

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 05-80387 CIV RYSKAMP/VITUNAC


STEVEN A. SILVERS, an individual,

Plaintiff,

v.

GOOGLE INC., a Delaware corporation,

Defendant.

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**CROSS-CLAIM PLAINTIFF STELOR PRODUCTIONS, LLC'S  
STATEMENT OF MATERIAL FACTS SUPPORTING  
MOTION FOR SUMMARY JUDGMENT AGAINST SILVERS**

Cross-Claim Plaintiff STELOR PRODUCTIONS, L.L.C. ("Stelor"), by and through undersigned counsel and Local Rule 7.5, hereby submits the following Concise Statement of Material Facts as to which Stelor contends there is no genuine issue to be tried:

(Stelor cites to relevant portions of the record in the two prior actions between Stelor and Silvers in this District, Case No. 04-80954-CIV-HURLEY ("First Prior Action" or "1PA") and 05-80393-CIV-HURLEY ("Second Prior Action" or "2PA"), in the form "[1PA DE\_\_]" and "[2PA DE\_\_]". Citations to Stelor's Appendix of Exhibits referenced in this Statement and the accompanying Motion will be cited by tab number in the form "A #").

1. Cross-Defendant Silvers is the creator of the Googles from Goo, a set of characters and stories to entertain and educate children. The characters are featured in a book "Googles and the Planet of Goo", which he published in 1996. Silvers "wrote the book while incarcerated for a conviction on federal charges as a way to stay connected to [his] children". Silvers obtained a federal trademark registration in 1997 for the name "Googles" for use with children's books. Declaration of Steven Silvers ("Silvers Decl") ¶¶ 2, 5 [2PA DE11]; A9.

**A. The License Agreement.**

2. Plaintiff Stelor is the exclusive licensee of the Googles Property, pursuant to a License Agreement executed in 2002 (with a 30 year term, renewable for another 10). A1, Sched A; Silvers Decl ¶7, Ex. B [2PA DE 11]; A9. The License Agreement grants to Stelor

- “the exclusive (even as to LICENSOR), worldwide, sub licensable right and license” with respect to all of the “Googles” intellectual property and trademarks; *id.* ¶ 1(A)
- “all right, power and interest to seek, obtain and maintain all Intellectual Property Rights associated with the Licensed Intellectual Property and Licensed Trademarks”; *id.* ¶ VIII(A)
- “an irrevocable power of attorney to act for and on LICENSOR’s behalf”; *id.*, and
- “the sole right, in its discretion and at its expense, to take any and all actions against third persons to protect the Intellectual Property Rights licensed in this Agreement.” *Id.* Art. IX.

3. Stelor also entered into a separate Letter Agreement with Silvers, dated June 1, 2002, whereby Silvers was to provide certain consulting services to Stelor. A2; Silvers Decl ¶8, Ex. C [2PA DE11]; A9. The Letter Agreement had a 30 month term, and expired December 1, 2004. *Id.* Para. 5(a).

4. Stelor has paid Silvers hundreds of thousands of dollars in consulting fees and advances against future royalties under the License and Letter Agreements. Supplemental Declaration of Steven A. Esrig (“Supp Esrig Decl”), ¶ 3 [2PA DE 53]; A5.

**B. The First Prior Action.**

5. The parties’ relationship has been contentious. Silvers’ misconduct forced Stelor to file a prior lawsuit for breach of contract in October 2004 (“First Prior Action”), Case No. 04-80954-CIV-HURLEY. Declaration of Steven A. Esrig (“Esrig Decl”), ¶22 [2PA DE 16]; A4.

6. Silvers’ response was to send written notice on November 12, 2004, claiming that Stelor was in default of various of its obligations under the License Agreement. A12; Silvers

Decl ¶ 20, Ex. G; A9. Three days later Silvers filed a counterclaim. [1PA DE14]. A “formal” termination letter from Silvers followed on January 13, 2005. A13; Silvers Decl ¶21, Ex. H.

**C. The Settlement and Reinstatement of the License Agreement.**

7. Two weeks later, Stelor and Silvers settled the case pursuant to a written settlement agreement (“Settlement Agreement”) dated January 28, 2005. A3; Stelor’s Answer, Affirmative Defenses, Counterclaim and Amended Cross-Claim (“ACC”), ¶11, Ex. B; Silvers’ Answer to Amended Cross-Claim (“Ans.”), ¶11. The First Prior Action was accordingly dismissed, and Silvers reinstated the License Agreement. [1PA DE50].

8. Under the Settlement Agreement, Silvers withdrew his notice of termination, and expressly reaffirmed his obligations under the License Agreement. A3 at 6, ¶ 10. The parties proceeded to operate under the Agreements, in fact working together through counsel to prepare this trademark infringement action against Google, Inc.

