05-10-1999

FORM PTO-1594
(Rev. 6-93)
OMB No. 0651-0011(exp. 4/94)

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

APR 29 1999

1. Name of conveying party(ies):
Sunrise Assisted Living, Inc.
9401 Lee Highway
Fairfax, Virginia 22031

☐ Individual(s) ☐ Merger
☐ General Partnership ☐ Limited Partnership
☒ Corporation-State: Delaware
☐ Other

4.29.99

Additional name(s) of conveying party(ies) attached? ☐Yes ☒ No

2. Name and address of receiving party(ies):
Name: Philip Scutieri, Jr.
Internal Address:
Street Address: 9100 N. Kendall Drive
City: Miami State: Florida ZIP:

☒ Individual(s) citizenship:
☐ Association:
☐ General Partnership:
☐ Limited Partnership:
☐ Corporation-State:
☐ Other

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☐ No
(Designations must be a separate document from assignment)
Additional name(s) & address(es) attached? ☐Yes ☐ No

3. Nature of conveyance:

☐ Assignment ☐ Merger
☐ Security Agreement ☐ Change of Name
☐ Other Order rescinding the trademark assignment to Cornell Investment Corporation

Order Date: April 28, 1999

4. Application number(s) or patent number(s):
A. Trademark Application No.(s)
B. Trademark Registration No.(s)
1,233,106

Additional numbers attached: ☐ Yes ☒ No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Suzanne M. Parker, Esq.
Internal Address: KENYON & KENYON
Suite 700
Street Address: 1500 K Street, N.W.,
City: Washington State: DC ZIP: 20005

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41)..............................$40.00

☐ Enclosed

☒ Authorized to be charged to deposit account

8. Deposit account number:
11-0600
(Attach duplicate copy of this page if paying by deposit account)

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9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Anne Grosheitsch
Name of Person Signing

Signature

April 29 1999
Date

Total number of pages, including cover sheet, attachments and document: 21

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

SUNRISE ASSISTED LIVING, INC., et al., Plaintiff,	)	
v.	)	CIVIL ACTION NO. 98-1702-A
SUNRISE HEALTHCARE CORP., et al., Defendants.	)	

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Fax # B. DiMuro	Fax #

C. Key

O R

This matter comes before the Court on plaintiff Philip Scutieri's motion, pursuant to Rule 56(d) of the Federal Rules of Civil Procedure, for partial summary judgment on his claim of fraud against defendants Sunrise Healthcare Corporation, SunMark of New Mexico, Inc., and Sun Healthcare Group, Inc. In alleging fraud in the inducement, Scutieri seeks rescission of the agreement (hereinafter referred to as "the Cornell Agreement") he signed on September 16, 1998, which was purportedly between him and the Cornell Investment Corporation, to which he assigned his interest in THE SUNRISE CLUB, a federally registered trademark. Scutieri also moves to dismiss the counterclaims against him, which allege breach of the Cornell Agreement and seek related declaratory relief.

Upon consideration of the parties' submissions, and for the reasons stated herein, it is hereby

ORDERED that:

1. Scutieri's motion for partial summary judgment on his claim of fraud is GRANTED. The Cornell Agreement is therefore rescinded and declared null, void, and of no effect.

2. The counterclaims against Scutieri are DISMISSED with prejudice.

I. Background

A. Procedural History

On November 25, 1998, plaintiff Sunrise Assisted Living, Inc. ("SALI"), instituted this action against defendants SunRise Healthcare Corp. ("SHC"), SunMark of New Mexico, Inc. ("SNM"), and Sun Healthcare Group, Inc. ("SHG"). SALI's original complaint alleged that defendants' use of the term "Sunrise" in connection with certain assisted living or elder care services constituted, inter alia, trademark infringement in violation of the Lanham Act, 41 U.S.C. § 1051 et seq.

