

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

Radisson Hotels International, Inc.,

Plaintiff,

v.

Civil Action No. 3:12-cv-02143

Eshnam Hospitality, Inc.,

Defendant.

PLAINTIFF'S ORIGINAL VERIFIED COMPLAINT

Plaintiff Radisson Hotels International, Inc., for its Original Verified Complaint against Defendant Eshnam Hospitality, Inc., states and alleges as follows:

NATURE OF THE ACTION

1. This is an action for injunctive and other relief based upon Plaintiff's contractual, statutory, and common-law rights under a License Agreement between the parties and the Lanham Act, 15 U.S.C. §§ 1051, *et seq.* Through this Complaint and the accompanying Motion for Temporary Restraining Order and Preliminary Injunction, Plaintiff seeks an order requiring Defendant to immediately and permanently cease infringing Plaintiff's trademarks and service marks and to comply with its contractual obligations.

PARTIES

2. Plaintiff Radisson Hotels International, Inc. ("Plaintiff" or "Radisson") is a corporation organized under the laws of Delaware, with its principal place of business at 701 Carlson Parkway, Minneapolis, MN 55305.

3. Radisson is the franchisor of the Radisson® Hotel System. Franchisees, such as Defendant, operate Radisson® System Hotels under the Radisson® trademark and other trademarks and service marks pursuant to license agreements with Radisson.

4. Defendant Eshnam Hospitality, Inc. (“Defendant” or “Eshnam”) is a corporation organized under the laws of Texas, with its principal place of business at 806 North Crocket, Cameron, Texas, 76520.

5. Eshnam owns and operates a hotel located at 11350 LBJ Freeway, Dallas, Texas 75238 (the “Hotel”). The Hotel was a Radisson® System Hotel from February 9, 2007 through March 30, 2012, at which time Radisson terminated its License Agreement with Eshnam.

JURISDICTION AND VENUE

6. This action involves trademark infringement under the Lanham Act, 15 U.S.C. §§ 1051, *et seq.* This Court has subject matter jurisdiction pursuant to 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331, 1338, and 1367. The Court is empowered to grant injunctive relief pursuant to 15 U.S.C. § 1116(a).

7. The Court has personal jurisdiction over Defendant because Defendant is a Texas corporation and this action arises out of Defendant’s activities in Texas.

8. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) because Defendant resides, and a substantial portion of the events giving rise to the action occurred in, this District. Moreover, the License Agreement includes a choice of venue provision, which provides Radisson the right to seek injunctive relief where the Hotel is located or where the licensee resides or has its principal place of business; namely, the State of Texas.

FACTUAL BACKGROUND

A. The Radisson Franchise System and Trademarks

9. Radisson is a well-known franchisor of hotel systems. Dating back to 1909, when the first Radisson hotel opened in Minneapolis, Minnesota, Radisson® is now one of the world's leading global hotel brands. It delivers vibrant, contemporary, and engaging hospitality that is characterized by its unique Yes I Can!SM service philosophy. Radisson hotels are first-class, full-service hotels offering a range of "World of Radisson" services and amenities that have been created specifically to be empathetic to the challenges of modern travel, including its 100% Guest Satisfaction Guarantee.

10. Radisson is the owner of the Radisson® trademark and other trademarks and service marks associated with Radisson System Hotels (collectively referred to herein as the "Radisson Marks"). Most salient are the marks defined in the License Agreement as the "Primary Marks"—the "name Radisson® and the signature logo Radisson® with the brush stroke used in conformance with the System." Ex. A at 27. Attached hereto as Exhibit B are records of the registration of the Primary Marks and other Radisson Marks with the U.S. Patent and Trademark Office.

11. Radisson franchisees enjoy a license that allows them to use the Radisson Marks and the Radisson System in connection with operation of their System Hotels. The System is characterized by uniform operational standards and procedures, training and assistance, and advertising and promotional programs. Franchisees also enjoy access to confidential and proprietary System information.

