9TH CASE of Level 1 printed in FULL format.

ROSGOSCIRC, a State company of the Russian Federation, on behalf of SOY/CPI PARTNERSHIP, a New York Partnership, Plaintiff, v. CIRCUS SHOW CORP., a New York Corporation, and STEVEN LEBER, Defendants. In re Application of CIRCUS PRODUCTIONS, INC., Petitioner, v. ROSGOSCIRC, Respondent.

92 Civ. 8498 (JSM), 93 Civ. 1304 (JSM)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

1993 U.S. Dist. LEXIS 9797

July 14, 1993, Decided

July 16, 1993, Filed

JUDGES: [*1] MARTIN, JR.

OPINIONBY: JOHN S. MARTIN, JR.

OPINION: MEMORANDUM OPINION AND ORDER

JOHN S. MARTIN, JR., District Judge:

Background

On March 21, 1989, VTPO Soyuzgoscirc ("SOY") and Circus Productions, Inc. ("CPI") entered into an agreement (the "SOY/CPI Agreement") to create a partnership ("SOY/CPI") in order to present performances of the Moscow Circus in the United States, Canada and Mexico. SOY was a Russian government organization which had allegedly controlled the country's circus industry for more than 70 years and had used the name "MOSCOW CIRCUS" since at least 1977. CPI was a New York corporation, and the SOY/CPI Partnership was formed under the laws of New York State.

Among other things, the SOY/CPI Agreement specified that CPI was to provide the "exclusive day-to-day management and control of the business of the Partnership" and guaranteed SOY $ 1 million per year in profits from circus tours. SOY was to assign to the partnership "all ownership rights" in the trademark MOSCOW CIRCUS, to which trademark the partnership was to have exclusive rights, and CPI was to register the trademark on behalf of the partnership. Any disputes under the agreement were to be submitted for [*2] arbitration to the "American Arbitration Association in New York" (the "AAA").

Subsequently, the partners signed several addenda and ancillary agreements, dated June 30, 1989, August/September 1989, April 8-11, 1991, April 11, 1991, and April 15, 1991, respectively. Of relevance to these proceedings is the fact that the April 8-11, 1991 and April 11, 1991 amendments changed the forum for arbitration from the AAA to the "International Arbitration in the Hague (the Netherlands)." The history of this change is as follows: During initial negotiations CPI insisted on having the contract provide for arbitration at the AAA in New York and such agreement was memorialized in the initial SOY/CPI Agreement. The Netherlands forum was decided upon at a subsequent negotiation conference where CPI insisted on New York and SOY demanded a Russian locale. Subsequently, after some discussion, SOY and CPI agreed that they would submit their disputes to a neutral region -- The Netherlands. Both parties believed that the chosen arbitration mechanism in the Hague was substantially similar to the AAA in New York and to certain dispute resolution bodies in Russia with which SOY was familiar.

As most [*3] recently amended, the Agreement sets forth a term of five years as the life span of the partnership, and is thus due to expire on April 14, 1996.

In April 1989, Steven Leber, president of CPI, acting on behalf of SOY/CPI, applied for registration of the mark MOSCOW CIRCUS from the U.S. Patent and Trademark Office. MOSCOW CIRCUS was officially registered to SOY/CPI as of January 9, 1990.

The SOY/CPI partners assembled a troupe of Russian circus artists for a 1989-1990 circus tour ("SOY/CPI 1989-90 Tour"). This tour originated in Canada in August 1989, commenced performance in the United

States in the fall of 1989, and performed under the name "Moscow Circus" in various cities in the U.S. until the summer of 1990.

During that same period, specifically from November 1989 to March/April 1990, a company by the name of Circus Show Corporation ("CSC") also promoted a United States tour of Russian circus performers from a different organization under the name "MOSCOW CIRCUS" (the "CSC Tour"). CSC was controlled by its president, Steven Leber, who was also president of CPI and with whom SOY had dealt. Most of the issues of these two cases center around the CSC Tour.

