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**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK**

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**EVERLAST WORLD’S BOXING  
HEADQUARTERS CORP.,**

**20-cv-**

**Plaintiff,**

**-against-**

**TRANSFORM SR LLC, d/b/a SEARS,  
TRANSFORM KM LLC, d/b/a KMART, and  
TRANSFORM SR HOLDINGS LLC,**

**COMPLAINT**

**Defendants.**

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Plaintiff, Everlast World’s Boxing Headquarters Corp. (“Everlast” or “Plaintiff”), by its attorneys, Schlacter & Associates, as and for its Complaint against Defendants, Transform SR LLC, doing business as Sears (“Sears”), Transform KM LLC, doing business as Kmart (“Kmart”), and Transform SR Holdings LLC (“Transform SR Holdings” or “Bond Provider”, and collectively with Sears and Kmart, “Defendants”), alleges as follows:

**NATURE OF THE ACTION**

1. This action, as more fully stated below, arises out of the failure of Sears and Kmart to pay Everlast royalties due and outstanding under a Trademark License Agreement (“License

Agreement”), and the failure of Transform SR Holdings to pay Everlast said unpaid royalties pursuant to a Performance Bond executed in conjunction with the License Agreement. This action also arises out of the Defendants Sears and Kmart continuing to sell Everlast labelled Products in violation of the License Agreement and Everlast’s trademark rights. Based upon such non-payments and improper continuing sales of Everlast labelled Products, Defendants are in material breach of the License Agreement and the Performance Bond, are committing trademark infringement, among other things, and Everlast has been damaged thereby in an amount to be determined at trial, plus interest, attorneys’ fees and costs.

**PARTIES**

2. Plaintiff, Everlast, is a New York corporation, with its principal office located at 42 West 39<sup>th</sup> Street, New York, New York 10018.

3. Upon information and belief, Defendant, Sears, is a Delaware limited liability company, with its principal office located at 3333 Beverly Road, Hoffman Estates, Illinois 60179. Upon information and belief, none of the members of Sears are residents of New York State.

4. Upon information and belief, Defendant, Kmart, is a Delaware limited liability company, with its principal office located at 3333 Beverly Road, Hoffman Estates, Illinois 60179. Upon information and belief, none of the members of Kmart are residents of New York State.

5. Upon information and belief, Defendant, Transform SR Holdings, is a Delaware limited liability company, with its principal office located at 3333 Beverly Road, Hoffman Estates, Illinois 60179. Upon information and belief, none of the members of Transform SR Holdings are residents of New York State.

**JURISDICTION AND VENUE**

6. This Court has jurisdiction of this action pursuant to 28 U.S.C. Section 1332(a)(3) because the amount in controversy exceeds \$75,000.00 exclusive of interest and costs, and is between citizens of different States. This Court also has jurisdiction of this action pursuant to 15 U.S.C. Section 1121 and 28 U.S.C. Sections 1331 and 1338.

7. The Defendants have also agreed that the claims herein shall be brought exclusively in the federal or state courts located in New York County, New York, and have further agreed to be subject to the exclusive jurisdiction and venue of such courts in connection with such claims, pursuant to the following respective forum selection clauses contained in the License Agreement and the Performance Bond:

**License Agreement, Section 25.10:**

“This Agreement shall be interpreted and construed in accordance with laws of the State of New York without regard to its choice of law principles. The Parties agree that any dispute or claim arising out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims), shall be brought exclusively in the federal or state courts located in New York County, New York and the Parties for this purpose hereby submit to the exclusive jurisdiction and venue of such courts.”

**Performance Bond, Section 8:**

“This Bond shall be interpreted and construed in accordance with laws of the State of New York without regard to its choice of law principles. The parties agree that any dispute or claim arising out of or in connection with this Bond or its subject matter or formation (including non-contractual disputes or claims), shall be brought exclusively in the federal or state courts located in New York County, New York and the parties for this purpose hereby submit to the exclusive jurisdiction and venue of such courts.”

8. Venue is therefore proper in this district under 28 U.S.C. Section 1391(a). Process properly issues from this Court pursuant to Rule 4 of the Federal Rules of Civil Procedure.