12. A franchisee's license thus gives the franchisee access to Radisson's valuable confidential and proprietary information and its business know-how, as well as allowing the

franchisee to capture and benefit from the invaluable goodwill associated with the Radisson® brand and the Radisson Marks.

13. The validity of many of the Radisson Marks and Radisson's exclusive right to use them in commerce are deemed incontestable under 15 U.S.C. §§ 1065 and 1115(b), as they have been in continuous use in commerce for more than five years and the required affidavits have been filed with the United States Patent and Trademark Office.

B. The Parties' License Agreement

1. The License

14. Effective February 9, 2007, Radisson and Eshnam entered into a License Agreement under which Radisson granted Eshnam a non-exclusive license to renovate and operate the Hotel under the Radisson System and in accordance with the terms of the License Agreement. A true and correct copy of the License Agreement is attached hereto as Exhibit A.

15. Under Article 3 of the License Agreement, Eshnam acknowledged that Radisson owns the Radisson Marks, that Eshnam would "[n]ot claim any ownership in or contest Radisson's ownership or registration of the Marks," and that Eshnam would "use the Marks only in accordance with the System."

2. Fees Owed to Radisson Under the License Agreement

16. Under section 5.2 of the License Agreement, Eshnam agreed to pay Radisson a Royalty Fee equal to the greater of 5% of daily Gross Room Revenue or \$150,000 per year. Under section 5.3 of the License Agreement, Eshnam agreed to pay Radisson a Marketing Contribution equal to 2% of daily Gross Room Revenue. Under section 5.4 of the License Agreement, Eshnam agreed to pay Radisson a Reservation Fee equal to 2% of daily Gross Room Revenue plus \$3.75 for each reservation delivered through Third Party Systems.

17. Under section 5.7 of the License Agreement, Eshnam agreed to pay the Royalty Fee, Marketing Contribution, and the percentage portion of the Reservation Fee for each month within 15 days of the end of that month. Eshnam agreed to pay all other amounts due within ten days after invoice or other written or electronic notice.

18. Under section 5.8 of the License Agreement, Eshnam agreed to pay Radisson interest on any amounts owing and past due at a rate of 1.5% or the maximum rate allowed by law, as well as late payment fees of up to \$100 per month.

3. Eshnam's Obligations Under the License Agreement

19. The License Agreement imposed upon Eshnam specific obligations to comply with the requirements of the Radisson System, including renovating and maintaining the Hotel to comport with Radisson's high standards.

20. Section 11.1 of the License Agreement provides: "All goods or services used or offered at the Hotel must comply with the System."

21. Under section 14.1 of the License Agreement, Eshnam agreed to "do all things necessary to comply with the System, including keeping the Hotel in good order and repair and in a neat, clean, attractive, safe and sanitary condition"

22. Article 12 of the License Agreement grants Radisson the right to conduct inspections "to determine whether Licensee is complying with this Agreement."

4. Termination

23. Article 17 of the License Agreement establishes Radisson's termination rights.

As relevant here, section 17.2 provides:

Default-Opportunity to Cure. The following are events of material default by Licensee that entitle Radisson to terminate this Agreement upon notice to Licensee subject to the right to cure. The cure period for any default, unless otherwise stated, is 30 days from Licensee's receipt of the notice.

...

(c) Failure to comply with (i) any material requirement of the System or this Agreement; . . .

(d) Failing an inspection conducted pursuant to this Agreement.

...

The effective date of termination under this Section is the expiration of the cure period stated in the notice without Licensee having cured the default, or a later date as stated in any subsequent notice.

24. Section 19.1 of the License Agreement establishes the licensee's obligations upon termination:

Licensee's Obligations. Upon the expiration or termination of this Agreement, Licensee will immediately do the following, without limitation:

(a) Pay all amounts due and owing to Radisson and its Affiliates, submit any missing Reports to Radisson or its Affiliates, and deposit with Radisson an amount reasonably estimated by Radisson that will be sufficient to cover the amounts that will become due and owing after the termination or expiration date, attributable to the period prior to such date.