Apparently because [*4] of the breakup of the former Soviet Union, SOY ceased to exist and Rosgoscirc, identified to the Court as a state company of the Russian Federation, came into existence and acquired at least some of the rights of SOY. On March 24, 1992, Rosgoscirc, claiming that it was SOY's successor and thus a partner in SOY/CPI, sought to terminate the partnership and to collect monies CPI allegedly owed SOY. In an attempt to resolve this dispute, Rosgoscirc instituted arbitration proceedings against CPI at the AAA on January 22, 1993 in accordance with the arbitration provision of the original SOY/CPI Agreement. At the arbitration, Rosgoscirc seeks, inter alia, (1) a declaration that the SOY/CPI Agreement is terminated and the Partnership is dissolved, (2) a declaration that the various trademarks relating to the MOSCOW CIRCUS belong exclusively to Rosgoscirc, (3) reimbursement for CPI's unauthorized actions in licensing jointly owned Partnership assets to third parties. n1

n1 Rosgoscirc also seeks (1) $ 164,000 in damages owed for the SOY/CPI 1989-90 Tour, (2) $ 2 million in damages for CPI's failure to pay the contractually guaranteed yearly minimum of $ 1 million for the 1990/1991 and 1991/1992 tour seasons of the MOSCOW CIRCUS, (3) $ 820,000 relating to another tour lasting from September 1991 to December 1991, (4) one-half of the Partnership assets valued at $ 224,000, and (5) punitive damages of at least $ 5 million.

[*5]

Present Cases

In CPI v. Rosgoscirc, 93 Civ. 1304 (the "Arbitration Case"), CPI petitions the Court for a stay of the arbitration commenced by Rosgoscirc at the AAA, claiming that the parties had agreed under subsequent superseding contracts to arbitrate their disputes in the Netherlands.

In Rosgoscirc v. CSC, 92 Civ. 8498 (the "Trademark Case"), plaintiff Rosgoscirc, claiming to be the legal successor to SOY, brings this action on behalf of SOY/CPI for trademark infringement and other claims against CSC and Leber, alleging that they violated trademark laws by using the mark "MOSCOW CIRCUS" in the CSC Tour without authorization. Rosgoscirc claims it may properly sue on behalf of the partnership because Leber's alleged unauthorized use of the mark in connection with the CSC Tour created a conflict of interest between Rosgoscirc and CPI (as previously pointed out, Leber was president of both CPI and CSC), precluding a direct action by the partnership to recover any damages from CSC or Leber. Leber is being sued, in the Trademark Case, in his individual capacity and as president of CSC.

In the Trademark Case, Rosgoscirc alleges the following claims against defendants [*6] CSC and Leber: (1) Trademark infringement pursuant to *15 U.S.C. § 1114*, (2) false designation of origin pursuant to *15 U.S.C. § 1125*(a), (3) common law unfair competition and infringement, and (4) deceptive and unfair trade practices pursuant to various state statutory provisions. Rosgoscirc seeks monetary damages, an accounting of all profits derived by defendants from the sale of services, etc., relating to the alleged illegal use of the MOSCOW CIRCUS mark, and a declaration that defendants have no rights in the mark. Finally, Rosgoscirc seeks a permanent injunction prohibiting further use of the mark pursuant to *15 U.S.C. § 1116*.

Present Motions

Arbitration Case

The Arbitration Case is now before the Court on CPI's petition for a stay of the arbitration commenced by respondent Rosgoscirc. n2 In its application for a stay of the arbitration proceeding, CPI maintains that in two superseding agreements the partners explicitly agreed to submit any unresolved disputes to "the International Arbitration in the Hague (the Netherlands) whose determination shall be [*7] binding and conclusive for the parties." However, the parties concede that there was never an association entitled "the International Arbitration in the Hague" in The Netherlands, nor any similar arbitration organization or system in that region. Nevertheless, CPI petitions the Court to stay the New York arbitration in order to allow the arbitration to take place at the International Bureau of the Permanent Court of Arbitration at The Hague, The Netherlands, claiming it is the nearest arbitration association in the region most recently agreed upon by the parties.

n2 The action was originally commenced in State Supreme Court, New York County, where Justice Phyllis Gangel-Jacob issued an Order to Show Cause with a Temporary Restraining Order staying arbitration. The case was removed by Rosgoscirc to this Court on March 4, 1993.