On December 21, 1998, during a hearing on SALI's motion for a preliminary injunction, defendants argued that they had "superior rights" to use of the term "Sunrise" in their trade names and marks -- amounting to an "impregnable" defense -- by virtue of their recent acquisition of THE SUNRISE CLUB trademark from one Philip Scutieri, a businessman who resides in Coral Gables, Florida. (Pl. Ex. 1, p. 44.) SALI argued that defendants fraudulently induced Scutieri to assign the mark to them, but the Court questioned SALI's likelihood of success on the merits, and denied the motion for a preliminary injunction. (Id. at 52.)

Scutieri joined this action as a co-plaintiff on December 22, 1998, when the amended complaint was filed, adding his claim of fraud in the inducement. Four months of discovery ensued.

B. The Facts

SALI provides assisted living and other healthcare services for the elderly at approximately seventy-seven facilities located in thirteen states. (Pl. Ex. 3, ¶¶ 3-4.) Defendant SHG and its subsidiary SHC, both founded in 1988, provide rehabilitation, nursing home, assisted living, pharmaceutical, and financial services, among others, throughout the United States. (Pl. Ex. 5, ¶¶ 4-5, 7, 9.) Although the Court makes no finding on the parties' priority of use, SALI claims to have started using the term "Sunrise" in its trade names and marks in 1981, while defendants claim to have used it in theirs since 1989.

In or about 1975, Scutieri opened The Sunrise Club, a facility located in Miami, Florida, which provided assisted and independent living services for the elderly until December of 1997, when a hurricane apparently destroyed it. (Def. Ex. F, pp. 17-18.) In 1983, the United States Patent and Trademark Office ("USPTO") issued a federal registration number to him for "THE SUNRISE CLUB." (Pl. Ex. 6, ¶ 2.)

On January 10, 1996, Scutieri entered into an agreement with SALI (hereinafter referred to as "the Sunrise Agreement"), which provides that, subject to some limitations, and in consideration of $100,000, SALI "may use the term 'Sunrise'" in its mark throughout the United States. (Pl. Ex. 7.) Moreover, by the terms of the Sunrise Agreement, Scutieri was obligated to "reasonably cooperate [with SALI] in bringing, defending or settling" actions arising from potential or actual infringement upon SALI's mark. (Id. at ¶ 3.) On March 25, 1997, the USPTO issued a federal registration number to SALI for "SUNRISE ASSISTED LIVING." (Pl. Ex. 8.) Correspondence from SALI to the USPTO on January 23, 1997, disclosed and made publicly available a portion of the Sunrise Agreement that evidenced Scutieri's "consent to federal registration of SALI's Mark." (Def. Ex. J.)

In late 1997, defendant SHG decided to adopt a "corporate identity program" with the object of developing a uniform name for all of its facilities. SHG requested the New Mexico law firm of Peacock, Myers & Adams to conduct a trademark search and to advise defendants on their right, if any, to use the term "Sunrise" in their tradenames. Peacock, Myers discovered Scutieri's and SALI's registered trademarks, and concluded that "Scutieri ... had superior rights to any service mark or tradename using the word 'SUNRISE' in the United States." The firm also concluded that "SALI independently of any rights under [the Sunrise Agreement] had rights that were slightly preceding in time" to defendant SHC's first use of the term. (Pl. Ex. 10, ¶¶ 3-4, 9.) By February 20, 1998, moreover, the firm had discovered the portion of the Sunrise Agreement on file with the USPTO, and had advised SHG that if SALI contacted Scutieri again and purchased the mark for itself, SALI would be "in the position of being the earliest user," which "would be to our not insubstantial disadvantage." (Pl. Reply Ex. 3, p. 8.)