**THE LICENSE AGREEMENT AND PERFORMANCE BOND**

9. On or about June 20, 2019, Everlast, as Licensor, executed a License Agreement with Sears and Kmart, individually and collectively defined as “Licensee” (the “License Agreement”), whereby Licensee licensed from Everlast the right to use certain specified Trade Marks, on specified Products (the “Licensed Products”), in the Territory, through the permitted Distribution Channels, for approximately three (3) years (from April 10, 2019 through January 31, 2022), in exchange for paying Licensor (Everlast) Royalties in the minimum aggregate sum of \$5,750,000.00 over the term of the License.<sup>1</sup> A true copy of the License Agreement is annexed hereto as *Exhibit 1*.

10. Pursuant to Section 4 and Schedule 4 of the License Agreement, Licensee was, and is, required to pay Everlast, a Royalty, which “shall be paid Quarterly in arrears and shall be the greater of: (a) the Royalty Calculation for such Fiscal Quarter; and (b) one quarter of the Annual Minimum Guaranteed Royalty for such Year,” as such capitalized terms are defined therein.

11. Pursuant to Schedule 4 of the License Agreement, the Annual Minimum Guaranteed Royalty for each of the three (3) years of the Licensed Agreement are as follows:

**Annual Minimum Guaranteed Royalty**

Year 1 (2019)	\$1,750,000
Year 2 (2020)	\$2,000,000
Year 3 (2021)	\$2,000,000

12. Pursuant to Section 4.9 of the License Agreement, execution of the License Agreement by Everlast was expressly conditioned upon the Licensee procuring a Performance Bond executed by Defendant, Transform SR Holdings, in favor of Everlast, for 100% of any and

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<sup>1</sup> Capitalized terms are defined in the License Agreement.

all Monetary Obligations, including but not limited to, Royalties, due under the License Agreement but unpaid by Licensee.

13. Annexed to the License Agreement as Schedule 8 is the Performance Bond, duly executed by Defendant, Transform SR Holdings, addressed to Everlast, and dated June 20, 2019, which states, *inter alia*, as follows:

“Under the License Agreement, you require an on demand bond for 100% of all payment obligations of Licensee under the License Agreement, including without limitation any unpaid invoices due but unpaid by the Licensee and all other amounts due under the License Agreement (collectively, the ‘Monetary Obligations’)...

In consideration of your entering into the License Agreement, Transform [defined therein as Transform SR Holdings] irrevocably and unconditionally promise (sic) to pay, as primary obligor, to you on your written demand or demands pursuant to Section 5 below, the amount of the Monetary Obligations provided that your demand complies with the provisions of this bond. For the avoidance of doubt, you may make more than one demand.”

14. Defendants Sears and Kmart, as Licensee, failed to make the Royalty payment to Everlast, due on May 27, 2020, for the first Fiscal Quarter of 2020.

15. Based upon a purported Royalty Report of Sears and Kmart for the first Fiscal Quarter of 2020, the Royalty Calculation (i.e. royalties for actual sales) amounted to \$199,758.95.

16. However, since Section 4 of the License Agreement states that each Quarterly Royalty payment shall be the greater of: (a) the Royalty Calculation for such Fiscal Quarter; and (b) one quarter of the Annual Minimum Guaranteed Royalty for such Year, the Royalty payment due to Everlast for the first Fiscal Quarter of 2020 was, and is, \$500,000.00 – the Minimum Guaranteed Royalty for said Quarter. A true copy of Everlast Invoice No. 1157249, dated May 2, 2020, to Sears and Kmart for this \$500,000.00 payment due and owing to Everlast, is annexed hereto as *Exhibit 2*.

17. The Defendants have paid no Royalties whatsoever to Everlast for the first Fiscal Quarter of 2020.

18. By letter dated July 24, 2020 (the “July 24, 2020 Default Notice”), Everlast notified Defendants, Sears and Kmart, that they were in breach of the License Agreement because they had failed to make the required Minimum Guaranteed Royalty payment of \$500,000.00 to Everlast for the first Fiscal Quarter of 2020, as required under the License Agreement.

19. The July 24, 2020 Default Notice demanded that such due and outstanding payment of \$500,000.00 be made by Sears and Kmart within ten (10) business days.

20. The July 24, 2020 Default Notice also notified Transform SR Holdings that Sears and Kmart had failed to pay the \$500,000.00 Minimum Guaranteed Royalty payment to Everlast, and demanded that Transform SR Holdings, as the Bond Provider, pay the sum of \$500,000.00 to Everlast within 20 days, pursuant to the Performance Bond.