9. In addition, Stelor forwarded various documentation to Silvers, including a Certification dated March 8, 2005 as required pursuant to paragraph 12 of the Settlement Agreement, and checks for payments required under that Agreement. Supp Esrig Decl ¶ 4; Ex. A; A5; Esrig Decl ¶ 28(b), Exs. E & F; A4. The checks included reimbursement for domain name registration expenses, insurance payment reimbursements, royalty advances for February, March and April. All of these checks were cashed. A19.

**D. The Termination Without Prior Notice.**

10. Then, with no prior notice, Silvers’ counsel sent a letter dated April 27, 2005 (“Termination Letter”) purporting to terminate the License Agreement. A14; Silvers Decl ¶ 24, Ex. I. The letter claimed that Stelor had failed to perform its obligations under the Settlement Agreement to pay monthly installments on royalty advances, to cooperate in an audit of Stelor’s books and records, and to provide samples of licensed products offered for sale.

11. Not only had Silvers given Stelor no prior notice of these claimed breaches; he also allowed Stelor no opportunity to cure them. As the Termination Letter provided, the License Agreement was terminated “effective immediately.” *Id.* Silvers, thus, failed to comply with the explicit requirements in the License Agreement that 60 days’ notice and opportunity to cure any alleged breaches be provided as an express precondition for any right of termination. A1 at ¶ IX.

12. Counsel for Stelor immediately responded by letter dated April 29, 2005, refuting the specious grounds cited by Silvers for termination, and offering to cure any conceivable breaches (even though none existed). A15; *see* Silvers Decl ¶25, Ex. J.

13. On May 2, 2005, Silvers’ counsel responded by letter (erroneously dated “2004”), reiterating his wrongful renunciation of the Agreements and stating that Silvers “intends to go in a different direction to develop his characters and intellectual property”. A16; ACC ¶ 20, Ex. E; Ans. ¶ 20.

14. Silvers by his own admission stopped complying with the Agreements (“Silvers is admittedly not complying with the License Agreement because he is no longer bound by it”). A22; Report and Recommendation at 23 (quoting Silvers’ Memorandum in Opposition to Motion for Preliminary Injunction at 5 [2PA DE13]). His unilateral filing of this action against Google, Inc. – “a right which, under the License Agreement, belongs to Plaintiff” (A22; Report at 3; *see* A1 ¶¶ VIII & XI) – was clearly a violation of the Agreements. His efforts to interfere with Stelor’s website at the time of termination were also improper, and flatly inconsistent with his previous promise to Stelor and its board that he would never take such drastic action until a court had ruled on the issue. A4; Esrig Decl Ex. C.

15. Silvers, moreover, has threatened further litigation against Stelor, unless it “eliminate[s] all reference to the Googles name and ‘goo’ related words” in the conduct of its business. *See* Letter dated July 27, 2005, A18; ACC ¶ 25; Ans. ¶ 25.

16. Finally, Silvers has interfered with other action Stelor has continued to take – at substantial expense – to protect and enforce the intellectual property rights under the License Agreement. Thus, a declaration submitted by Silvers’ counsel was used as the basis for a motion to dismiss a trademark infringement action brought by Stelor in the Southern District of Indiana against unauthorized users of the name “OOGLES N GOOGLES”. A21.

**E. The Second Prior Action.**

17. The improper termination forced Stelor to take legal action. Accordingly, Stelor filed claims for breach of contract and declaratory relief in May of 2005, as Case No. 05-80393-CIV-HURLEY (“Second Prior Action”) [2PA DE1].

18. In order to ensure its ability to attend an important industry trade show scheduled that Spring in New York, Stelor immediately filed a motion seeking injunctive relief, including a temporary restraining order. [2PA DE2]. After an evidentiary hearing and review of the extensive papers submitted by the parties, Magistrate Hopkins issued a Report and Recommendation dated June 3, 2005 recommending that Stelor’s motion be granted (“Report”). A22 [2PA DE 24]. He held that “[Silvers] has effectively admitted to breach of the contract” and “it is likely that [Silvers’] April 27, 2005 termination of the License Agreement between Stelor and Silvers was improper.” A22 at 4.

19. The Court then entered a temporary restraining order implementing the injunction recommended by the Magistrate. A23; [2PA DE32]. The Court later extended the duration of the TRO until the end of the trade show in New York (A24 [2PA DE49]), although the Court

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subsequently declined to extend the TRO beyond that time or otherwise to implement the injunction (A25 [2PA DE52]).

20. In or about August of 2005, Stelor learned for the first time that one of its sub-members resided in Florida. Stelor promptly advised the Court. *See* [2PA Des 74, 76]. Accordingly, the action was dismissed without prejudice for lack of subject matter jurisdiction. A26 [2PA 80]. Stelor's complaint was then filed in the form of a cross-claim against Silvers, as part of the present trademark infringement action. [DE14].

