knitting*, above. In the latter decision, the Court stated that while it is impossible to enumerate what circumstances would constitute "special circumstances", in making such a determination, the decision maker should consider the duration of the absence of use and the likelihood of its continuation, along with the extent to which the absence of use is due solely to a deliberate decision on the part of the registered owner or to factors outside his or her control.

[22] With the foregoing in mind, and with no reason to discredit the evidence submitted by the appellant, I believe that the appellant has demonstrated that the non-use of the USQUAEBACH mark is excused by the existence of special circumstances.

[23] First and foremost, the period of non-use must be determined in order to examine the cause. It is clear that the appellant did not obtain the rights to the USQUAEBACH mark in Canada until April 5, 2007. The appellant submits that in the case of an assignment of a trade-mark, the period of non-use, with regard to the present registered owner, should be considered from the date the owner acquired the mark (*Re Rainbow Jeans Co. Ltd.*, [1994] T.M.O.B. No. 152 (QL)). For the purposes

of the present application, I do not think it matters whether the Court considers the period of time since the appellant acquired the USQUAEBACH mark or the period since the mark was last used in Canada.

[24] The last use of the USQUAEBACH mark in Canada is likely attributable to the business carried out by Twelve Stone. At the time the evidence was filed by the appellant, Cobalt had not yet resumed use of the USQUAEBACH mark in Canada. Furthermore, according to the evidence submitted, there was never any business related to the sale of blended Scotch Whiskey bearing the USQUAEBACH mark between Van Caem Belgium and any wholesaler or other licensed entity in Canada. While the evidence on record shows that as late as September 2003 the Liquor Control Board of Ontario (LCBO) had listed for sale blended Scotch Whiskey products with the USQUAEBACH mark, there is no evidence to support that this stock was received by way of any business transaction with Van Caem Belgium. On the contrary, according to Mr. Halpern, the Vice President of Halpern Imports Limited, who acted as the import agent for Twelve Stone with respect to the various USQUAEBACH blended Scotch Whiskey products imported into the province of Ontario, the last shipment of products containing the USQUAEBACH mark was 75 cases of blended Scotch Whiskey which had been ordered by the LCBO in 2001. Therefore, the stock listed by the LCBO was likely part of the last sale carried out while Twelve Stone was the registered owner of the USQUAEBACH mark, which means that the last use of the mark would have been in or around 2001.

Special Circumstances

[25] As mentioned above, in 2001, Mr Stankiwicz and his wife, who collectively owned approximately 95% of Twelve Stone, passed away, resulting in the suspension of all sales of USQUAEBACH blended Scotch Whiskey. The death of the partners in charge of the business meets the criteria of special circumstances (*Re I.D. Fashions Ltd.*, [1998] T.M.O.B. No. 109 at paragraph 12). While this incident alone may not constitute special circumstances that are capable of justifying the absence of use of the USQUAEBACH mark over the last nine years, as is discussed below, the history of the ownership of this mark is plagued by a series of unfortunate events.

[26] The USQUAEBACH mark was assigned to Van Caem, and subsequently Van Caem Belgium, pursuant to a U.S. Court order in 2003. At the end of 2003, the principal owner of Van Caem died, resulting in the suspension of all business and ultimately a lengthy liquidation process that started in 2004 and, according to the appellant, lasted a number of years. While the affidavit of Mr. Kroon states that efforts had been made to find a producer of Scotch Whiskey in Scotland, the death of the principal owner put an end to any possibility of marketing, producing or distributing USQUAEBACH blended Scotch Whiskey in Canada.

[27] The duration of the absence of use between the last shipment of USQUAEBACH products to Ontario in 2001 and the date the appellant acquired the USQUAEBACH mark (April 5, 2007) was approximately six years. Given the fact that within these six years two registered owners of the USQUAEBACH mark were forced to discontinue carrying on their businesses as a result of the

deaths of their principal owners, I think it can be said that the absence of use within this time period was due to special circumstances. As is required by the decision in *Scott Paper*, the evidence demonstrates that the absence of use by these registered owners was directly related to the deaths in question. Furthermore, these incidents constitute circumstances that are not faced in most circumstances of non-use of a trade-mark and they cannot be said to be the result of a deliberate decision on the part of the registered owner.