In January of 1998, SHG authorized Peacock, Myers to approach Scutieri and attempt to obtain rights to his interest in THE SUNRISE CLUB mark. (Pl. Ex. 10, ¶ 9.) Michael Berg, SHG's corporate counsel, directed Jeffrey Myers of Peacock, Myers "to initiate contact with Scutieri through an agent with instructions that the existence or identity of any of the [defendants] be withheld." (Pl. Ex. 12, ¶ 4.) In his declaration, Berg attests that defendants decided to conceal their identity to prevent Scutieri from demanding "a significantly higher price." (Id. at ¶ 3.) With authorization from Berg, Myers instructed the Washington, D.C., law firm of Sterne, Kessler, Goldstein & Fox to retain CDR International, Inc., a private investigation firm, to initiate discussions with Scutieri. (Pl. Ex. 10, ¶ 10; Pl. Ex. 12, ¶ 4.) Bruce Welsh, an employee of CDR, received the assignment.

Welsh's first attempted contact with Scutieri occurred on January 13, 1998. Using the alias "Nicholas Devens," Welsh left a message for Scutieri stating that he represented a company called "Summers & Associates." As reflected in Welsh's notes, he explained in his message that "we wanted to obtain the trademark 'Sunrise Club' for a sandwich to be advertised and served at our restaurants ... on the coast of North Carolina." (Pl. Ex. 14, 1/13/98 Entry.) A week or so later, the telephone log shows another message left for Scutieri from "Nicholas Devens" who "Want[s] to use Sunrise Name for Sandwiches in Restaurants [in] North Carolina." (Pl. Ex. 23, Second Entry.) When Welsh finally spoke with Scutieri on the telephone on January 23, 1998, he again identified himself as "Nicholas Devens of Summers & Associates." (Pl. Ex. 25, p. 54.) In response to Scutieri's inquiry about his intended use of THE SUNRISE CLUB mark, he repeated his story that Summers & Associates "wanted the name for use as a sandwich title and that it may be advertised nationaly [sic]." (Pl. Ex. 14, 1/26/98 Entry; Pl. Ex. 25, pp. 55-56.)

Devens/Welsh carefully nurtured his deception throughout his negotiations with Scutieri. While "Nicholas Devens" called and left some twenty messages for Scutieri during the next several months, Scutieri also received correspondence from "Nicholas Devens, VP/Marketing" on "Summers and Associates" letterhead, complete with a Charlotte, North Carolina mailing address, telephone and fax numbers, and the following e-mail address: "summersassoc@lycosmail.com." (Pl. Ex. 23; Pl. Ex. 35.) Although Welsh's notes reflect that on July 6, 1998, he told Scutieri that "a final decision as to how the mark would be used in the future" had not been made, Welsh readily conceded that he never gave Scutieri an alternative use to "[s]andwich shops, using it in conjunction with a sandwich was the only reason given." (Pl. Ex. 14, 7/7/98 Entry; Pl. Ex. 26, ¶ 13; Pl. Ex. 27, p. 42.) Welsh further conceded that he lied to Scutieri because he thought that "[t]he better way to approach the situation in determining whether he had a willingness to sell the mark was, in fact, to misrepresent." (Pl. Ex. 28, p.43.)

Meanwhile, Welsh worked behind the scenes with defendants' lawyers to put in place a straw company -- the Cornell Investment Corporation -- through which Scutieri would eventually, and unwittingly, transfer THE SUNRISE CLUB mark to defendants. A few days after his first conversation with Scutieri, Welsh spoke with Albert Ferro, of Sterne, Kessler, who approved a proposal to set up Cornell "to be used to purchase the mark." (Def. Ex. D, p. 73; Pl. Ex. 14, 1/29/98 Entry.) Defendants do not deny that Cornell Investment had no assets, no employees, and no business activities, and was acquired by Welsh's private investigation firm, CDR International, solely "to purchase [the] Sunrise Club" mark. (Pl. Ex. 16, p. 130.)

By late June of 1998, SHG had decided to go ahead with their corporate identity program. Across the United States, SHG was actively changing the names of its facilities "to a name boldly employing the word SUNRISE." Paul Adams, of Peacock, Myers, recommended that SHG institute a lawsuit against SALI alleging trademark infringement. Thus, a complaint was prepared and, on July 1, 1998, filed in the United States District Court for the District of Colorado, where both parties operate facilities. However, because the transaction with Scutieri had yet to be closed, Adams advised his client to withhold service of process on SALI. With litigation against SALI thus pending if not progressing, Adams "urged [Welsh] to use all possible efforts" to consummate the deal with Scutieri. (Def. Ex. S, ¶¶ 12-13.)