Respondent Rosgoscirc cross-moves for an order compelling the arbitration already initiated at the AAA in New York. Rosgoscirc claims that the non-existence of the chosen forum voids the [*8] corresponding contractual provisions in the April 1991 Agreements, leaving the original arbitration clause in the SOY/CPI Agreement which designates the AAA in New York as the governing choice of forum.

Trademark Case

Defendants CSC and Leber move to dismiss the Trademark case complaint on the following grounds: (1) that the Court lacks subject matter jurisdiction over this action because it does not "arise under" trademark law, but rather is a simple contract dispute; (2) that Rosgoscirc lacks standing to maintain this action as an assignee of SOY because the SOY/CPI Partnership Agreement clearly precludes such an assignment; (3) that CSC was granted a license from CPI, the manager and co-owner of the trademark, which cannot infringe its own mark, thus justifying dismissal for failure to state a claim; (4) that Rosgoscirc has failed to join an indispensable party, CPI, whose joinder is necessary and required by Fed. R. Civ. P. 19. In addition, defendants move for an order staying this action pending the outcome of the related arbitration. In the alternative, non-party CPI moves to intervene for the limited purpose of moving to stay this action. Finally, defendants move for [*9] an award of sanctions against plaintiff and its counsel.

~~Discussion~~

Arbitration Case [1958 New York

There are two bodies of law which could govern the dispute regarding the proper forum for arbitration: (1) Federal arbitration law, consisting of the Federal Arbitration Act, *9 U.S.C. §§ 1-16* and the Convention ~~on the Recognition and Enforcement of Foreign Arbitral Awards, as enacted at 9 U.S.C. §§ 201-208,~~ and (2) fundamental contract principles. Since, as the analysis below demonstrates, the result would be the same under either, it is unnecessary to determine which is applicable.

~~A. Federal Arbitration Law~~

The United States, the Russian Federation, and The Netherlands are all Contracting States to the Convention ~~on the Recognition and Enforcement of Foreign Arbitral Awards ("Convention"), reprinted at 9 U.S.C. § 201 note (Supp. 1993)~~; see generally *9 U.S.C. §§ 201-208* ~~(Supp. 1993)~~. Thus, this action appears to be governed by the Convention. *9 U.S.C. § 202* ~~(Supp. 1993).~~

Rosgoscirc removed the Arbitration [*10] Case to this Court pursuant to *9 U.S.C. § 205* and brings its cross motion to compel arbitration pursuant to *9 U.S.C. § 206*. Title 9 of the United States Code, Section 206 states, in relevant part, that

> [a] court having jurisdiction under this chapter may direct that arbitration be held in accordance with the agreement at any place therein provided for, whether that place is within or without the United States.

In *Ledee v. Ceramiche Ragno, 684 F.2d 184 (1st Cir. 1982)*, the First Circuit established four preliminary questions which a court must resolve prior to referring an international dispute to arbitration pursuant to § 206:

> (1) Is there an agreement in writing to arbitrate the subject of the dispute?
>
> (2) Does the agreement provide for arbitration in the territory of a signatory of the Convention?
>
> (3) Does the agreement arise out of a legal relationship, whether contractual or not, which is considered as commercial?
>
> (4) Is a party to the agreement not an American citizen or does the commercial relationship have some reasonable relation with one or more foreign [*11] states?