21. Defendants have failed to pay to Everlast any part of the \$500,000.00 Minimum Guaranteed Royalty payment demanded in the July 24, 2020 Default Notice. A true copy of the July 24, 2020 Default Notice is annexed hereto as ***Exhibit 3***.

22. Defendants Sears and Kmart, as Licensee, also failed to make the Royalty payment to Everlast, due on August 1, 2020, for the second Fiscal Quarter of 2020.

23. Based upon a purported Royalty Report of Sears and Kmart for the second Fiscal Quarter of 2020, the Royalty Calculation (i.e. royalties for actual sales) amounted to \$158,772.27.

24. However, since Section 4 of the License Agreement states that each Quarterly Royalty payment shall be the greater of: (a) the Royalty Calculation for such Fiscal Quarter; and

(b) one quarter of the Annual Minimum Guaranteed Royalty for such Year, the Royalty payment due to Everlast for the second Fiscal Quarter of 2020 was, and is, \$500,000.00 – the Minimum Guaranteed Royalty for said Quarter. A true copy of Everlast Invoice No. 1157322, dated August 1, 2020, to Sears and Kmart for this \$500,000.00 payment due and owing to Everlast, is annexed hereto as *Exhibit 4*.

25. The Defendants have paid no Royalties whatsoever to Everlast for the second Fiscal Quarter of 2020.

26. By letter dated August 27, 2020 (the “Termination Letter”), Everlast notified Defendants that, in light of Defendants’ failure to pay the Minimum Guaranteed Royalty payments for the first and second Fiscal Quarters of 2020, and the Defendants’ continued failure to pay and resulting uncured default, Everlast was immediately terminating the License Agreement in accordance therewith. A true copy of the Termination Letter is annexed hereto as *Exhibit 5*.

27. As set forth in the Termination Letter, Sears and Kmart had failed to pay the \$500,000.00 Minimum Guaranteed Royalty payments due and owing for the first and second Fiscal Quarters of 2020, totaling \$1,000,000.00.

28. As set forth in the Termination Letter, and in accordance with the License Agreement, notwithstanding the termination thereof, Defendants remain obligated to pay Everlast the \$1,000,000.00 due and owing for the first and second Fiscal Quarters of 2020, plus interest.

29. In addition, as also set forth in the Termination Letter, and in accordance with the License Agreement, the Defendants are obligated to pay all Annual Minimum Guaranteed Royalty amounts due for the remaining periods under the License Agreement in the amount of \$3,000,000.00 (\$1,000,000.00 for the remaining two Fiscal Quarters of 2020 and \$2,000,000.00

for Year 3 of the License Agreement.). A true copy of Everlast Invoice No. 1157329, dated August 27, 2020, to Sears and Kmart for the remaining Annual Minimum Guaranteed Royalty in the sum of \$3,000,000.00 due and owing to Everlast, is annexed hereto as *Exhibit 6*.

30. As set forth in the Termination Letter, and in accordance with the License Agreement, interest on all sums due accrues at the rate of one-point-five percent (1.5%) per month commencing fifteen (15) days after the relevant payment due dates.

31. As set forth in the Termination Letter, as of August 27, 2020, the date of the Termination Letter, \$19,000.00 in interest had already accrued and was due and owing pursuant to the License Agreement.

32. The Termination Letter demanded the immediate payment of \$4,019,000.00 from Sears and Kmart due and owing to Everlast, with interest continuing to accrue every day thereafter.

33. The Termination Letter demanded the payment of \$4,019,000.00 from Transform SR Holdings within twenty (20) days of the date of the Termination Letter.

34. To date, Defendants have failed to pay Everlast any part of the \$4,000,000.00, plus accrued interest, due and owing to Everlast.

35. By virtue of Defendants' failure to pay Everlast the \$4,000,000.00, plus accrued interest, Sears and Kmart are in material breach of their obligations under the License Agreement, and Transform SR Holdings is in material breach of its obligations under the Performance Bond.

36. Pursuant to Section 4.4.2 of the License Agreement, Everlast is entitled to recover from Defendants all costs incurred in connection with this action, including its reasonable attorneys' fees and expenses.



37. Pursuant to Section 17.3 of the License Agreement, Sears and Kmart are required to submit to Everlast, within thirty (30) days of August 27, 2020, “an inventory of all Products and Product components which are in their possession or under its control or are on order with its Manufacturers at the date of the said inventory.”

