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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91223290
Party	Plaintiff Nerium International, LLC
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Submission	Motion to Suspend for Civil Action
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Signature	/Lisa R. Hemphill/
Date	03/22/2016
Attachments	Nerium Opposition 91223290 OPPOSED MOTION FOR SUSPENSION OF OPPOSITION.pdf(151435 bytes) Nerium Opp Exhibit A to Opposed Motion for Suspension.pdf(78944 bytes) Nerium Opposition Exhibit B to Opposed Motion for Suspension.pdf(77779 bytes) Nerium Opposition Exhibit C to Opposed Motion for Suspension.pdf(318725 bytes)

THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

In Re: **Application No.: 85/303510** **Filed: April 25, 2011** **Mark: NERIUM** **IC: 05**	§ § § § § § §	
NERIUM INTERNATIONAL, LLC, **Opposer,** **v.** **NERIUM BIOTECHNOLOGY, INC.,** **Applicant.**	§ § § § § § § § § §	**Opposition No.:** **91223290**

OPPOSED MOTION FOR SUSPENSION OF OPPOSITION PROCEEDING PENDING FINAL DISPOSITION OF CIVIL ACTION

Pursuant to Trademark Rule of Practice 2.117(a), 37 C.F.R. § 2.117(a), Opposer Nerium International, LLC ("Opposer" or "Nerium International") respectfully moves for a suspension of the above-styled opposition proceeding pending the final disposition of the civil action styled as *Nerium Skincare, Inc. v. Nerium International, LLC*, Cause No. DC-15-09594, in the 116th Judicial District Court of Dallas County, Texas (the "Civil Action"). In support of thereof, Nerium International would respectfully show as follows:

On April 25, 2011, Applicant Nerium Biotechnology, Inc. ("Applicant" or "Biotech") filed Application Serial No. 85/303,510 seeking registration for the mark NERIUM, in standard character form, for a variety of skin care products. After Nerium International filed its opposition notice to Biotech's application, Biotech filed its answer to the opposition and

counterclaims to cancel Nerium International's stylized "N" and design marks, which are federally registered under U.S. Registration Nos. 4,425,567 (registered on October 29, 2013) and 4,469,321 (registered on January 21, 2014).

Biotech's wholly-owned subsidiary, Nerium SkinCare, Inc. ("SkinCare"), entered into a confidential "Company Agreement" with Nerium International, and Biotech agreed to serve as Skincare's guarantor under the Company Agreement. *See* Applicant's Answer and Counterclaim (filed January 21, 2016) at 4, ¶ 9 and 8, ¶ 18. By virtue of its own pleading, Biotech asks the Board as part of this opposition proceeding to interpret the Company Agreement and declare the parties' respective rights thereunder as to the ownership and use of the disputed marks. *See, e.g., id.* at 10, ¶¶ 18-19; *id.* at 10, ¶ 32 (Applicant alleged that Opposer "misled NBI and SkinCare by executing the Company Agreement and then subsequently claiming ownership of marks used by NBI or SkinCare in the production or packaging of skincare products.").

Moreover, even though SkinCare is not actually a party to this proceeding, Biotech asks the Board to determine SkinCare's rights as well. *See id.* at 12, ¶ 41 (Applicant indicated that either NBI, or alternatively, SkinCare, "is and always has been the rightful owner of the marks identified in Opposer's Registrations."); *see also id.* at 10, ¶ 33 (Applicant further alleged that "Opposer misled the Trademark Office by filing multiple trademark applications for marks used by NBI or SkinCare in the production or packaging of skincare products, despite the Company Agreement acknowledging and agreeing that NBI or Skincare owned such marks."). Based on the foregoing, the Board's determination of the claims and issues in this opposition will invariably turn on the Board's interpretation of the Company Agreement and its determination of the rights thereunder of the signatories, including Nerium International and SkinCare, as to the ownership and use of the disputed marks.

And yet, Biotech and SkinCare have ensured that this forum is not the only one in which key matters at issue in this opposition proceeding will be adjudicated. More specifically, on August 21, 2016—nine days after Nerium International filed its opposition notice—SkinCare initiated a Civil Action in the District Court of Dallas County, Texas by filing its Original Petition against Nerium International. A copy of SkinCare's Original Petition is attached hereto as **Exhibit A**[1].