Id. at 186-187 (citations omitted); accord *Riley v. Kingsley Underwriting Agencies, Ltd., 969 F.2d 953, 959* (10th Cir.), cert. denied, *121 L. Ed. 2d 584, 113 S. Ct. 658 (1992)*. Where the district court resolves these questions in the affirmative "then it must order arbitration unless it finds the agreement 'null and void, inoperative or incapable of being performed.'" as set forth in Article II(3) of the Convention. *Ledee, 684 F.2d at 187* (emphasis added); see *Riley, 969 F.2d at 959.*

Although the Convention's "null and void" exception is to be narrowly construed, see *Riley, 969 F.2d at 960; Rhone Mediterranee Compagnia Francese di Assicurazioni E Riassicurazoni v. Lauro, 712 F.2d 50, 53 (3d Cir. 1983)*; *Meadows Indem. Co. v. Baccala &*

Shoop Ins. Svcs., *760 F. Supp. 1036, 1043 (E.D.N.Y. 1991)*, the inclusion of a non-existent forum should be classified as a mistake and a proper exception under Article II(3). See *Meadows Indem. Co.*, *760 F. Supp. at 1043* **[*12]** (Article II(3) is "limited to cases in which the clause itself . . . is 'subject to an internationally recognized defense such as duress, mistake, fraud, or waiver.'") (quoting *Rhone*, *712 F.2d at 553*). In the case at bar, the parties concede that selection of the non-existent forum was a mutual mistake. Hence, the provision should be considered void under Article II(3) of the Convention.

Likewise, the plain text of § 206 allows a district court to order arbitration only "in accordance with the agreement at any place therein provided for." Hence, if the arbitration clause had specified an existing location, then § 206 would allow the Court to compel arbitration at that situs. However, in this case, the forum specified by the parties never existed, and thus the Court cannot rely on § 206.

Given that § 206 is inapplicable to this case, what forum should the Court designate for arbitration?

In *Oil Basins Ltd. v. Broken Hill Proprietary Co.*, *613 F. Supp. 483 (S.D.N.Y. 1985)*, District Judge Cannella held that a court "only has discretion to compel arbitration in its own district or in a place specified in the contract." **[*13]** *Id. at 488*. However, where "no place was specified explicitly or implicitly," then "the court can only order the parties to proceed to arbitration in [its] district." Id.

The Oil Basins court pointed out that although *9 U.S.C. §§ 201*-208 ("Chapter 2") were expressly set forth to govern Convention cases, under § 208, a court must incorporate §§ 1-16 ("Chapter 1") in Convention cases "to the extent that [Chapter 1] is not in conflict with [Chapter 2] or the Convention." *Oil Basins*, *613 F. Supp. at 487* (quoting *9 U.S.C. § 208*). n3 Because, as demonstrated above, §§ 201-208 (Chapter 2) do not directly apply in this instance, the Court must look to Chapter 1, specifically *9 U.S.C. § 4*.

n3 *9 U.S.C. § 208* provides, "Chapter 1 applies to actions and proceedings brought under this chapter to the extent that that chapter is not in conflict with this chapter or the Convention, as ratified by the United States."

[*14]

While § 4 requires a district court to direct arbitration in its own district, its sister Convention statute, § 206, which supersedes § 4 in Convention cases, instructs a court to direct arbitration at any place specified in the contract, "within or without the United States." However, the court reasoned that "neither section gives the Court discretion to select an unspecified site outside its district and Section 4 expressly precludes such discretion. Thus, on the face of the statute, Chapter 2 does not appear to contradict Section 4's requirement that arbitration be compelled in the court's district except when the contract specifies a location." *Oil Basins*, *613 F. Supp. at 487*; see also *Bauhinia Corp. v. China Nat'l Mach. & Equip. Import & Export Corp.*, *819 F.2d 247, 249-50 (9th Cir. 1987)* ("under the statutory regime" of § 208 and § 4, where parties left an arbitration forum blank in one clause, yet in another clause mentioned arbitration in Peking, China, "a district court can only order arbitration within its district") (citing *Oil Basins*, *613 F. Supp. at 488*).