[28] With regard to the period of time since Cobalt acquired the USQUAEBACH mark, Mr. Perry submits that he immediately began taking steps to re-commence the production and distribution of USQUAEBACH blended Scotch Whiskey products in Canada. These steps included, *inter alia*: finding a Scottish distiller that could match the quality of the USQUAEBACH products sold by previous owners; ensuring that each label associated with the different varieties of USQUAEBACH blended Scotch Whiskey complies with the labelling regulations; negotiating distribution deals in each province Cobalt wished to serve, namely Quebec, Ontario, Nova Scotia and New Brunswick; ensuring that Cobalt complies with local liquor regulations in the various jurisdictions it planned on serving (which in Canada would require Cobalt to ensure compliance with each individual province's liquor regulations); and finding a licensed importer in Canada. Given that the production and labelling of Scotch Whiskey must also comply with Scottish law, it is not surprising that this process would likely take a significant amount of time to complete.

[29] It is clear from the evidence that Mr. Perry was not dealing with the acquisition of an ongoing business with existing supply and distribution networks. As a result of the troubled history

of ownership over the USQUAEBACH mark, Mr. Perry was required to rebuild the production and distribution of USQUAEBACH Scotch Whiskey from the ground up.

[30] The record before the Court establishes that as early as July 2008, Mr. Perry was corresponding with the Société des alcools du Québec (SAQ) via e-mail. In one e-mail dated May 11, 2009, the SAQ agrees to purchase a total of 50 cases of USQUAEBACH blended Scotch Whiskey products. At the time this evidence was submitted to the Court, Mr. Perry stated that these shipments were expected to be delivered in October or November of 2009.

[31] While it has been made clear in *Scott Paper*, above, that the intention to resume use may not be used to support a finding of special circumstances, it is not the intention demonstrated through the appellant's actions which excuse the absence of use in the present case. It is relevant that the immediate resumption of use of the USQUAEBACH mark by Cobalt was impeded by the nature of the liquor industry, and more specifically, the regulatory schemes that must be complied with in each Canadian province. Even more importantly, however, is the fact that due to the two deaths between 2001 and 2007, USQUAEBACH blended Scotch Whiskey had not been in production for six years, requiring the appellant to start from beginning. The Court finds that in light of the foregoing, there is a basis to conclude that the absence of use of the USQUAEBACH mark since April 2007 was also due to special circumstances that are not normally faced in circumstances of non use and are not due to the deliberate decision of the registered owner.

[32] Furthermore, the evidence demonstrates that Cobalt intends to resume use of the USQUAEBACH mark and while this does not excuse the absence of use, it is a good indication that the period of non-use is likely close to an end.

[33] Given that the purpose of section 45 of the Act is to provide a means to have expunged from the register trade-marks which have not been used and for which there is no reasonable prospect that they will be used (*Rideout and Maybee v. Sealy Canada Ltd.* (1999), 87 C.P.R. (3d) 307 at paragraph 50), the Court finds that the USQUAEBACH mark should not be expunged from the register.

[34] In light of the foregoing, the appeal will be allowed, the decision of the Registrar must be set aside, and the USQUAEBACH mark under registration number TMA219908 must be reinstated.

[35] While the appellant has not asked for its costs, it has requested that the Court specify that such an order is not a waiver by and is without prejudice to the parties' rights to pursue any claims they may have against each other, including the legal costs relating to this proceeding. Such an order will be provided.

JUDGMENT

THIS COURT ORDERS AND ADJUDGES THAT:

1. The appeal is allowed without costs;

2. The decision of the Registrar of Trade-Marks dated April 29, 2009, with respect to the USQUAEBACH mark bearing the registration no. TMA219908 is set aside;

3. The Registrar of Trade-Marks is ordered to reinstate the appellant's trade-mark registration no. TMA219908 on the Trade-Marks Register;

4. The foregoing costs order is a not a waiver by and is without prejudice to the parties' rights to pursue any claims they may have against each other, including recovery of legal costs relating to this application proceeding.

"Luc Martineau"

Judge

FEDERAL COURT

NAME OF COUNSEL AND SOLICITORS OF RECORD

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APPEARANCES:

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No appearance	FOR THE RESPONDENT

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