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VIA ECF

The Honorable Ronnie Abrams
United States District Court
Southern District of New York
40 Foley Square
New York, New York 10007

**Re: *Everlast World's Boxing Headquarters Corp. v. Transform SR LLC, et al.*,
Case No. 20 Civ. 9095(RA)**

Dear Judge Abrams:

We represent defendants and counterclaim-plaintiffs Transform SR LLC (“Sears”), Transform KM LLC (“Kmart”) and Transform SR Holdings LLC (“Transform,” and, together with Sears and Kmart, “Defendants”) in the referenced action. We write in response to Plaintiff’s January 7, 2021 letter seeking to adjourn the initial telephonic pre-trial conference scheduled for February 12 and requesting to file a motion for summary judgment (Dkt. No. 15).

The principal dispute between the parties in this case is whether the Force Majeure Term in the parties’ License Agreement relieves Defendants from making royalty payments during the COVID-19 pandemic and related government orders that have impacted, and continue to impact, the operation of Defendants’ retail stores. Defendants claim that the Term was properly invoked under the agreed upon terms of the contract by way of their April 22, 2020 Letter to Plaintiff (the “Force Majeure Letter”); Plaintiff denies this claim in its Answer and does not acknowledge the Term or the Force Majeure Letter in its Complaint.

We regret that Plaintiff chose to apply directly with the Court rather than engage in discussions with the undersigned. Had they done so, we would have informed Plaintiff that we were in the process of preparing a motion for judgment on the pleadings to address certain of the legal issues in dispute related to the interpretation of the License Agreement at issue and the Defendants’ invocation of the Force Majeure Term in that Agreement.

Also at issue is the Court’s subject matter jurisdiction over the present controversy should Plaintiff’s Lanham Act Claims be dismissed, as Defendants will move in their motion for judgment on the pleadings that they should. As stated in Defendants’ Answer and Counterclaim, diversity jurisdiction is lacking in this case because Plaintiff Everlast is a New York corporation, and the



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Defendants — three limited liability companies — are indirectly owned by Hoffman Topco LLC, whose membership includes trusts incorporated in New York state. *See* Dkt. No 11, at ¶¶ 2-6. While Plaintiff’s Lanham Act Claims (Counts Seven through Nine) may form the basis for the Court to exercise supplemental jurisdiction over Plaintiff’s state law claims and Defendants’ counterclaims, the Lanham Act Claims are not properly before the Court because they are predicated on an alleged breach of contract related to Defendants’ sell-off rights under the License Agreement. Defendants have not breached the Agreement and these claims are, therefore, not ripe for adjudication. Defendants will move to dismiss the Lanham Act Claims, which then leaves the question of the Court’s jurisdiction over the state law claims when there is no diversity of citizenship between the parties.

In light of the foregoing, we respectfully request that the Court defer ruling on the Plaintiff’s application so that the parties may meet and confer on a schedule for the anticipated motions and report back to the Court with a proposed briefing schedule no later than January 15.

Sincerely,

/s/ Richard A. Chesley

Richard A. Chesley

RAC:nfk

cc: Jed R. Schlacter