SkinCare's Amended Petition puts at issue the use and ownership of the Nerium name in connection with claims of breach of the Company Agreement, which involves the very same disputed marks at issue in this opposition proceeding. *See, e.g.,* **Exhibit B** at 4, ¶ 13 (stating that under the Company Agreement, in the absence of a separate distribution and licensing agreement, Nerium International "has no right to market skin care products under the Nerium name, because such rights belong to Nerium SkinCare and/or Biotech") *see, also id.* at 4, ¶ 14 (indicating that Nerium International is breaching the Company Agreement when selling products "under the Nerium name and banner."); *see, also* Applicant's Answer and Counterclaim at 10, ¶ 19 (indicating that the Company Agreement addresses ownership of "all marks used in the production or packing of all skin care products").

Given the conspicuous, substantive overlap between the issues in the Civil Action and those before the Board here, a decision by the state court in the Civil Action will assuredly have a bearing on the many issues in this opposition proceeding. A decision in the Civil Action could also provide persuasive insight as well as provide significant judicial and administrative

[1] On March 21, 2016, Skincare filed Plaintiff's First Amended Original Petition ("Amended Petition"). A copy of the Amended Petition is attached hereto as **Exhibit B**. The Amended Petition does not substantively change the allegation with regard to Opposer's right to market skin care products under the Nerium name. See ¶ ¶13, 14.

efficiency with regard to the many claims and issues before the Board, and potentially affect the standing of the respective parties in this proceeding.

Where, as here, a civil action may have a bearing (even of a non-dispositive nature) on the issues before the Board, the Board proceeding may be suspended until termination of the civil action. *See* Trademark Rule 2.117(a) ("Whenever it shall come to the attention of the Trademark Trial and Appeal Board that a party or parties to a pending case are engaged in a civil action or another Board proceeding which may have a bearing on the case, proceedings before the Board may be suspended until termination of the civil action or the other Board proceeding."). In fact, it is standard policy or procedure of the Board to stay administrative proceedings like this one under such circumstances. *See, e.g.,* 6 McCarthy on Trademarks and Unfair Competition § 32.47 (4th ed. updated June 2011) ("It is standard procedure for the Trademark Board to stay administrative proceedings pending the outcome of court litigation between the same parties involving related issues.").

Biotech, however, apparently disagrees and opposes suspension of this proceeding. Oddly, Biotech would not agree to the requested suspension despite having relied on the pendency of the very same Civil Action and the Company Agreement to support its request to suspend numerous opposition proceedings around the world involving the very same marks at issue in this opposition. By way of example, on November 2, 2015, Biotech filed a written request in New Zealand with the Commissioner of Trade Marks (a copy of which is attached hereto as **Exhibit C**) asking for a temporary halt in opposition proceedings pending the outcome or resolution of the Civil Action. In support thereof, Biotech represented that Nerium International and Biotech "are pursuing various opposition proceedings around the world relating to the use and ownership of the **NERIUM** Trade Marks"; Biotech, through SkinCare, has

initiated the Civil Action against Nerium International; the Civil Action "will have a direct impact on the opposition proceedings operating worldwide relating to the **NERIUM** Trade Marks"; and the Civil Action "is directly relevant to matters at issue in the[] opposition proceedings—namely who owns and has the right to use and register the **NERIUM** Trade Marks." **Exhibit C** at 1-2.

Biotech's inconsistent positions aside, it cannot be reasonably disputed that the outcome of the Civil Action may and will have a bearing on the issues in this opposition proceeding. Both concern the same three companies (Nerium International, Biotech, and SkinCare); the same contract (the Company Agreement); and the same key matter—to quote Biotech's own words, "namely who owns and has the right to use and register the **NERIUM** Trade Marks," **Exhibit C** at 2. As such, suspension of this opposition proceeding would not only best conserve the resources of all involved, including the Board's, but also would minimize the risk of inconsistent outcomes and potentially resolve all the issues.

For these reasons, Nerium International respectfully asks the Board to grant this motion for suspension and issue an order suspending this opposition proceeding pending the final disposition of the Civil Action.

Date: March 22, 2016

Respectfully submitted,

/Lisa R. Hemphill/

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ATTORNEYS FOR OPPOSER
NERIUM INTERNATIONAL, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **Opposed Motion for Suspension of Opposition Proceeding Pending Final Disposition of Civil Action** was served on Applicant's counsel of record pursuant to the parties' agreement, *via* email on March 22, 2016 to the following email addresses set forth below:

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FILED
DALLAS COUNTY
8/21/2015 4:59:08 PM
FELICIA PITRE
DISTRICT CLERK

Tonya Pointer

NO. DC-15-09594

NERIUM SKINCARE, INC,	§	IN THE DISTRICT COURT OF
	§	
Plaintiff,	§	
	§	
v.	§	DALLAS COUNTY, TEXAS
	§	
NERIUM INTERNATIONAL, LLC,	§	
	§	
Defendant.	§	_____ JUDICIAL DISTRICT

PLAINTIFF'S ORIGINAL PETITION

TO THE HONORABLE JUDGE OF SAID COURT:

Plaintiff Nerium SkinCare, Inc. files this Original Petition and for causes of action would show the Court as follows:

I. PARTIES, JURISDICTION AND VENUE

1. Plaintiff Nerium SkinCare, Inc. ("Nerium SkinCare") is a corporation organized and existing under the laws of the state of Texas.