In this case, since **[*15]** the current forum selection clauses are void, the Court cannot direct arbitration under § 206 (which requires a clear contractual provision), but should compel arbitration in this district, i.e., at the AAA in New York, in accordance with § 4.

B. Contractual Analysis

An application of basic contract principles would yield the same conclusion as federal arbitration law. The rule is well established that in construing arbitration clauses, a court should apply standard contract principles. *Fuller v. Guthrie*, *565 F.2d 259, 260-61 (2d Cir. 1977)* (citing *Atkinson v. Sinclair Refining Co.*, *370 U.S. 238, 241, 82 S. Ct. 1318, 1320-21, 8 L. Ed. 2d 462 (1962)*).

The clear intent of the parties was to designate a neutral tribunal for arbitration substantially similar to the AAA or to the USSR Chamber of commerce. The only dispute was over which party should have the "home-court" advantage with its accompanying conveniences: CPI wanted New York and SOY wanted Russia. Given that CPI and SOY previously agreed to arbitrate at the AAA in New York, that the choice of a different forum was solely the result of SOY's concern over neutrality, **[*16]** and that Rosgoscirc, ostensibly acting in SOY's place, has chosen to forego the advantage for which it had negotiated, the intent of the parties would best be approximated by designating the AAA rather than sending the parties to a "dark horse" forum whose only link is its geographical proximity to a fictitious entity.

Alternatively, the fact that the amendment contained a mutual mistake regarding the designated forum means that there was no "meeting of the minds" and that the amendment, or at least the provision changing the arbitration forum, is void; the previous agreement providing for arbitration at the AAA thus governs this dispute.

Sunlight Funding Corp. v. Singer, 146 A.D.2d 625, 536 N.Y.S.2d 533, 534 (2d Dept. 1989).

13 Given the intent of the parties for an AAA-type arbitration, CPI's admitted and consistent preference for New York arbitration during all contract negotiations, and the selection of the AAA in the original SOY/CPI Agreement, the contract between the parties should be construed to provide for arbitration at the AAA. Therefore, the Court will deny CPI's petition for a stay of arbitration and grant Rosgoscirc's cross-motion to compel the arbitration [*17] already commenced at the AAA.

Trademark Case

~~Subject Matter Jurisdiction~~

~~Defendants CSC and Leber claim that although~~ Rosgoscirc brought this action under the Lanham Act this case does not raise a federal question. Defendants assert that the actual underlying dispute between the parties is whether Leber, in his capacity as president of CPI, was permitted under the SOY/CPI Agreement to license the use of the MOSCOW CIRCUS mark to his other company, CSC. Thus, defendants argue that this is an ordinary claim for breach of contract, and is not an action relating to trademark infringement.

The Second Circuit has firmly established the rules governing this issue in the context of copyright infringement:

> We instruct courts in this Circuit to undertake a three-part test . . . to determine whether a complaint states a cause of action arising under the Copyright Act. A district court must first ascertain whether the plaintiff's infringement claim is only "incidental" to the plaintiff's claim seeking a determination of ownership or contractual rights under the copyright. If it is determined that the claim is not merely incidental, then a district court must next determine [*18] whether the complaint alleges a breach of a condition to, or a covenant of, the contract licensing or assigning the copyright. As we noted above, if a breach of a condition is alleged, then the district court has subject matter jurisdiction. But if the complaint merely alleges a breach of a contractual covenant in the agreement that licenses or assigns the copyright, then the court must undertake a third step and analyze whether the breach is so material as to create a right of rescission in the grantor. If the breach would create a right of rescission, then the asserted claim arises under the Copyright Act.

Schoenberg v. Shapolsky Publishers, Inc., 971 F.2d 926, 932-33 (2d Cir. 1992) (citations omitted). Analogous ~~principles govern the exercise of federal~~ jurisdiction over claims involving patent, copyright and trademark laws. *Foxrun Workshop, Ltd. v. Klone Mfg., Inc., 686 F. Supp. 86, 87 (S.D.N.Y. 1988); Bear Creek Prod., Inc. v. Saleh, 643 F. Supp. 489, 491 (S.D.N.Y. 1986)*, and thus the Schoenberg analysis applies equally to trademark actions.