(b) Stop using the Marks and the System, stop Operating the Hotel as a System Hotel, and stop representing the Hotel to the public or holding it out as a System Hotel or a former System Hotel. Licensee will accomplish this by, without limitation, removing, returning or destroying, as instructed by Radisson: (i) the Operating Manuals, any Confidential and Proprietary System Information, Marketing materials, labels, and all other printed materials containing the Marks; (ii) all interior and exterior signs, OS&E [operating supplies and equipment], FF&E [furniture, furnishings, fixtures, outfittings, finishes, and equipment] and other items containing the Marks; (iii) anything else that might reasonably result in customers continuing to identify the Hotel as a System Hotel. Licensee will cover up anything bearing the Marks or otherwise identified as being associated with the System that cannot reasonably be removed on or before the expiration or termination date, until it can be removed.

(c) Not make or issue any statements or any other communications for public dissemination regarding the termination of this Agreement or Licensee's relationship with Radisson, without Radisson's approval.

25. Section 19.3 of the License Agreement provides that Article 19, which establishes the licensee's post-termination obligations, "will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement."

5. Relief Available Under the License Agreement

26. The License Agreement establishes Radisson's rights to specific forms of relief in the event of Eshnam's default.

27. Section 17.4 of the License Agreement provides:

If Radisson terminates this Agreement for Licensee's fault, the actual damages that Radisson would suffer for the loss of prospective fees and other amounts payable to Radisson under Article 5 would be difficult if not impossible to ascertain. If this Agreement is terminated for Licensee's default, Licensee, within ten days of such termination, will pay to Radisson as liquidated damages, and not as a penalty, a reasonable estimate of the probable damages that Radisson would suffer for the loss of prospective fees and other amounts payable as Royalty Fees under Article 5, which is calculated as two times the amount payable to Radisson under Section 5.2 for the immediately preceding 12 months

Section 17.5 further provides that the "liquidated damages are in lieu of the actual damages Radisson would suffer under Article 5 after termination of this Agreement. Radisson also has the right to recover from Licensee all other damages of every type and nature that Radisson sustains as a result of the termination."

28. Article 23 of the License Agreement provides for injunctive relief:

23.1 Availability. A breach of this Agreement by Licensee, which relates to any of the matters set out below, will cause irreparable harm to Radisson for which monetary damages are an inadequate remedy. Therefore, in addition to any other remedies Radisson has under this Agreement, Radisson has the right to seek and obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement with respect to: (i) the Marks; (ii) the System; (iii) the obligations of Licensee upon termination or expiration of this Agreement

23.2 Bond. Neither party is required to post a bond or other security with respect to obtaining injunctive relief.

29. Section 25.13 of the License Agreement provides:

Attorneys' Fees. All reasonable and necessary costs and expenses, including attorneys' fees, incurred by Radisson or Licensee in enforcing any provisions of this Agreement, or in defending against any Claims made against one by the other with respect to this Agreement, whether through injunctive relief or otherwise, will be paid to the prevailing party in such action by the other party.

D. Eshnam's Default and Radisson's Termination of the License Agreement

30. After entering into the License Agreement, Eshnam purported to undertake renovations of the Hotel in order to bring it up to Radisson System standards, in accordance with the detailed specifications of a Product Improvement Plan ("PIP") incorporated into the License Agreement. *See Ex. A.*

31. The Hotel was opened as the Radisson Hotel Dallas East in early 2008. Eshnam's President, Dr. Tariq Mahmood, and its General Manager, Thomas Breen, made public statements in connection with the opening, touting the great advantages of the Radisson franchise. Dr. Mahmood said:

We are very excited to be affiliated with Radisson as I believe the brand is a perfect fit for this location. The brand offers a number of significant advantages from an operations perspective—including business building tools and strategies such as revenue optimization; customer relationship management (CRM); Curtis-C, the company's award-winning global reservation system; membership in the patented Look to Book program, the industry's most recognized travel agent reward program; and participation in the global goldpoints plus (SM) frequent guest program.