2. Defendant Nerium International, LLC ("Company") is a limited liability company existing under the laws of the state of Texas. Company may be served with process by serving its registered agent, Jeff Branch, at 4004 Belt Line Road Suite 112, Addison, TX 75001.

3. The amount of damages sought by Nerium SkinCare is within the jurisdictional limits of the Court. Nerium SkinCare seeks monetary relief over $1,000,000.

4. Venue is proper in Dallas County, because it is the county of the Company's principal office in this state and because it is the county where all or a substantial part of the events or omissions giving rise to the claim occurred. TEX. CIV. PRAC. & REM. CODE § 15.002(a)(1), (3).

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II. DISCOVERY LEVEL

5. Nerium SkinCare requests that discovery be conducted under Level 3 of Texas Rules of Civil Procedure Rule 190.4.

III. FACTUAL ALLEGATIONS

6. Several years before the formation of the Company, Nerium Biotechnology, Inc. ("Biotech"), Plaintiff Nerium SkinCare's parent, was engaged in researching, developing and testing products using extracts of the *Nerium oleander* plant that appear to have unique health benefits. During that process, Biotech discovered that the unique properties of the *Nerium oleander* plant provided remarkable age-defying results when applied to the skin. Biotech patented an extraction process to create an oleander extract product called NAE-8®. Biotech created Nerium SkinCare to develop, formulate and manufacture natural skincare products, some of which would contain the NAE-8® extract. Biotech and Nerium SkinCare are focused on bringing safe and quality products with real science behind them to the marketplace.

7. Having developed a first-of-its-kind product, with a patented extraction process that yields a beneficial extract, Nerium SkinCare considered marketing alternatives and was introduced to Jeff Olson ("Olson"). Nerium SkinCare and Olson agreed to create the Company to market and sell Nerium SkinCare products. By creating the Company, Nerium SkinCare and Olson hoped to marry Olson's marketing experience with the ability of Biotech and Nerium SkinCare to develop and produce safe and effective cosmetic products with real science behind them.

8. A Company Agreement for Defendant Nerium International, LLC was entered into on April 6, 2011, effective as of October 23, 2010, with Olson's company, JO Products,

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L.L.C ("JO"), owning 70%, and Nerium SkinCare owning 30%. Olson is the Manager, and the Company is a "Manager-Managed" limited liability company. Olson, as sole Manager, adopted the Company Agreement.

9. The Company Agreement defines the "Product Line" as products that have been developed, or are in the future developed, by Nerium SkinCare and/or Biotech.

10. The Company Agreement also establishes the parties' roles in the relationship. Nerium SkinCare develops and produces the Product Line and the Company sells and distributes the Product Line. In consideration for being the sole producer of product for the Company, Nerium SkinCare agreed to enter into an agreement which would provide the Company with a worldwide (excluding the Central America Countries) exclusive right to distribute the "Product Line", except for OTC products and products designed for distribution by healthcare professionals, which could be distributed by the Company on a non-exclusive basis. In this regard, the Company Agreement calls for the execution of a Perpetual Distribution and Licensing Agreement (the "DLA") between the Company and Nerium SkinCare to delineate the exclusive and non-exclusive rights of Company to market the Product Line and to grant certain intellectual property rights to the Company "to the extent reasonably necessary for the marketing, distribution and sale of the Product Line."

11. Section 2.05 of the Company Agreement provides that the "primary purposes of the Company shall be the development, purchase, distribution and sale of . . . the Product Line." Accordingly, the production or distribution of products competitive to the Product Line by the Company is detrimental to the very purpose for which the Company is organized. Additionally, in the absence of an executed DLA, the Company has no right to market skin care products under

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the Nerium name, because such rights belong to Nerium SkinCare and/or Biotech. Despite this, the Company has refused to enter into the DLA.