Defendants maintain that the [*19] trademark infringement claim is incidental to the contract dispute. They assert that the real dispute is between Rosgoscirc and CPI as to whether CPI had SOY's consent to license the use of the MOSCOW CIRCUS mark to CSC. Defendants state that CSC is clearly absolved of any liability since it had CPI's permission, i.e., a half-owner in the mark. Hence, defendants argue, all Rosgoscirc can do is bring an action against Leber and/or CPI for alleged breach of contract.

Rosgoscirc responds that CPI and Leber, in his individual capacity, have infringed on the rights of SOY/CPI in the MOSCOW CIRCUS trademark. Although the defendants claim that CPI was merely acting pursuant to a license it properly obtained from the partnership, there are serious factual disputes regarding whether such a license was ever granted, whether the managing partner of SOY/CPI had authority to grant such a license, and whether such grant was properly effected. Under the Schoenberg test, therefore, federal subject matter jurisdiction exists in this instance.

Standing

Rosgoscirc identifies itself as "a State company of the Russian Federation Government," and the "legal successor in interest" to [*20] SOY. Complaint P 3 (Trademark Case). Rosgoscirc thereby classifies itself as a general partner in the SOY/CPI Partnership. Defendants CSC and Leber move to dismiss the complaint claiming that Rosgoscirc is not a successor but rather an invalid assignee with no standing to maintain this action. Defendants assert that P 19 of the SOY/CPI Agreement, which contains a clear non-assignment provision with regard to SOY, bars Rosgoscirc from acting as a partner

> No party shall have the right, without the others' consents, to assign this Agreement in whole or in part to any third party . . . .

~~SOY/CPI Agreement P 19. n4~~

n4 In contrast, the remainder of P 19 specifically allows CPI to assign the Agreement provided that (1) Steven Leber is involved with the assignee, and (2) CPI obtains SOY's consent.

~~Defendants CSC and Leber argue that the key docu-~~ mented proof that Rosgoscirc submits as to its origin is a Russian Federation Government Decree (the "Decree") dated January 9, 1992, which states that SOY "assigns [*21] all of its rights and obligations to the Company." Defendants assert the Decree as proof that Rosgoscirc is an invalid assignee of SOY. Defendants further maintain that Rosgoscirc's allegation that it is a general partner has no merit because SOY/CPI was established under New York law and § 40(7) of the New York Partnership Law states that "no person can become a member of a partnership without consent of all partners."

Notwithstanding the various points of contention with regards to Rosgoscirc's status, defendants' motion to dismiss for lack of standing should be denied. The Supreme Court has held that:

> For purposes of ruling on a motion to dismiss for want of standing, both the trial and reviewing courts must accept as true all material allegations of the complaint, and must construe the complaint in favor of the complaining party.

Warth v. Seldin, 422 U.S. 490, 501, 95 S. Ct. 2197, 2206, 45 L. Ed. 2d 343 (1975); Schiavone v. United States, 766 F.2d 70, 75 (2d Cir.), cert. denied, *474 U.S. 1020, 88 L. Ed. 2d 554, 106 S. Ct. 569 (1985).* Although defendants argue that Rosgoscirc's allegations regarding its status [*22] are legal conclusions which should not be accepted as true, see *McCoy v. Goldberg, 748 F. Supp. 146, 153 (S.D.N.Y. 1990),* they are more appropriately considered allegations of fact, or at least mixed allegations of law and fact. Thus, the Court must accept Rosgoscirc's allegations in the complaint regarding its designation as SOY's successor as true, and deny the motion to dismiss for lack of standing.

Failure to State a Claim

Defendants move for dismissal claiming that even if Rosgoscirc does present a proper trademark claim under the Lanham Act, this action should be dismissed because the MOSCOW CIRCUS mark was licensed to CSC. The complaint clearly alleges that no such license issued, and so the motion to dismiss must be denied.