38. To date, Sears and Kmart have failed to comply with the requirement of Section 17.3 of the License Agreement.

39. Pursuant to Section 17.4 of the License Agreement, Sears and Kmart are permitted, for a period of six (6) months following termination (the “Sell-Off Period”), to sell off “the Products on order or in its inventory as of the date of... termination.” However, such sell-off right is expressly subject to all of the provisions of the License Agreement, including the obligation of Defendants to pay the Royalties due and owing to Everlast, as well as the obligation to submit to Everlast the inventory reports as required by Section 17.3 of the License Agreement.

40. Upon information and belief, Sears and Kmart are continuing to sell Everlast Licensed Products during the Sell-Off Period, despite having materially breached the License Agreement (as set forth above), including by failing to pay the Minimum Royalties due and owing to Everlast, as well as by failing to submit to Everlast the inventory report as required by Section 17.3 of the License Agreement. Consequently, Sears and Kmart are not entitled to a Sell-Off period, and Everlast seeks to enjoin such sales.

**FIRST CAUSE OF ACTION FOR BREACH OF CONTRACT**  
**(against Defendants Sears and Kmart)**

41. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 40 above, as if fully set forth herein.

42. The License Agreement is a valid and binding contract.

43. Everlast has fulfilled all of its obligations under the License Agreement.

44. The Licensee, Defendants Sears and Kmart, has failed to pay Everlast any Royalty payment for each of the first and second Fiscal Quarters of 2020.

45. The failure of Sears and Kmart to pay Everlast Royalties for the first and second Fiscal Quarters of 2020, as set forth above, and pursuant to the explicit terms of the License Agreement, constitutes material breaches of the License Agreement.

46. Notwithstanding the Licensee's failure to make the required Minimum Guaranteed Royalty payments for the first and second Fiscal Quarters of 2020, the Plaintiff had remained ready, willing and able to continue to perform all of its obligations under the License Agreement, had the Licensee properly performed.

47. Had the Licensee properly performed its obligations pursuant to the License Agreement, the Plaintiff would have received, for the balance of the Term of the License Agreement, after the second Fiscal Quarter of 2020, the additional minimum sum of \$3,000,000.00.

48. Defendants, Sears and Kmart, are obligated to pay Everlast the balance of the Minimum Guaranteed Royalties set forth in the License Agreement, namely \$500,000.00 for each of the third and fourth Fiscal Quarters of 2020, and the entire \$2,000,000.00 Annual Minimum Guaranteed Royalty for Year 3 of the License Agreement (2021), totaling \$3,000,000.00.

49. By virtue of the Licensee's breaches of its obligations pursuant to the License Agreement, the Plaintiff has sustained damages in a sum to be determined at trial, but believed to exceed \$4,000,000.00, plus interest.

**SECOND CAUSE OF ACTION FOR ANTICIPATORY BREACH OF CONTRACT**  
**(against Defendants Sears and Kmart)**

50. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 49 above, as if fully set forth herein.

51. To date, Everlast has fulfilled all of its obligations under the License Agreement.

52. Plaintiff Everlast committed to, and was at all times ready, willing and able to, perform its obligations under the License Agreement in exchange for the Defendants paying to Everlast Royalties pursuant to the License Agreement, which provides, at the very least, a minimum amount of Royalties to be paid over the course of the License Agreement's approximate three-year term.

53. However, Defendants have now withheld payment of such Minimum Guaranteed Royalties for two consecutive Fiscal Quarters, and have explicitly taken the position that they will not pay the Annual Minimum Guaranteed Royalty payments in violation of Section 4 and Schedule 4 of the License Agreement (as referenced in paragraphs 10 and 11 herein).

54. Therefore, Defendants have positively and unequivocally repudiated their obligation to pay to Everlast, at the very least, the remaining unpaid Annual Minimum Guaranteed Royalties of \$3,000,000.00 due pursuant to the License Agreement.

55. Defendants Sears and Kmart anticipatorily breached the License Agreement by refusing to honor the License Agreement as written.

56. As a direct result of the anticipatory breach of the License Agreement by Sears and Kmart, Everlast has been damaged in an amount to be determined at trial, but believed to exceed \$3,000,000.00, plus interest.

**THIRD CAUSE OF ACTION FOR ACCOUNT STATED**  
**(against Defendants Sears and Kmart)**

57. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 56 above, as if fully set forth herein.