12. Without Nerium SkinCare's consent the Company began selling imitation products overseas that were not manufactured by Nerium SkinCare and do not contain the proprietary oleander extract NAE-8®. The Company refers to the imitation products as the "Optimera Line." However, the Optimera Line is packaged as if it originates from the same source as the Product Line and is sold under the Nerium name and banner in contravention of the Company Agreement. The Company promotes the Optimera Line of skincare products as similar and equivalent to those in the Product Line, despite the fact that they are not manufactured by Nerium SkinCare and they do not contain the proprietary oleander extract NAE-8®. The Optimera Line has become directly competitive with the Product Line.

13. The Company began selling the Optimera Line in Canada in April 2014, in Mexico in September 2014, and some has been sold in the U.S. as well. Since the Company began selling the Optimera Line and for specifically the period between July 2014 and June 2015, sales of the Product Line have decreased by more than $12 million. In addition to diverting attention from the sale of the Product Line and reducing sales revenue to Nerium SkinCare, the Company has hired personnel to handle manufacturing and regulatory approval, causing an unnecessary duplication of effort and costs.

14. Article V of the Company Agreement requires the Company to allocate profits and make distributions to all Members, on a pro-rata basis, according to the Members' respective Percentage Interest, subject only to the profit sharing regarding Marketing Aids in Section 21.03 of the Company Agreement and a percentage increase in the distribution in favor of Nerium SkinCare pursuant to Section 21.04 of the Company Agreement.

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15. In addition to the Company selling the Optimera products without Nerium SkinCare's consent, the Company has allocated Nerium SkinCare 30% of the Company's costs and expenses but only 20% of the profits from the Optimera Line. The same is true for the EHT product beginning in 2015. As a 30% Member of the Company, Nerium SkinCare is entitled to 30% of the net income from the sale of the Optimera Line and the EHT product. This incorrect allocation of costs and revenue has resulted in unpaid distributions to Nerium SkinCare in excess of $4 million in violation of Article V of the Company Agreement.

16. Section 21.03 of the Company Agreement expressly provides for a profit sharing regarding Marketing Aids (as defined in Section 6.03 of the Company Agreement) that is different from the Members' percentage ownership interests in the Company. Olson (as distinguished from JO) is entitled to receive 80% of the Net Profits from Marketing Aids and Nerium SkinCare is entitled to receive 20% of the Net Profits from Marketing Aids. Marketing Aids are certain hard goods and online or computer systems created, authored and/or designed by Olson. Net Profits derived from Marketing Aids is defined as revenue received from the purchase and/or licensing of Marketing Aids, "less the cost to produce and distribute the Marketing Aids (including applicable overhead expenses incurred by Olson and reasonably allocated to the production and distribution of the Marketing Aids)." However, the Company, not Olson, has been incurring those costs and, as a result, Nerium SkinCare has been allocated 30% of those costs in contravention of Section 21.03 of the Company Agreement.

17. The Company has made distributions of cash to JO without making pro-rata distributions to Nerium SkinCare in violation of Article V of the Company Agreement.

18. Section 21.04 of the Company Agreement provides for increased revenue to Nerium SkinCare based upon gross cash proceeds from the sale of the Product Line exceeding

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certain thresholds. The relevant thresholds have been exceeded since August 2013, yet the Company has not made the requisite payments to Nerium SkinCare in violation of Article V and Section 21.04 of the Company Agreement.

19. Upon information and belief, the Company has made transfers in excess of $16,000,000 to off-shore accounts resulting in reduced distributions to Nerium SkinCare in violation of the Company Agreement.

20. On July 30, 2015, pursuant to the applicable provisions of the Texas Business Organizations Code, Nerium SkinCare made a written demand, as a 30% member of the Company, to examine the Company's books, records of accounts, and other information regarding the business affairs and financial condition of the Company. To date, the Company has failed and refused to grant Nerium Skincare access to these materials in violation of the Texas Business Organizations Code.

21. As a result of the Company's actions, Nerium SkinCare has suffered and continues to suffer damages.

IV. CAUSES OF ACTION

COUNT 1 – BREACH OF CONTRACT

22. Nerium SkinCare incorporates herein, as if fully set forth, paragraphs 6 through 21.

23. The Company Agreement is a contract governing the relationship between Nerium SkinCare and the Company.

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24. By manufacturing and selling the Optimera Line and EHT, the Company has breached the Company Agreement and is frustrating the express purpose for which the Company is organized.

25. The Company has breached the Company Agreement by failing to allocate profits and make pro-rata distributions to Nerium SkinCare as required by Article V of the Company Agreement.