On June 22, 1998, Devens/Welsh forwarded to Scutieri a proposed purchase agreement, which identified Cornell Investment as the purchasing entity, and which Peacock, Myers drafted and defendants approved. (Pl. Ex. 34; Pl. Ex. 10, ¶ 11.) The cover letter to Scutieri was written on the fake "Summers & Associates" letterhead, and contained the new misrepresentation that Cornell Investment was the "parent company" of Summers & Associates. (Pl. Ex. 35.) In the next few weeks, Scutieri raised his price to $50,000. (Pl. Ex. 26, ¶ 14.) By that time, Peacock, Myers had concluded that "it is extremely important to any future dispute with [SALI] that [SHC] obtain the rights to the SUNRISE CLUB mark," and recommended that "SHC purchase the mark promptly and without further negotiation with respect to price." (Pl. Ex. 33.) On August 3, 1998, Peacock, Myers instructed Welsh to assent to $50,000 without further haggling. (Pl. Ex. 26, ¶ 14.)

On August 5, 1998, Peacock, Myers then wrote SHG's Berg outlining a plan for seamlessly transferring THE SUNRISE CLUB mark from Scutieri to defendants, using Cornell as a "dummy corporation," or straw. Thus, Adams explained that "[p]rior to the execution of the assignment, which will be from Scutieri to Cornell (dummy corporation) Bruce Welsh shall arrange for the purchase of Cornell by the Sun Healthcare Corporation so that Cornell is a subsidiary of SHC at the time of the transfer thus preventing any hiatus in the use of the goodwill that accompanies the transfer of the mark." (Pl. Ex. 17.)

On September 16, 1998, Scutieri signed the Cornell Agreement, agreeing "to transfer ownership of the mark" to Cornell Investment at a future personal closing date. The agreement identifies Bruce Welsh as the president of Cornell, but in his dealings with Scutieri, Welsh was still using his alias "Nicholas Devens." The agreement also demonstrates that the parties were aware of the existence of the Sunrise Agreement, reciting the fact that Scutieri "has previously entered into an agreement regarding the Mark with Sunrise Assisted Living, Inc. ('SALI'), a portion of which is of public record" with the USPTO. The Cornell Agreement then requires, in effect, that Cornell accept assignment of THE SUNRISE CLUB mark even if Cornell determined that those publicly available provisions of the Sunrise Agreement impaired its use of the mark. However, the Cornell Agreement did not contain a use or transfer restriction. (Pl. Ex. 57.)

Welsh executed the Cornell Agreement on Cornell's behalf on October 13, 1998. (Pl. Ex. 57.) The next day, Cornell was purchased by SNM pursuant to merger documents that had been executed a week earlier. (Pl. Ex. 42.) Unwittingly, Scutieri had therefore transferred THE SUNRISE CLUB mark to defendants.

II. Discussion

A. Summary Judgment Standard

Summary judgment is appropriate when "there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(c). In considering a motion for summary judgment, the Court is not to weigh the evidence, but must instead determine whether a genuine issue exists for trial. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249 (1986). In so doing, the Court must view the underlying facts in the light most favorable to the nonmoving party. Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574, 587 (1986).

The party moving for summary judgment must establish the absence of any genuine issue of material fact by reference to the relevant portions of the record in the case. Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986). The burden then shifts to the nonmoving party to go beyond the pleadings and to designate, by its own affidavits or the depositions, answers to interrogatories, and admissions on file, specific facts showing that there is a genuine issue for trial. Id. at 324.

There is no genuine issue for trial where the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party. Matsushita, 475 U.S. at 587. The nonmoving party must do more than simply show that there is some metaphysical doubt as to the material facts. Id. at 586. Instead, an issue of material fact is genuine only if the evidence is such that a reasonable jury could find for the nonmoving party. Anderson, 477 U.S. at 248.