58. Everlast delivered Invoices to Defendants Sears and Kmart for unpaid Minimum Royalties pursuant to the License Agreement as follows:

<u>Invoice Date</u>	<u>Invoice No.</u>	<u>Invoice Amount</u>	<u>Date Due</u>
5/02/20	1157249	\$ 500,000.00	5/27/20
8/01/20	1157322	\$ 500,000.00	8/26/20
8/27/20	1157329	\$ 3,000,000.00	8/27/20

59. Sears and Kmart received and retained the Invoices set forth in paragraph 58 above without objection.

60. As a consequence of the above, an account was stated between Everlast and Sears and Kmart in the total sum of \$4,000,000.00, no part of which has been paid, although duly demanded.

61. As a result of the foregoing, Everlast has sustained damages in a sum to be determined at trial, but believed to exceed \$4,000,000.00, plus interest.

**FOURTH CAUSE OF ACTION FOR BREACH OF PERFORMANCE BOND**  
**(against Defendant Transform SR Holdings)**

62. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 61 above, as if fully set forth herein.

63. Defendant, Transform SR Holdings, unconditionally promised to pay to Everlast all payment obligations of Sears and Kmart under the License Agreement.

64. Sears and Kmart owe to Plaintiff the sum of \$4,000,000.00 plus interest, in accordance with the terms of the License Agreement.

65. By virtue of its unconditional promise to pay to Everlast all payment obligations due and owing under the License Agreement, Defendant Transform SR Holdings owes Everlast a sum to be determined at trial, but believed to exceed \$4,000,000.00.

66. Plaintiff has provided repeated written notice to, and demand upon, Transform SR Holdings for payment of the unpaid monies due and owing under the License Agreement, but Transform SR Holdings has failed, and refused, to comply.

67. Defendant, Transform SR Holdings is therefore in breach of the Performance Bond.

68. As a result of the foregoing, Everlast has sustained damages in a sum to be determined at trial, but believed to exceed \$4,000,000.00, plus interest.

**FIFTH CAUSE OF ACTION**  
**FOR ANTICIPATORY BREACH OF PERFORMANCE BOND**  
**(against Defendant Transform SR Holdings)**

69. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 68 above, as if fully set forth herein.

70. Pursuant to the Performance Bond, Transform SR Holdings is responsible to pay to Plaintiff all payment obligations of Sears and Kmart under the License.

71. Sears and Kmart are obligated to pay the balance of the \$3,000,000.00 Annual Minimum Guaranteed Royalty set forth in Schedule 4 of the License Agreement.

72. In addition to failing and refusing to pay the monies due to Plaintiff for the first and second Fiscal Quarters of 2020, Defendant, Transform SR Holdings, has also explicitly taken the position that it will not pay Everlast the balance of the unpaid Annual Minimum Guaranteed Royalty payments pursuant to Section 4 and Schedule 4 of the License Agreement (as referenced in paragraphs 10 and 11 herein), in violation of the Performance Bond.

73. Therefore, Defendant, Transform SR Holdings, has positively and unequivocally repudiated its obligation to pay to Everlast, at the very least, the remaining unpaid Annual Minimum Guaranteed Royalties of \$3,000,000.00 due pursuant to the License Agreement.

74. As a direct of the foregoing, Everlast has been damaged in an amount to be determined at trial, but believed to exceed \$3,000,000.00, plus interest.

**SIXTH CAUSE OF ACTION FOR BREACH OF CONTRACT REGARDING SELL-OFF**  
**(against all Defendants)**

75. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 74 above, as if fully repeated herein.

76. Any purported sell-off rights of the Defendants after termination of the License Agreement are subject to compliance by the Defendants with the terms and provisions of the License Agreement, including but not limited to the obligation of Defendants to pay the Royalties due and owing to Everlast, as well as the obligation to submit to Everlast the inventory reports within 30 days of termination as required by Section 17.3 of the License Agreement.

77. By virtue of Sears' and Kmart's failure to comply with the requirements of the License Agreement, including but not limited to their failure to remit the Royalties due or to submit the required inventory reports, Sears and Kmart are not entitled to the Sell-Off Period.

78. By emails dated September 23, 2020 and September 29, 2020, as well as by letter dated October 12, 2020, Defendants were notified that they had no right to continue to sell the Licensed Products.

79. However, Defendants Sears and Kmart have sold-off, and are continuing to sell-off, the Licensed Products in violation of the License Agreement. And, in addition to Sears and Kmart having not paid any royalties for its improper sell-off of Licensed Products, Defendant Transform SR Holdings LLC has failed, and continues to fail, to remit monies due for the improper sell-off of the Products, in violation of the Performance Bond.