Indispensable Party

Defendants move to dismiss this case under Fed. R. Civ. P. 12(b)(7) on the grounds that Rosgoscirc has failed to join an indispensable party, CPI, as required by Fed. R. Civ. P. 19. Defendants present two separate ~~arguments why CPI is an indispensable party.~~

~~Defendants first claim that, even assuming Rosgoscirc~~ has stepped into SOY's shoes as a general partner of SOY/CPI, such status is insufficient [*23] to maintain a suit on behalf of the partnership. Defendants contend that only the managing partner, namely CPI, can bring suit in the name of the partnership, and consequently CPI is an indispensable party to this case. However, both the Second Circuit and the New York Court of Appeals have held that limited partners may sue on behalf of the limited partnership when the general partner is unable or wrongfully refuses to do so, *Klebanow v. New York Produce Exchange, 344 F.2d 294, 298 (2d Cir. 1965); Riviera Congress Assocs. v. Yassky, 18 N.Y.2d 540, 277 N.Y.S.2d 386, 392, 223 N.E.2d 876 (Ct. App. 1966);* see *Strain v. Seven Hills Assocs., 429 N.Y.S.2d 424, 427-29 (1st Dept. 1980)* (discussing Klebanow and Riviera), on the rationale that limited partners entrust their interests to general partners, and when the latter act in a manner inconsistent with the interests of the partnership the limited partners will be injured unless they may maintain suit. There is no reason why this reasoning should not extend to general partners who might otherwise be prevented by the partnership agreement from bringing suit on behalf [*24] of the partnership; indeed, the two groups are directly analogous. Consequently, because Rosgoscirc has alleged sufficient reason why CPI will not sue CSC and Leber on behalf of the partnership, and assuming that Rosgoscirc could not otherwise sue on behalf of SOY/CPI, it is appropriate in this instance to permit Rosgoscirc to sue on behalf of the partnership.

Defendants also claim that CPI is an indispensable party because it has an ownership interest in the trademark at issue, and a trademark suit requires participation of all the trademark owners. See *Capetola v. Orlando, 463 F. Supp. 498, 503 (E.D. Pa. 1978)* (because licensor and licensee "both have actionable rights [in the trademark] at the same time, . . . they both must join in any action to enforce either's rights under the trademark"). However, defendants appear to have ignored the fact that, pursuant to the partnership agreement, the ownership of the MOSCOW CIRCUS trademark was assigned to the SOY/CPI partnership, in whose name the mark was registered. Accordingly, SOY/CPI is the owner of the trademark, and is the one and only entity ~~who may or can bring suit to vindicate its rights.~~ [*25]

[14] ~~Stay Pending Arbitration~~

Defendants move to stay the Trademark Case pending the outcome of the arbitration commenced by Rosgoscirc against CPI. As stated above, defendants claim that the real dispute at bar is whether SOY granted Leber as president of CPI authority to license the use of the MOSCOW CIRCUS trademark to his other company, CSC. Defendants insist that Rosgoscirc's real case is against CPI and thus the arbitration clause in the SOY/CPI Agreement governs this case. Defendants base this motion on (1) *9 U.S.C. § 3* and (2) the district court's inherent powers.

Title 9 of the United States Code, Section 3 states:

> If any suit or proceeding be brought in any of the courts of the United States upon any issue referable to arbitration under an agreement in writing for such arbitration, the court in which such suit is pending, upon being satisfied that the issue involved in such suit or proceeding is referable to arbitration under such an agreement, shall on application of one of the parties stay the trial of the action until such arbitration has been had in accordance with the terms of the agreement, providing the applicant for the stay [*26] is not in default in proceeding with such arbitration.