B. The Elements of Fraud

Under Florida law,[1] a person is entitled to the rescission of a contract based on fraud in the inducement when he or she demonstrates: (1) the existence of a false statement concerning a material fact; (2) the knowledge by the person making the statement that the representation is false; (3) the intent that the statement induce another to act in reliance thereon; and (4) actual reliance on the representation resulting in the injury to the other party. See, e.g., Lance v. Wade, 457 So.2d 1008, 1010 (Fla. 1984).

C. Scutieri's Motion

Defendants do not dispute that their agent, Welsh, repeatedly lied to Scutieri during the negotiation of the Cornell Agreement. They concede that Welsh lied about his identity to Scutieri, employing the alias "Nicholas Devens"; that he lied that he was representing a company called "Summers & Associates", which operated a restaurant chain on the coast of North Carolina; and that during his first conversation with Scutieri, Welsh responded to his question about how Summers & Associates intended to use THE

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[1] Defendants do not dispute Scutieri's assertion that Virginia's choice-of-law rules dictate that Florida law governs his fraud claim.

SUNRISE CLUB mark by affirmatively misrepresenting that "we want[] the name for use as a sandwich title."

While seeking to retain the benefits of the Cornell Agreement -- a federal trademark much coveted by defendants -- they and their lawyers nonetheless attempt to distance themselves from Welsh's misrepresentations, asserting that they intended only to conceal their identity to keep the price down, and that they did not know he was using a pretext until early June of 1998. (Pl. Ex. 12, ¶ 3; Def. Ex. D, pp. 136-37, 139-40.) With the instructions they gave him, however, one wonders what, exactly, defendants expected Welsh would say -- if not a lie -- if Scutieri asked him, as he inevitably would and did, why he wanted to purchase his trademark. Yet, whatever defendants knew earlier about Welsh's misrepresentations, certain it is they know about them now, and even assuming arguendo that defendants were innocent principals, that of course would not enable them to accept the benefits of the Cornell Agreement while disclaiming responsibility for the methods employed by their agent. See Frederick v. Squillante, 144 So.2d 848, 849 (Fla. 2nd Dist. Ct. App. 1962) (quoting Chase v. Sullivan, 126 So. 359 (Fla. 1930)); Quest v. Barge, 41 So.2d 158, 162-63 (Fla. 1949).

Unable to sidestep Welsh's undisputed statements, defendants strain to avoid summary judgment by manufacturing a series of frivolous arguments. The first is that none of the facts Welsh misrepresented to Scutieri was material. However, Welsh himself all but conceded that his pretext was designed to conceal material facts, testifying that he thought "[t]he better way to approach the situation in determining whether [Scutieri] had a willingness to sell the mark was, in fact, to misrepresent." (Pl. Ex. 28, p. 43, emphasis added.) Welsh further testified that during their first conversation, Scutieri asked him how Summers & Associates intended to use the mark. (Pl. Ex. 25, pp. 55-56.) Scutieri testified that he would have ended the negotiations immediately -- "I would have hung up the phone on him" -- if Welsh had said "he was representing a health care company." (Pl. Ex. 54.) On this record alone, the Court could find that no genuine issue exists as to materiality and Scutieri's willingness to enter into the Cornell Agreement if he had known that he was assigning his trademark to defendants for use in the assisted living industry.

However, Scutieri's case is stronger because, as he testified, during his first conversation with Welsh, "I had mentioned to him ... that I had an agreement with SALI, and he said he didn't see how that would be a problem." (Id.) Scutieri's concerns, however, were legitimate. Pursuant to the Sunrise Agreement, he had pre-existing contractual obligations that would multiply the risks of assigning his mark to one of SALI's competitors, as opposed to a sandwich shop. While the agreement allows SALI to use the term "SUNRISE" in its mark, it also imposes on Scutieri a duty to cooperate with SALI in the event that SALI's mark became the subject of trademark infringement litigation.