26. The Company has breached Section 21.03 Company Agreement by failing to comply with the profit sharing procedure for Net Profits from Marketing Aids.

27. The Company has breached Article V and Section 21.04 the Company Agreement by failing to pay increased revenue to Nerium SkinCare based upon gross cash proceeds from the sale of the Product Line exceeding the stated thresholds since August of 2013.

28. The Company's breaches of the Company Agreement have caused and continue to cause injury to Nerium SkinCare.

29. Nerium SkinCare seeks damages within the jurisdictional limits of this Court.

COUNT 2 – DECLARATORY JUDGMENT

30. Nerium SkinCare incorporates herein, as if fully set forth, paragraphs 6 through 29.

31. Under the Company Agreement, Nerium SkinCare grants intellectual property rights to the Company only "to the extent reasonably necessary for the marketing, distribution and sale of the Product Line."

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32. The Company, however, is using the Nerium brand name in connection with the "Optimera Line" in contravention of the Company Agreement. The Optimera Line is not manufactured by Nerium SkinCare and is, in fact, directly competitive with the Product Line.

33. Pursuant to Texas Civil Practice and Remedies chapter 37, Nerium SkinCare seeks declaratory judgment that the Company Agreement grants the Company no rights in and to any of "Intellectual Property Assets" in connection with goods not manufactured by Nerium SkinCare, such as the "Optimera Line."

34. Nerium SkinCare also seeks declaratory judgment that, pursuant to the applicable provisions of the Texas Business Organizations Code, Nerium SkinCare is entitled to examine the Company's books, records of accounts, and other information regarding the business affairs and financial condition of the Company.

COUNT 3 - ACCOUNTING

35. Nerium SkinCare incorporates herein, as if fully set forth, paragraphs 6 through 34.

36. Nerium SkinCare is equitably entitled to an accounting of the Company's revenue, expenses, and net profits for purposes of calculating any dividend or distribution to which it may be entitled.

V. ATTORNEY FEES

37. Nerium SkinCare is entitled to recover reasonable and necessary attorney fees under the Texas Civil Practice and Remedies Code chapter 38 because this suit is for breach of contract. Nerium SkinCare has retained counsel. Likewise, Nerium SkinCare is entitled to

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recover reasonable and necessary attorney fees under the Texas Civil Practice and Remedies Code § 37.009.

VI. CONDITIONS PRECEDENT

38. All conditions precedent to Nerium SkinCare's right to recovery herein have occurred.

VII. PRAYER

ACCORDINGLY, Nerium SkinCare, Inc. respectfully requests judgment as follows:

(a) Actual damages for the Company's breach of contract in an amount not less than $1 million;

(b) Declaratory relief as set forth above;

(c) An accounting as set forth above;

(d) Reasonable and necessary attorney fees;

(e) Pre-judgment and post-judgment interest at the highest rate allowed by law;

(f) All costs of suit; and

(g) Such other and further relief, both in equity and at law, to which Nerium SkinCare may be justly entitled.

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Respectfully submitted,

/s/ Scott D. Levine
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ATTORNEYS FOR PLAINTIFF NERIUM SKINCARE, LLC

CERTIFICATE NOT SUBJECT TO TRANSFER

I certify, to the best of my knowledge, this case is not subject to transfer under Local Rule 1.06.

/s/ Scott D. Levine
Scott D. Levine

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Opp. No. 91223290
Nerium International, LLC

NO. DC-15-09594

NERIUM SKINCARE, INC,	§	**IN THE DISTRICT COURT OF**
	§	
Plaintiff,	§	
	§	
v.	§	
	§	**DALLAS COUNTY, TEXAS**
NERIUM INTERNATIONAL, LLC,	§	
JEFF A. OLSON and JO PRODUCTS,	§	
L.L.C.	§	
	§	
Defendant.	§	**116th JUDICIAL DISTRICT**

PLAINTIFF'S FIRST AMENDED ORIGINAL PETITION

TO THE HONORABLE JUDGE OF SAID COURT:

Plaintiff Nerium SkinCare, Inc. files this First Amended Original Petition and for causes of action would show the Court as follows:

I. PARTIES, JURISDICTION AND VENUE

1. Plaintiff Nerium SkinCare, Inc. ("Nerium SkinCare") is a corporation organized and existing under the laws of the state of Texas.

2. Defendant Nerium International, LLC ("Company") is a limited liability company existing under the laws of the state of Texas. Company has been previously served and appeared herein.