80. As a consequence thereof, the Plaintiff has sustained damages against all Defendants in a sum to be determined at trial, but believed to exceed \$1,000,000.00, plus interest.

**SEVENTH CAUSE OF ACTION FOR TRADEMARK INFRINGEMENT**  
**[LANHAM ACT SECTION 32 (15 U.S.C. SECTION 1114(1))]**  
**(against Defendants Sears and Kmart)**

81. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 80 above, as if fully repeated herein.

82. Everlast has long been in the business of manufacturing, having manufactured, marketing, advertising, offering for sale, selling, and licensing third parties to sell, numerous categories of products in the United States and worldwide, including the Licensed Products covered by the License Agreement, as well as other products (collectively referred to hereinafter as “The Products”).

83. The Products invariably contain the EVERLAST Trademarks (the “Trademarks”), which are exclusively owned by Everlast.

84. In fact, Everlast is the owner of various United States Trademark Registrations for its Trademarks in connection with The Products in, among other classes, International Class 18 and 25, including without limitation U.S. Registration Nos. 1429227, 1291250, 1898922, 1346377, 2158328, 4339116, 203515, 75079, 3606812, 3772065, 5003590, and 3772067.

85. Everlast has used registered Trademarks continuously in commerce since at least 1912, and is currently using said Trademarks.

86. Everlast's use of its Trademarks has been open, notorious and continuous since at least a time prior to any of the acts of the Defendants complained of herein.

87. The Trademarks, as applied to The Products, are inherently distinctive and strong Trademarks.

88. Because of Everlast's long, exclusive and extensive use and promotion of the Trademarks, the Trademarks have become distinctive and famous, and indicate a single source of origin of Everlast's goods.

89. As noted above, any purported sell-off rights of the Defendants after termination of the License Agreement are subject to compliance by the Defendants with the terms and provisions of the License Agreement, including but not limited to the obligation of Defendants to pay the Royalties due and owing to Everlast, as well as the obligation to submit to Everlast the inventory reports required by Section 17.3 of the License Agreement.

90. By virtue of Sears' and Kmart's failure to comply with the requirements of the License Agreement, including but not limited to their failure to remit the Minimum Royalties due or to submit the required inventory reports, Sears and Kmart are not entitled to the Sell-Off Period.



91. By emails dated September 23, 2020 and September 29, 2020, as well as by letter dated October 12, 2020, Defendants were officially notified that they had no right to continue to sell the Licensed Products, and that any continued sales by them would constitute willful infringement of Everlast's Trademarks. A copy of said emails and letter are annexed hereto as *Exhibit 7*.

92. However, Defendants Sears and Kmart are continuing to sell-off the Licensed Products in violation of Everlast's Trademark rights.

93. By reason of the foregoing, Defendants Sears and Kmart have infringed and continue to infringe upon Everlast's Trademarks.

94. Defendants' aforesaid conduct and infringement of Everlast's rights in the Trademarks is willful, in that Defendants knew of Everlast's Trademarks; knew of the existence of, and termination of, the License Agreement; and have nonetheless continued to use Everlast's Trademarks without Everlast's consent. This use of Everlast's Trademarks without permission or authority of Everlast has been and continues to be in a manner likely to cause confusion, to cause mistake, and to deceive.

95. The aforesaid and continuing acts of Defendants Sears and Kmart infringe Everlast's registered Trademarks in violation of 15 U.S.C. Section 1114(1).

96. In addition, the Defendants' aforesaid actions constitute willful infringement, in violation of Everlast's rights.

97. Plaintiff is being irreparably harmed and injured by Defendants' aforesaid acts, and has no adequate remedy at law for Defendants' continued infringement, which irreparable injury will continue unless Defendants are restrained and enjoined from continuing such acts.

**EIGHTH CAUSE OF ACTION FOR FALSE DESIGNATION OF ORIGIN,  
FALSE DESCRIPTION, and UNFAIR COMPETITION  
(LANHAM ACT SECTION 43(a) [15 U.S.C. SECTION 1125(a)]  
(against Defendants Sears and Kmart)**

98. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 97 above as if fully repeated herein.