9 U.S.C. § 3 (1988).

Defendants claim *Citrus Mktg. Bd. of Israel v. J. Lauritzen A/S, 943 F.2d 220 (2d Cir. 1991)*, supports the proposition that movants who are not parties to a contract containing an arbitration clause may nonetheless be entitled to a stay under *9 U.S.C. § 3*. See Defendants' Memorandum of Law in Support of Motion Dismiss (Trademark Case) at 11. Defendants cite the Lauritzen court's discussion of *McCowan v. Sears, Roebuck & Co., 908 F.2d 1099, 1106* (2d Cir.), cert. denied, *498 U.S. 897, 112 L. Ed. 2d 209, 111 S. Ct. 250 (1990)*, wherein the Second Circuit had held that a movant may seek a stay under § 3 whether or not the movant "was a party to the pertinent arbitration agreement." *Lauritzen, 943 F.2d at 224.*

Inexplicably, defendants wholly fail to note that the Lauritzen court concluded by disagreeing with this proposition and holding that such a stay was not proper under § 3, thus effectively overruling McCowan. Therefore, because [*27] defendants were not parties to the SOY/CPI Agreement, the motion for a stay pursuant to *9 U.S.C. § 3* must fail. Id.

However, in addition to the statutory power, district courts have an inherent power to grant a stay pending arbitration in the interests of judicial economy. *Lauritzen, 943 F.2d at 225* (quoting *Nederlandse Erts-Tankersmaatschappij, N.V. v. Isbrandtsen Co., 339 F.2d 440, 441 (2d Cir. 1964)*); see *Nederlandse, 339 F.2d at 441-442* (quoting Justice Cardozo's opinion in *Landis v. North Am. Co., 299 U.S. 248, 254-55, 57 S. Ct. 163, 166, 81 L. Ed. 153 (1936)*, and setting forth the conditions under which a court should use its inherent power to grant a stay); see also *Sierra Rutile Ltd. v. Katz, 937 F.2d 743, 750 (2d Cir. 1991)*. Defendants have the burden of establishing that a stay is warranted in this case. *Nederlandse, 339 F.2d at 442*; see *Lauritzen, 943 F.2d at 225*, and they have failed to carry it. Since neither Leber nor [*28] CSC will consent to be bound by any determinations made at the arbitration, waiting for it to conclude in no way insures that time and effort will be saved in this proceeding. Only Rosgoscirc might be collaterally estopped by any adverse determinations made in the arbitration, while Leber and CSC would have the opportunity to relitigate any issue arbitrated. Accordingly, the Court declines to exercise its discretion to stay this action pending the arbitration.

Intervention of CPI

CPI moves to intervene for the sole purpose of moving for a stay pending arbitration. Such a motion is not only unusual (if not unique), but in this instance is also procedurally improper. The procedure for making a motion to intervene is set forth in Fed. R. Civ. P. 24(c), which requires that the party seeking to intervene "shall serve a motion to intervene . . . accompanied by a pleading setting forth the claim or defense for which intervention is sought" upon the parties. There is no indication that CPI has served such papers; indeed, the scope of CPI's proposed intervention would imply that CPI actually does not at this time contemplate a claim or defense relating to this action. Accordingly, [*29] the motion to intervene is not properly before this Court.

Sanctions

Defendants move for sanctions on the grounds that the Trademark Case brought by Rosgoscirc is frivolous. Rosgoscirc has alleged sufficient facts on which to base a claim, and so there is no basis at this time for deeming the Trademark Case frivolous. Thus, the motion will be denied without prejudice to make it at a later time.

Conclusion

For the foregoing reasons,

in the Arbitration Case, No. 93 Civ. 1304, respondent Rosgoscirc's motion to compel arbitration at the AAA is GRANTED; petitioner CPI's motion to stay arbitration is DENIED;

in the Trademark Case, No. 92 Civ. 8498, defendants' motion to dismiss, motion to stay the action pending arbitration and motion for sanctions are DENIED; non-party CPI's motion to intervene is DISMISSED.

SO ORDERED.

July 14, 1993

JOHN S. MARTIN, JR., U.S.D.J.