3. Defendant Jeff A. Olson ("Olson") is an individual who resides in Denton County, Texas. He may be served with process at his home address located at 656 Timbercrest Circle Lewisville, TX 75077, or at his place of business at 4004 Belt Line Road Suite 112, Addison, TX 75001 or anywhere else that he may be found.

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4. Defendant JO Products, L.L.C. ("JO") is a limited liability company existing under the laws of the state of Texas. Company may be served with process by serving its registered agent, Jeff Olson, at 4004 Belt Line Road Suite 112, Addison, TX 75001.

5. The amount of damages sought by Nerium SkinCare is within the jurisdictional limits of the Court. Nerium SkinCare seeks monetary relief over $1,000,000.

6. Venue is proper in Dallas County, because it is the county of the Company's principal office in this state and because it is the county where all or a substantial part of the events or omissions giving rise to the claim occurred. TEX. CIV. PRAC. & REM. CODE § 15.002(a)(1), (3).

II. DISCOVERY LEVEL

7. Nerium SkinCare requests that discovery be conducted under Level 3 of Texas Rules of Civil Procedure Rule 190.4.

III. FACTUAL ALLEGATIONS

8. Several years before the formation of the Company, Nerium Biotechnology, Inc. ("Biotech"), Plaintiff Nerium SkinCare's parent, was engaged in researching, developing and testing products using extracts of the *Nerium oleander* plant that appear to have unique health benefits. During that process, Biotech discovered that the unique properties of the *Nerium oleander* plant provided remarkable age-defying results when applied to the skin. Biotech patented an extraction process to create an oleander extract product called NAE-8®. Biotech created Nerium SkinCare to develop, formulate and manufacture natural skincare products, some of which would contain the NAE-8® extract. Biotech and Nerium SkinCare are focused on bringing safe and quality products with real science behind them to the marketplace.

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Nerium International, LLC

9. Having developed a first-of-its-kind product, with a patented extraction process that yields a beneficial extract, Nerium SkinCare considered marketing alternatives and was introduced to Jeff Olson ("Olson"). Nerium SkinCare and Olson agreed to create the Company to market and sell Nerium SkinCare products. By creating the Company, Nerium SkinCare and Olson hoped to marry Olson's marketing experience with the ability of Biotech and Nerium SkinCare to develop and produce safe and effective cosmetic products with real science behind them.

10. A Company Agreement for Defendant Nerium International, LLC was entered into on April 6, 2011, effective as of October 23, 2010, with Olson's company, JO, owning 70%, and Nerium SkinCare owning 30%. Olson is the Manager, and the Company is a "Manager-Managed" limited liability company. Olson, as sole Manager, adopted the Company Agreement.

11. The Company Agreement defines the "Product Line" as products that have been developed, or are in the future developed, by Nerium SkinCare and/or Biotech.

12. The Company Agreement also establishes the parties' roles in the relationship. Nerium SkinCare develops and produces the Product Line and the Company sells and distributes the Product Line. In consideration for being the sole producer of product for the Company, Nerium SkinCare agreed to enter into an agreement which would provide the Company with a worldwide (excluding the Central America Countries) exclusive right to distribute the "Product Line", except for OTC products and products designed for distribution by healthcare professionals, which could be distributed by the Company on a non-exclusive basis. In this regard, the Company Agreement calls for the execution of a Perpetual Distribution and Licensing Agreement (the "DLA") between the Company and Nerium SkinCare to delineate the exclusive and non-exclusive rights of Company to market the Product Line and to grant certain intellectual

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property rights to the Company "to the extent reasonably necessary for the marketing, distribution and sale of the Product Line."

13. Section 2.05 of the Company Agreement provides that the "primary purposes of the Company shall be the development, purchase, distribution and sale of . . . the Product Line." Accordingly, the production or distribution of products competitive to the Product Line by the Company is detrimental to the very purpose for which the Company is organized. Additionally, in the absence of an executed DLA, the Company has no right to market skin care products under the Nerium name, because such rights belong to Nerium SkinCare and/or Biotech. Despite this, the Company has refused to enter into the DLA.

14. Without Nerium SkinCare's consent the Company began selling imitation products overseas that were not manufactured by Nerium SkinCare and do not contain the proprietary oleander extract NAE-8®. The Company refers to the imitation products as the "Optimera Line." However, the Optimera Line is packaged as if it originates from the same source as the Product Line and is sold under the Nerium name and banner in contravention of the Company Agreement. The Company promotes the Optimera Line of skincare products as similar and equivalent to those in the Product Line, despite the fact that they are not manufactured by Nerium SkinCare and they do not contain the proprietary oleander extract NAE-8®. The Optimera Line has become directly competitive with the Product Line.