99. Despite the termination of the License Agreement, the Defendants Sears and Kmart are continuing to manufacture, offer, sell, advertise and promote the Licensed Products containing the Everlast Trademarks without Everlast's permission, consent or authorization, and Defendants are representing and making it appear that they are authorized to sell the Licensed Products.

100. Defendants aforesaid conduct constitutes a false designation of origin, and/or a false and misleading description or representation of goods in commerce, with knowledge of its falsity, which is likely to cause confusion, mistake and deception, and misrepresents the origin of defendants' goods, in violation of Section 43(a) of the Lanham Act, 15 U.S.C. Section 1125(a). Among other things, the Defendants' unauthorized sale of the Licensed Products and use of the Plaintiff's Trademarks, tend to mislead, deceive and confuse, and will have the result of misleading, deceiving and confusing the public to believe that Defendants and/or their infringing goods are affiliated with, sponsored or controlled by Everlast. As a consequence, Defendants have traded, and are trading, upon, and gained public acceptance and other benefits from, Everlast's favorable reputation, which has accordingly been placed at risk by Defendants' illegal acts and conduct.

101. Plaintiff has been irreparably damaged and, unless Defendants are restrained and enjoined, will continue to be irreparably damaged by the Defendants' aforesaid actions.

102. Plaintiff has no adequate remedy at law for Defendants' continuing wrongful actions.

103. Defendants have at all times been aware of Plaintiff's Trademarks; of the termination of the License Agreement; of the Defendants' lack of authority to use Plaintiff's Trademarks and to sell any of the Licensed Products. Accordingly, the infringing and tortious acts of the defendants are intentional, willful and deliberate.

**NINTH CAUSE OF ACTION FOR FEDERAL TRADEMARK DILUTION**  
**(LANHAM ACT SECTION 43(c) [15 U.S.C. SECTION 1125(c)]**  
**(against Defendants Sears and Kmart)**

104. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 103 above as if fully repeated herein.

105. The foregoing acts of the Defendants constitute tarnishment and dilution of the Everlast Trademarks, in violation of Section 43(c) of the Lanham Act, 15 U.S.C. Section 1125(c).

106. Defendants' dilution of the Everlast Trademarks has been reckless and/or willful.

107. Plaintiff has no adequate remedy at law, and the wrongful acts of the Defendants are intentional, willful and deliberate.

**TENTH CAUSE OF ACTION FOR UNJUST ENRICHMENT**  
**(against Defendants Sears and Kmart)**

108. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 107 above as if fully repeated herein.

109. As a result of the unauthorized and improper sales of Licensed Products by the Defendants, Defendants have been unjustly enriched.

110. As a consequence of the above, the Plaintiff is entitled to recover damages in a sum to be proven at trial.

**ELEVENTH CAUSE OF ACTION FOR PERMANENT INJUNCTION**  
**(against Defendants Sears and Kmart)**

111. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 110 above as if fully repeated herein.

112. As a consequence of the termination of the License Agreement, the Defendants have no right to use, directly or indirectly, in any manner whatsoever, the Trademarks of Everlast.

113. Nonetheless, the Defendants have continued to use the Trademarks in violation of the terms of the License Agreement and in violation of Plaintiff's Trademarks.

114. The Plaintiff has no adequate remedy at law.

115. As a consequence thereof, the Plaintiff seeks a permanent injunction, enjoining the Defendants and their affiliates, subsidiaries, assigns and their respective agents, owners, members, officers, directors, employees, attorneys and any and all persons or firms in active concert with Defendants, from any and all further use, directly or indirectly, in any manner whatsoever, of the Trademarks of Everlast.

**TWELFTH CAUSE OF ACTION FOR ATTORNEYS' FEES AND EXPENSES**  
**(against Defendants Sears and Kmart)**

116. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 115 above, as if fully set forth herein.

117. As a result of the wrongful actions of Sears and Kmart set forth in this Complaint, Plaintiff has been required to retain legal counsel to prosecute this action.

118. Pursuant to the License Agreement, and in accordance with the Trademark Law, Plaintiff is entitled to recover from Sears and Kmart, jointly and severally, Plaintiff's reasonable attorneys' fees and expenses incurred in prosecuting this action, in a sum to be determined by this Court.

**THIRTEENTH CAUSE OF ACTION FOR ATTORNEYS' FEES AND EXPENSES**  
**(against Defendant Transform SR Holdings)**

119. Plaintiff repeats and realleges each and every allegation set forth in paragraphs 1 through 118 above, as if fully set forth herein.