Mr. Breen said:

We are proud to be part of the Radisson family and look forward to a long term relationship with Carlson Hotels Worldwide. Our hotel will strive to meet the high standards that Radisson demands by working to achieve total guest satisfaction and keeping attune[d] to the needs of today's independent-minded frequent travelers.

See Ex. C.

32. In fact, Eshnam did not meet Radisson's high standards. As of January 2011, extensive renovations were still required to bring the Hotel into compliance with System requirements. On January 25, 2011, Eshnam executed a new PIP, which set forth numerous specific improvements to be accomplished in four phases. *See* Ex. D. Phase 4 of the PIP required that, by January 31, 2012, Eshnam would make numerous major improvements, including improvements to the Hotel's exterior and grounds, elevators, lounge, restaurant, ballroom, meeting rooms, exercise and recreational facilities, pool area, and guest rooms, as well as other facilities. *See* Ex. D at 2-10.

33. The License Agreement provides that "Licensee will Operate the Hotel in accordance with the Operating Manuals as they exist from time to time." Ex. A section 13.2. The Radisson Standards of Service and Operation is among the Operating Manuals with which licensees must comply. Section 104 of the Standards of Service and Operation provides that Radisson will conduct periodic Quality Performance Reviews ("QPR") at System Hotels to help ensure "the hotel's compliance with Radisson standards of service and operation in order to achieve the highest level of guest satisfaction." Ex. E. Section 104.6 provides that a System hotel must attain specific minimum ratings in various categories in order to pass a QPR. *See id.*

34. Radisson conducted a QPR at the Hotel on or about December 8, 2011. *See* Ex. F. The Hotel failed the QPR because it received a score of 76.9% in the "Overall Conditions" category. *See id.* at 30. As set forth in section 104.6 of the Radisson Standards of Service and Operation, a hotel must receive a score of at least 85% in that category to pass a QPR. *See* Ex. E.

35. By a January 27, 2012 letter, Radisson notified Eshnam that the failure of the December 8, 2011 QPR constituted a material default under sections 17.2(c)(i) and (d) of the

License Agreement. Since Esham had executed a PIP for the Hotel, Radisson extended the cure period for Eshnam's default until the earlier of Eshnam's failure to timely complete the improvements required under the January 25, 2011 PIP or its completion of all the items on the PIP. *See Ex. G.*

36. By letter dated February 9, 2012, Radisson notified Eshnam that it was also in default under section 17.2(c) of the License Agreement because it had failed to maintain the minimum required Medallia Guest Satisfaction Index rating for the Hotel. *See Ex. H.*

37. Based on Esham's failure to comply with the PIP phase dates, Radisson conducted a follow-up QPR inspection of the Hotel on February 28, 2012 (more than thirty days after the January 27, 2012 Notice). *See Ex. I.* The Hotel failed that QPR inspection by receiving a score of 80% in the "Overall Conditions" category, which requires a minimum score of 85% for passage. *See id.* at 27. In another site visit on March 12, 2012, Radisson personnel again found that no work had begun on numerous major improvements required under the January 25, 2011 PIP.

38. By letter dated March 21, 2012, Radisson notified Eshnam that Radisson was terminating the License Agreement, effective March 30, 2012 at 11:59 p.m. Central Time, because of Eshnam's failure to timely cure its defaults under sections 17.2(c)(i) and (d) of the Agreement. *See Ex. J.* Radisson demanded that Eshnam comply with its post-termination obligations under section 19.1 of the License Agreement, specifically including cessation of use of the Marks and the System and payment of amounts due and owing to Radisson under the Agreement, including liquidated damages. Radisson set forth these amounts, totaling \$236,106.45, in detailed statements attached to the March 21, 2012 letter. *See id.*

39. On March 22, 2012, Radisson sent a letter to the General Manager of the Hotel reiterating Eshnam's post-termination obligations. The letter enclosed a detailed checklist of actions required to "de-identify" the Hotel—i.e., to comply with the obligations to stop using the Marks and otherwise dissociate from the Radisson® brand. *See* Ex. K.