21. Silvers' moved to dismiss the cross-claims in the present case for lack of jurisdiction. [DEs 21, 51]. The motion was denied by Order dated February 27, 2006. A26 [DE71]. In that Order, the Court also rejected Silvers' contention that no authority existed for the Court to reinstate the License Agreement upon a determination that the termination was wrongful. *Id.* at 9.

22. By Order dated October 4, 2006, the Court in the Second Prior Action also denied Silvers' Motion for Attorneys' Fees and Costs. [2PA DE110].

**F. Stelor's Continued Performance Under the Agreements.**

23. Notwithstanding the improper termination, Stelor has continued fully to comply with its obligations under the Agreements, including tendering payment to Silvers of all amounts when due. Thus, Stelor has continued each month to send to Silvers the advances against royalties required under the Settlement Agreement. Silvers, however, has returned each of those checks, with the exception of the checks sent for August, September and October 2006, which he continues to hold. A20; *see* Declaration of Kevin C. Kaplan, filed herewith.

24. Stelor has continued to send quarterly royalty reports. *Id.* Stelor has remained ready and willing to allow Silvers to conduct an audit of Stelor, and has in fact proposed various

dates for the audit to which Silvers never responded. *See* June 21, 2005 Letter to Silvers' Counsel; Supp Esrig Decl Ex. I; A5; Supp Kaplan Decl ¶ 5 [2PA DE58]; A8.

25. In addition, Stelor has continued to provide samples of its promotional materials. *See id.* Stelor has, as well, provided extensive documentation to Silvers pertaining to the prosecution of related trademark applications and other proceedings concerning Stelor's efforts to protect the intellectual property. *See* A17; June 24, 2005 Letter (with attachments); Supp Esrig Decl Ex k; A5; Supp Kapl. Decl ¶ 7; A8.

**G. Lack of Factual Basis for Silvers' Allegations of Breach**

26. *The Unit Interests Allegation.* As of the date of the Termination Letter, Stelor had only recently converted to an LLC, and the associated documentation was still in progress. No units had formally been issued to anyone. Esrig Decl ¶ 28(a); A4.

27. Silvers also refused to execute the required documentation for him to confirm his acceptance of the options. Thus, Stelor sent Silvers a formal Option Letter dated December 10, 2004, advising that the Board of Directors of Stelor had approved a grant to Silvers of 1000 options at \$10.00 a share. The Letter asked Silvers to execute the Letter and return it to Stelor to confirm his agreement with the stated terms and his acceptance of the options. *See* Letter, along with the federal express proof of delivery confirming that Mr. Silvers himself signed for the package; Supp Esrig Decl ¶¶ 15-16, Ex. F; A5.

28. Silvers, however, never returned the signed letter. Stelor has repeatedly reminded Silvers about the Letter, and asked him to provide an executed copy, including in the April 29, 2005 letter to his counsel (A15). Neither Silvers nor his lawyers even bothered to respond to that issue, though, choosing instead to try and preserve a totally unfounded claim of breach. *Id.*

29. *Royalties and Statements.* Stelor provided a written certification dated March 8, 2005 pursuant to Paragraph 12 of the Settlement Agreement that no royalties were owed as of

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December 31, 2004. Supp Esrig Decl ¶ 4, Ex. A; A5. Accordingly, royalty statements were only required, pursuant to paragraph III of the License Agreement, beginning with the first quarter of 2005. A1 at Art. III(B) & (C). Nevertheless, to put an end to the unfounded issue Silvers attempted to raised about missing royalty statements, Stelor went ahead and provided royalty statements for the last two quarters of 2004, which confirm no royalties were due. Supp Esrig Decl ¶ 26, Ex. K; A9. Royalty Statements have also been provided for each subsequent quarter. See A20 (Composite of checks and royalty statements sent to Silvers and/or his counsel).

30. The confirmation of no royalties, moreover, was correct. Supp Esrig Decl ¶¶ 4-5, Ex. A; A9. Although Stelor has had revenue from the sale of its Googles music on itunes, the first statement that Stelor received showing revenue from the itunes downloads was dated February 25, 2005. Since Stelor was required to report royalties to Silvers on a quarterly basis, within 30 days of the expiration of each quarter (¶ III(B) of the License Agreement; A1), Stelor properly included those revenues in the royalty statement provided to Silvers on April 29, 2005 for the first quarter of 2005. A15. (That was (as the Magistrate confirmed (A22; Report at 20)) timely. Supp Esrig Decl ¶ 5; A9.