120. As a result of the wrongful actions of Transform SR Holdings as set forth in this Complaint, Plaintiff has been required to retain legal counsel to prosecute this action.

121. Pursuant to the Performance Bond, Transform SR Holdings is responsible to pay to Plaintiff all payment obligations of Sears and Kmart under the License Agreement.

122. Part of the payment obligations of Sears and Kmart under the License Agreement is to pay for Plaintiff's reasonable attorneys' fees and expenses in prosecuting this action.

123. Therefore, Plaintiff is entitled to recover from Transform SR Holdings Plaintiff's reasonable attorneys' fees and expenses incurred in prosecuting this action, in a sum to be determined by this Court.

**WHEREFORE**, Plaintiff respectfully demands judgment against Defendants as follows:

(a) On its First Cause of Action, against Defendants Sears and Kmart, jointly and severally, a sum to be determined at trial, but believed to exceed \$4,000,000.00, plus interest;

(b) On its Second Cause of Action, against Defendants Sears and Kmart, jointly and severally, a sum to be determined at trial, but believed to exceed \$3,000,000.00, plus interest;

(c) On its Third Cause of Action, against Defendants Sears and Kmart, jointly and severally, a sum to be determined at trial, but believed to exceed \$4,000,000.00, plus interest;

(d) On its Fourth Cause of Action, against Defendant Transform SR Holdings, a sum to be determined at trial, but believed to exceed 4,000,000.00, plus interest;

(e) On its Fifth Cause of Action, against Defendant Transform SR Holdings, a sum to be determined at trial, but believed to exceed \$3,000,000.00, plus interest;

(f) On its Sixth Cause of Action, against all Defendants, a sum to be determined at trial, but believed to exceed \$1,000,000.00, plus interest;

(g) On its Seventh Cause of Action, against Defendants Sears and Kmart, injunctive relief as well as the Defendants' profits, actual damages, enhanced/treble profits and damages, costs and attorneys' fees under 15 U.S.C. Sections 1114, 1116 and 1117;

(h) On its Eighth Cause of Action, against Defendants Sears and Kmart, injunctive relief as well as the Defendants' profits, actual damages, enhanced/treble profits and damages, costs and attorneys' fees under 15 U.S.C. Sections 1125(a), 1116 and 1117;

(i) On its Ninth Cause of Action, against Defendants Sears and Kmart, injunctive relief as well as the Defendants' profits, actual damages, enhanced/treble profits and damages, costs and attorneys' fees under 15 U.S.C. Sections 1125(c), 1116 and 1117;

(j) On its Tenth Cause of Action, against Defendants Sears and Kmart, a sum to be determined at trial;

(k) On its Eleventh Cause of Action, a permanent injunction (1) prohibiting the Defendants and their affiliates, subsidiaries, assigns and their respective agents, owners, members, officers, directors, employees, attorneys and any and all persons or firms in active concert with them (collectively the "Enjoined Parties"), from any and all further use, directly or indirectly, in any manner whatsoever, of the Trademarks of Everlast; (2) ordering the Enjoined Parties to deliver for impoundment all merchandise, bags, boxes, labels, tags, signs, packages, advertising, promotional materials and/or other materials in the possession, custody or control of the Enjoined Parties (including but not limited to factories used by Defendants), that use, in manner whatsoever, directly or indirectly, the Everlast Trademarks; and (3) ordering the Enjoined Parties to file with this Court and serve upon Plaintiff, within thirty (30) days of the entry of the injunction prayed for herein, a report in writing under oath and setting forth in detail in the form and manner in which the Enjoined Parties have complied with said permanent injunction, pursuant to 15 U.S.C. Section 1116(a);

(l) On its Twelfth Cause of Action, against Defendants Sears and Kmart, jointly and severally, attorneys' fees and expenses in a sum to be determined by this Court;

(m) On its Thirteenth Cause of Action, against Defendant Transform SR Holdings, attorneys' fees and expenses in a sum to be determined by this Court

(n) Awarding Plaintiff pre-judgment and post-judgment interest to the maximum extent provided by the License Agreement, Performance Bond and/or by law; and

(o) Granting Plaintiff such other and further relief as the Court deems just and proper.

Dated: New York, New York  
October 28, 2020

Respectfully submitted,

SCHLACTER & ASSOCIATES  
*Attorneys for Plaintiff*

By:     /s/ Jed R. Schlacter    

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