Anyone in Scutieri's position would have realized that assigning THE SUNRISE CLUB mark to defendants was simply asking for trouble.

The Cornell Agreement itself also evidences Scutieri's concern that his assignment not jeopardize SALI's rights under the Sunrise Agreement. More precisely, paragraph 2 effectively requires Cornell to accept THE SUNRISE CLUB mark even if it later determined that the publicly available portion of the Sunrise Agreement impaired its use. Although not technically a use or transfer restriction, this provision is still powerful evidence that Scutieri was cognizant of SALI's rights, that he wanted to protect them, and that he did not want his assignee's use to subvert SALI's.

The record therefore overwhelmingly establishes that the intended use of the mark, as well as defendants' identity, were material to Scutieri. Nevertheless, defendants claim that a genuine issue of material fact exists because Scutieri had supposedly lost interest in the mark after The Sunrise Club facility was destroyed in 1997, and because he would have bargained for use and transfer restrictions in the Cornell Agreement if he really cared how his mark was used or by whom. Yet, while these facts might raise some metaphysical doubts as to materiality, they are no more than makeweight arguments. In the view of the entire record, the Court therefore finds that no reasonable jury could conclude that the facts Welsh misrepresented were not material.

The Court further rejects defendants' argument that Welsh had no duty to disclose the identity of his principals. Whether or not, in the abstract, an intermediary is entitled to withhold his principal's identity, Florida law is clear that "if he undertakes to do so he must disclose the whole truth." Nicholson v. Kellin, 481 So.2d 931, 936 (Fla. 5th Dist. Ct. App. 1985). See also Vokes v. Arthur Murray, Inc., 212 So.2d 906 (Fla. 2nd Dist. Ct. App. 1968). In this case, Welsh not only made disclosures, but affirmatively misrepresented the identity of his principals. He told Scutieri that he worked for a company that did not actually exist, and that the entity to which Scutieri was assigning his mark, Cornell Investment, was its parent. Welsh therefore had a duty to reveal the falsity of his statements and to disclose that defendants were using Cornell as a straw to deceive him -- a fact undisputedly within his knowledge.[2]

The same principle also defeats defendants' contention that Welsh "cured" his misrepresentation about the intended use of the mark. That he may once have partially equivocated about Summers & Associates' intended use is inconsequential. Having undertaken to disclose some of the facts within his knowledge, Welsh was under a duty to disclose the whole truth. See Nicholson v. Kellin, supra, at 936. The Court finds that no genuine issue exists as to Welsh's failure to disclose the whole truth about the intended use of THE SUNRISE CLUB mark.

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[2] Peacock, Myers' letter to Berg dated August 5, 1998, was copied to Welsh, who therefore knew that he was acting as defendants' agent and that they intended to purchase Cornell "[p]rior to the execution of the assignment." (Pl. Ex. 17.)

Defendants also assert that Scutieri's reliance on Welsh's representations was unjustified or unreasonable because of his sophistication as a businessman. However, the Court is quite sure that it is not open season on sophisticated businessmen in Florida. Relatedly, defendants argue that Scutieri was put on notice that Welsh's representations may have been false when Welsh partially equivocated about the intended use, and by the fact that a restaurant chain ordinarily would not need to acquire a retirement home's trademark. Thus, defendants contend, Scutieri's reliance was unjustified because he failed to undertake reasonable investigative efforts, or secure use or transfer restrictions, before taking Welsh's statements at face value.

Defendants' position, however, is without legal support. It is well-settled under Florida law that the recipient of a fraudulent misrepresentation is entitled to rely on it "unless its falsity is subjectively known or obvious to him." Chris Berg, Inc., v. Acme Mining Co., 893 F.2d 1235, 1238 (11^{th} Cir. 1990). In deciding not to impose a duty to investigate on a person who negligently relies on a fraudulent misrepresentation, the Florida Supreme Court reasoned as follows:

> A person guilty of fraud should not be permitted to use the law as his shield. Nor should the law encourage negligence. However, when the choice is between the two -- fraud and negligence -- negligence is less objectionable than fraud. Though one should not be inattentive to one's business affairs, the law should not permit an inattentive person to suffer loss at the hands of a misrepresenter.