31. Nor can Mr. Silvers legitimately claim that approximately \$2.00 worth of “commissions” from the sale of rogue merchandise bearing the Googles name by an unauthorized internet “store” somehow puts Stelor in breach of the Agreements. Unbeknownst to Stelor, an on-line shop located at [www.cafepress.com](http://www.cafepress.com) was apparently selling coffee mugs and t-shirts with the “Googles” name and design on them.

32. The only completed sale of the rogue Googles merchandise by CaféPress as of April 2005 was a single coffee mug priced at \$10.99, allegedly generating a commission *to Stelor* of \$2.00, no share of which was ever remitted to Stelor. Supp Esrig Decl ¶ 9, Ex. D; A9. Of that \$2.00 commission, moreover, Silvers would only be entitled to 6% of the net amount as



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his royalty rate under the License Agreement (A1 at Schedule A), **or 12 cents!** (assuming \$2.00 is the “net” amount as defined in the License).

33. In fact, a consultant that Stelor had terminated set up the CafePress “Googles” store without authorization from Stelor and against Stelor’s direction. The consultant, Paul Worsham, had worked with Stelor in 2002, in connection with the development of Stelor’s technology infrastructure. During that work, Mr. Worsham at one point advised Stelor that he had set up an online store at Cafepress, and wanted to sell Googles merchandise through it. Stelor was not interested, and told Mr. Worsham not to maintain the store. Indeed, Stelor had received an email on September 30, 2002 advising of fraudulent activity with the Cafepress account. Supp Esrig Decl ¶ 7, Ex. C; A5. By that time, moreover, Stelor had concluded that Mr. Worsham was unreliable and untrustworthy, and refused to have any further dealings with him of any type. Accordingly, Stelor explicitly advised Mr. Worsham in writing to take no action whatsoever on Stelor’s behalf, including maintaining any Cafepress account for Googles. *Id.* Apparently, Mr. Worsham did not follow the instruction, and the Cafepress account improperly remained without Stelor’s authorization, and in fact against Stelor’s instructions. *Id.* ¶¶ 6-9.

34. ***The Audit Allegation.*** Silvers claims Stelor failed to provide dates for an audit. In fact, Silvers’ counsel agreed in late March of 2005 to defer the audit. She confirmed that in an email dated March 23, 2005, referring to the parties “agreeing to postpone the audit” Supp Esrig Decl Ex. E; A5. Silvers subsequently renewed his request for the audit, but not until late April, when his lawyer sent an email dated April 22, 2005 – just **5 days before the termination letter!**” Esrig Decl ¶ 28(d), Ex. H; A4. That email, moreover, asks for a date “in the next two weeks, other than April 28<sup>th</sup> and 29<sup>th</sup> which are not good for [the auditor].” *Id.* By April 27<sup>th</sup>, of course, Silvers had already sent the Termination Letter, disingenuously citing Stelor’s failure to schedule the audit as a basis for that termination. A14.

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35. *Samples.* Finally, Silvers claims Stelor failed to provide him with samples of Licensed Products that are being offered for sale, a charge that is unsupported as well. First, as of April 2005, Stelor was not selling any Licensed Products, with the exception of the Googles music on itunes (and Stelor had long ago provided a sample CD to Silvers, who by his own admission downloaded the music from itunes himself anyway). Silvers Decl ¶23 (g); A9; Supp Esrig Decl ¶¶ 4-5; A5. Accordingly, no other samples had to be provided. Second, samples of Stelor's promotional materials had already been provided to Silvers. Thus, Silvers' lawyer, Gail McQuilkin, herself visited Stelor's offices in February 2005, reviewed samples and promotional materials, and even took some back to Florida with her. *Id.* ¶¶ 10-14.

36. In addition, Stelor again made samples of promotional materials available for inspection at its counsel's offices in April 2005. *Id.* ¶ 10. And, in June 2005, Silvers' counsel was invited to the offices of Stelor's counsel to review samples of promotional materials for the then-upcoming New York trade show. When Silvers' counsel refused to come, Stelor went ahead and sent the samples nevertheless. *See* Letters to Silvers' Counsel dated June 17 & 21, 2005, Supp Esrig Decl Exs. G & I; A5.

37. Tellingly, moreover, Silvers' former counsel herself has acknowledged that her requests for samples were merely to appease Mr. Silvers. As she wrote: "According to the license agreement Stelor is to provide these to Silvers for his 'input.' *There is nothing in the agreement that says Stelor has to listen or do anything with his input but this keeps Silvers happy. Silvers will communicate his "input" only to me.*" Supp Esrig Decl Ex. G (emphasis added).


Respectfully submitted,

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CERTIFICATE OF SERVICE

12th I HEREBY CERTIFY that a true copy of the foregoing was served via U.S. Mail on this day of October, 2006 upon the following:

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