15. The Company began selling the Optimera Line in Canada in April 2014, in Mexico in September 2014, and some has been sold in the U.S. as well. Since the Company began selling the Optimera Line and for specifically the period between July 2014 and June 2015, sales of the Product Line have decreased by more than $12 million. In addition to diverting attention from the sale of the Product Line and reducing sales revenue to Nerium SkinCare, the

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Nerium International, LLC

Company has hired personnel to handle manufacturing and regulatory approval, causing an unnecessary duplication of effort and costs.

16. Article V of the Company Agreement requires the Company to allocate profits and make distributions to all Members, on a pro-rata basis, according to the Members' respective Percentage Interest, subject only to the profit sharing regarding Marketing Aids in Section 21.03 of the Company Agreement and a percentage increase in the distribution in favor of Nerium SkinCare pursuant to Section 21.04 of the Company Agreement.

17. In addition to the Company selling the Optimera products without Nerium SkinCare's consent, the Company has allocated Nerium SkinCare 30% of the Company's costs and expenses but only 20% of the profits from the Optimera Line. The same is true for the EHT product beginning in 2015. As a 30% Member of the Company, Nerium SkinCare is entitled to 30% of the net income from the sale of the Optimera Line and the EHT product. This incorrect allocation of costs and revenue has resulted in unpaid distributions to Nerium SkinCare in excess of $4 million in violation of Article V of the Company Agreement.

18. Section 21.03 of the Company Agreement expressly provides for a profit sharing regarding Marketing Aids (as defined in Section 6.03 of the Company Agreement) that is different from the Members' percentage ownership interests in the Company. Olson, individually, (as distinguished from JO) is entitled to receive 80% of the Net Profits from Marketing Aids and Nerium SkinCare is entitled to receive 20% of the Net Profits from Marketing Aids. Marketing Aids are certain hard goods and online or computer systems created, authored and/or designed by Olson. Net Profits derived from Marketing Aids is defined as revenue received from the purchase and/or licensing of Marketing Aids, "less the cost to produce and distribute the Marketing Aids (including applicable overhead expenses incurred by Olson

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and reasonably allocated to the production and distribution of the Marketing Aids)." However, the Company, not Olson, has been incurring those costs and, as a result, Nerium SkinCare has been allocated 30% of those costs in contravention of Section 21.03 of the Company Agreement.

19. The Company has made distributions of cash to JO without making pro-rata distributions to Nerium SkinCare in violation of Article V of the Company Agreement.

20. Section 21.04 of the Company Agreement provides for increased revenue to Nerium SkinCare based upon gross cash proceeds from the sale of the Product Line exceeding certain thresholds. The relevant thresholds have been exceeded since August 2013, yet the Company has not made the requisite payments to Nerium SkinCare in violation of Article V and Section 21.04 of the Company Agreement.

21. Upon information and belief, the Company has made transfers in excess of $16,000,000 to off-shore accounts resulting in reduced distributions to Nerium SkinCare in violation of the Company Agreement.

22. On July 30, 2015, pursuant to the applicable provisions of the Texas Business Organizations Code, Nerium SkinCare made a written demand, as a 30% member of the Company, to examine the Company's books, records of accounts, and other information regarding the business affairs and financial condition of the Company. To date, the Company has failed and refused to grant Nerium Skincare access to these materials in violation of the Texas Business Organizations Code.

23. As a result of the actions of the Company and Olson as its sole manager, Nerium SkinCare has suffered and continues to suffer damages.

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IV. CAUSES OF ACTION

COUNT 1 – BREACH OF CONTRACT (Against Company and Olson)

24. Nerium SkinCare incorporates herein, as if fully set forth, paragraphs 6 through 23.

25. The Company Agreement is a contract governing the relationship between and the Company, JO, Olson and Nerium SkinCare.

26. The Company Agreement provides that the Manager will not do any act in violation of the Company Agreement. Olson is the sole manager of the Company.

27. By manufacturing and selling Optimera Line and EHT (i.e. products not developed by Nerium SkinCare or Nerium Biotechnology), Olson and the Company have breached the Company Agreement and are frustrating the express purpose for which the Company was organized.

28. Olson and the Company participated in a business which produces cosmetic products, including the Optimera Line, which are materially similar to or competitive with the Product Line, in violation of Section 6.03 of the Company Agreement.