Besett v. Basnett, 389 So.2d 995, 998 (Fla. 1980). In a recent elaboration on this discussion, the Florida Supreme Court explained: "Simply stated, the policy behind our holding in Besett is to prohibit one who purposely uses false information to induce another into a transaction from profiting from such wrongdoing." Gilchrist Timber Co. v. ITT Rayonier, Inc., 696 So.2d 334, 336-37 (Fla. 1997).

Consequently, whether Scutieri negligently relied on Welsh's misrepresentations is irrelevant unless their falsity was "subjectively known or obvious to him." Chris Berg, supra, at 1238. In that regard, Welsh's partial equivocation about the intended use of the mark is insufficient to create a genuine issue of material fact. Welsh's statement to Scutieri that "we [do] not know how we [will] use the trademark" could mean many things, and did not go far enough to fully disabuse Scutieri of his misunderstanding that the mark was being purchased for use by a sandwich shop. (Pl. Ex. 26, ¶ 13.) The Court finds that no reasonable jury could conclude that this minor equivocation proves that Scutieri subjectively knew, or that it was obvious to him, that Welsh's fraudulent misrepresentations were false. The Court therefore also finds that Florida law entitled Scutieri to rely on those misrepresentations, rendering it unnecessary to further analyze his negligent reliance, if any he displayed.

Defendants' final argument is that a genuine issue exists as to the injury Scutieri suffered as the result of his reliance on

Welsh's misrepresentations because his compensatory damages are in question. However, Scutieri need not, at this stage, be able to prove his damages to a sum certain, and under Florida law, he is entitled to rescission of the Cornell Agreement whether his injury was "pecuniary <u>or otherwise.</u>" <u>Food Fair, Inc. v. Anderson</u>, 382 So.2d 150, 154 (Fla. 5th Dist. Ct. App. 1980)(emphasis added). The Court finds that Scutieri suffered at least a non-pecuniary injury when he was tricked into surrendering his right to control the use of his federally registered trademark.

Moreover, Scutieri has shown a specific type of a non-pecuniary injury recognized under Florida law in that he was "induced to incur legal liabilities or obligations different from those represented or contracted for." <u>George Hunt, Inc. v. Wash-Bowl, Inc.</u>, 348 So.2d 910, 913 (Fla. 2nd Dist. Ct. App. 1977) (quoting <u>Ft. Myers Dev. Corp. v. J. W. McWilliams Co.</u>, 122 So. 264 (Fla. 1929)). Pursuant to paragraph 6 of the Cornell Agreement, Scutieri unwittingly agreed to assist and testify on behalf of defendants "in the event any dispute arises involving" THE SUNRISE CLUB mark. (Pl. Ex. 57, ¶ 6.) Indeed, on December 18, 1998, defendants' attorney, Adams, sent Scutieri's attorney a letter stating that under this provision Scutieri "has an obligation to assist" defendants in the instant action. (Pl. Ex. 58.) To be sure, when Scutieri agreed to sell his trademark to what he thought was a sandwich shop, it had not been represented to him that he was agreeing to assist defendants in litigation against SALI, with which he has a separate duty to cooperate pursuant to the Sunrise Agreement. (Pl. Ex. 7, ¶ 3.)

III. Conclusion

Finding that no genuine issue of material fact exists, and that Scutieri was fraudulently induced into entering the Cornell Agreement, entitling him to rescission of that contract as a matter of Florida law, the Court grants his motion for partial summary judgment. The Cornell Agreement is therefore rescinded and declared null, void, and of no effect. For the same reasons, the Court dismisses the counterclaims against Scutieri with prejudice.

Albert V. Bryan, Jr.
United States District Judge

Alexandria, Virginia
April 28th, 1999