E. Eshnam's Post-Termination Breaches and Trademark Infringement

40. As of May 2, 2012, Eshnam still had not ceased using the Marks or otherwise de-identified the Hotel, despite its contractual obligation to do so immediately upon termination of the License Agreement. Radisson's post-termination inspection on May 2, 2012 revealed that Eshnam and the Hotel were still displaying and using Radisson Marks, including Radisson signs and logos. Eshnam was thus falsely continuing to hold the Hotel out to the public as a System Hotel.

41. Radisson notified Eshnam of these breaches by letter dated May 10, 2012. *See* Ex. L. In that letter Radisson also noted that Eshnam's continued use of the Marks constituted trademark infringement in violation of the Lanham Act, 15 U.S.C. § 1114, false designation of origin and unfair competition in violation of *id.* § 1125(a), and trademark dilution in violation of *id.* § 1125(c). Radisson accordingly demanded that Eshnam immediately comply with its post-termination contractual obligations by, *inter alia*, immediately ceasing use and display of any of Radisson's Marks, trademarks, logos, and System items. *See* Ex. L at 2.

42. As of May 10, 2012, Eshnam also had not paid the amounts due to Radisson under the License Agreement. Radisson attached updated statements to its May 10, 2012 letter, showing that the amount due totaled \$237,094.45, and demanded immediate payment. Radisson indicated that if Eshnam did not comply with its contractual obligations and the demands set

forth in the May 10, 2012 letter, Radisson would have no choice but to seek relief in court. *See id.*

43. Pursuant to the License Agreement, Radisson is entitled to seek injunctive relief in the state where Eshnam resides or has its principal place of business, or the state where the Hotel is located—i.e., the State of Texas. All other claims under the License Agreement, including claims for money damages, must be brought in a court of competent jurisdiction in Hennepin County, Minnesota. *See Ex. A*, section 25.4.

44. Radisson inspected the Hotel once more on June 6, 2012 to determine whether Eshnam had complied with its obligations to cease using the Radisson Marks and de-identify the Hotel. It had not done so.

45. Counsel for Radisson made a final demand for compliance via a June 22, 2012 letter directed to Eshnam's counsel, Rupert F. Barron, Esq. Eshnam's counsel did not respond until June 25, 2012. As of the date of filing of this Verified Complaint, Radisson has received no communication from Eshnam indicating that it has complied or intends to comply with its contractual and legal obligation to cease using the Radisson Marks and with its other obligations under the License Agreement and the law. Radisson conducted one last visit to the Hotel, through its agents, on June 29, 2012 in the hope that a lawsuit would not be necessary. However, Radisson confirmed that Eshnam continues to use the Radisson Marks, notwithstanding the prior demands.

COUNT I

Breach of Contract

46. Radisson incorporates and realleges paragraphs 1 through 45 above as if fully stated herein.

47. The February 9, 2007 License Agreement formed a valid and enforceable contract that bound the parties to the terms therein, including post-termination duties that survived the termination of the contract.

48. Radisson performed all of its duties under the License Agreement, including properly terminating the License Agreement because of Eshnam's default and failure to cure.

49. Eshnam breached the Agreement by, *inter alia*, failing and refusing to cease using the Radisson Marks, trademarks, logos, and other System items, and to perform its other post-termination obligations as required by the License Agreement.

50. Eshnam's breaches of the License Agreement have caused and will continue to cause confusion in the marketplace and impairment to the goodwill associated with the Radisson Marks and thereby have caused and will continue to cause Radisson irreparable harm for which Radisson has no adequate remedy at law.

COUNT II

Trademark Infringement

51. Radisson incorporates and realleges paragraphs 1 through 50 above as if fully stated herein.

52. Radisson owns the Radisson Marks formerly licensed to Eshnam under the License Agreement. Radisson has registered the Marks with the United States Patent and Trademark Office.

53. Since registering them, Radisson has extensively advertised the Radisson Marks in connection with its products and services.

54. Eshnam has no right to use the Radisson Marks.

55. Despite Radisson's repeated demands that Eshnam cease using the Radisson Marks, Eshnam continues to use them in the operation of the Hotel. Such use is likely to cause confusion or mistake among consumers, or to deceive consumers into believing, contrary to fact, that the Hotel and Eshnam's operation of it are licensed, franchised, authorized, or otherwise associated with or approved of by Radisson.

56. Eshnam's continued use of the Radisson Marks without Radisson's permission constitutes willful and intentional infringement of the trademarks in violation of the Lanham Act, 15 U.S.C. §§ 1114 and 1125(a).

57. As a result of Eshnam's infringement of its trademarks, Radisson has suffered and will continue to suffer irreparable injury for which it has no adequate remedy at law.

COUNT III

False Designation of Origin/Unfair Competition

58. Radisson incorporates and realleges paragraphs 1 through 57 above as though fully stated herein.

59. Eshnam continues to use the Radisson Marks in the operation of the Hotel, without Radisson's permission, thus falsely holding itself and the Hotel out to the public as being licensed, franchised, authorized, or otherwise associated with Radisson. Such use has caused or likely will cause confusion among consumers as to the origin, sponsorship, or affiliation of the Hotel and services offered by Eshnam.

60. Eshnam's conduct described herein constitutes a false designation of origin and unfair competition in violation of 15 U.S.C. § 1125(a) and common law.

61. Eshnam's conduct is knowing and willful, and is intended to cause confusion or mistake, or to deceive.

62. As a result of Eshnam's wrongful conduct, Radisson has suffered and will continue to suffer irreparable injury for which it has no adequate remedy at law.

COUNT IV

Trademark Dilution

63. Radisson incorporates and realleges paragraphs 1 through 62 above as though fully stated herein.

64. The Primary Marks are famous marks under 15 U.S.C. § 1125(c).

65. Eshnam's conduct described herein constitutes dilution of the Primary Marks, in violation of 15 U.S.C. § 1125(c).

66. Eshnam's dilution of Radisson's Primary Marks has caused and will continue to cause Radisson irreparable injury for which Radisson has no adequate remedy at law, and Radisson is entitled to an injunction against Eshnam's further use of the Primary Marks pursuant to 15 U.S.C. § 1125(c).

WHEREFORE, Radisson prays for judgment against Eshnam as follows:

1. For a temporary restraining order, preliminary injunction, and permanent injunction directing that:

a. Eshnam and its owners, agents, servants, employees, and all others acting by, through or for it, immediately cease using or employing any of Radisson's Marks, or any other name, designation, or mark that is deceptively or confusingly similar to, or likely to cause confusion with, any of Radisson's Marks in connection with the operation, promotion, or advertising of any business, including the Hotel;

b. Eshnam and its owners, agents, servants, employees, and all others acting by, through or for it, immediately remove any interior or exterior signs or advertising materials that incorporate the Radisson Marks, whether at the Hotel or elsewhere;

2. For an order, pursuant to 15 U.S.C. § 1116, requiring Eshnam to file with the Court and serve on Radisson within 30 days of service of the injunction requested herein a written report under oath setting forth in detail the manner and form in which Eshnam has complied with the injunction;

3. For an award of all reasonable and necessary costs and expenses, including attorneys' fees, that Radisson has incurred in the prosecution of this action, as provided under the License Agreement; and

4. For such other relief as the Court shall deem just and equitable.

Respectfully submitted,

/s/ Gregory M. Sudbury

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VERIFICATION

I, Javier Rosenberg, am Chief Operating Officer and Executive Vice President, for Carlson Hotels, Americas. I am authorized to make this Verification on behalf of Radisson Hotels International, Inc. I have read the foregoing Verified Complaint, and based upon my personal knowledge and review of the relevant books and records, the matters set forth therein are true and accurate to the best of my knowledge, information, and belief.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on July 2, 2012.



Javier Rosenberg