29. As sole manager, pursuant to Section 6.13 of the Company Agreement Olson was "delegated the sole authority for the organization, supervision and oversight of the marketing efforts of the Company, and in such capacity shall supervise and manage the Company efforts to: … (b) promote and advertise the Product Line; … (h) plan and coordinate sales and promotional events for the Product Line on a nationwide and, as the markets for the Product Line expand, worldwide basis; …. In violation of Section 6.13, Olson has failed and refused to promote and advertise the Product Line and instead has introduced, promoted and advertised products outside the Product Line, including competing products such as the Optimera Line.

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30. Olson and the Company have breached the Company Agreement by failing to allocate profits and make pro-rata distributions to Nerium SkinCare as required by Article V of the Company Agreement.

31. Olson and the Company have breached Section 21.03 Company Agreement by failing to comply with the profit sharing procedure for Net Profits from Marketing Aids.

32. Olson and the Company have breached Article V and Section 21.04 the Company Agreement by failing to pay increased revenue to Nerium SkinCare based upon gross cash proceeds from the sale of the Product Line exceeding the stated thresholds since August of 2013.

33. Olson and the Company's breaches of the Company Agreement have caused and continue to cause injury to Nerium SkinCare.

34. Nerium SkinCare seeks damages within the jurisdictional limits of this Court.

COUNT 2 – Breach of Fiduciary Duty (Against Olson)

35. Nerium SkinCare incorporates herein, as if fully set forth, paragraphs 6 through 34.

36. Olson is the sole Manager of the Company and owes a fiduciary duty to Nerium SkinCare.

37. Olson breached his fiduciary duty by manufacturing and selling the Optimera Line and EHT (i.e. products not developed by Nerium SkinCare or Nerium Biotechnology), in contravention of the express purpose of the Company.

38. Olson breached his fiduciary duty by participating in a business which produces cosmetic products which are materially similar to or competitive with the Product Line.

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39. Olson breached his fiduciary duty by failing and refusing to promote and advertise the Product Line and instead introducing, promoting and advertising products outside the Product Line, including competing products such as the Optimera Line.

40. Olson has breached his fiduciary duty by allocating profits and making distributions of cash to JO (a company he owns and controls) in excess of JO's pro-rata share –to the direct and substantial detriment of Nerium SkinCare.

41. Olson has breached his fiduciary duty by failing and refusing to pay increased revenue to Nerium SkinCare based upon gross cash proceeds from the sale of the Product Line exceeding the stated thresholds since August of 2013 –to the direct and substantial monetary benefit of his company JO.

42. Olson's breaches of fiduciary duty injured Nerium SkinCare.

43. Nerium SkinCare seeks damages within the jurisdictional limits of the Court.

44. Nerium SkinCare's injury resulted from Olson's intentional acts, which entitle Nerium SkinCare to exemplary damages under Texas Civil Practice & Remedies Code section 41.003(a).

COUNT 3 – DECLARATORY JUDGMENT (Against Company, Olson and JO)

45. Nerium SkinCare incorporates herein, as if fully set forth, paragraphs 6 through 44.

<u>Part 1 – Declaratory Judgment: Product Line and Scope of Exclusivity</u>

46. The Company Agreement contemplates that the Company will be the sole and exclusive worldwide distributor (with the exception of listed Central American Countries) of

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certain Product Line products, including OTC acne products. However, Section 4.03 of the Company Agreement provides that "it is expressly understood that the Company's right to distribute OTC products [other than OTC acne products] ... as discussed in Exhibit "C" that are produced by Nerium [i.e. Nerium SkinCare or Nerium Biotechnology] would be on a non-exclusive basis."

47. Exhibit "C" of the Company Agreement sets forth the Product Line products to which the Company has exclusive and non-exclusive distribution rights. In relevant part, Exhibit "C" provides as follows:

> 2. Product Line Products that are distributed by the Company on a non-exclusive basis:
>
> a. All OTC and associated products produced by Nerium, and/or Nerium Biotech, with the exception of acne products for which the Company shall have exclusive rights as provided above.

48. The Company has taken the position that it has exclusive rights to OTC products in addition to acne products.

49. Accordingly, pursuant to Texas Civil Practice and Remedies Chapter 37, Nerium SkinCare seeks a declaratory judgment that the Company Agreement only grants the Company non-exclusive distribution rights in OTC products (with the exception of acne products which are exclusive) and that Nerium SkinCare has the right to distribute OTC products to third parties other that Company.

Part 2 – Declaratory Judgment: Right to Examine Books and Records

50. Nerium SkinCare also seeks declaratory judgment that, pursuant to the applicable provisions of the Texas Business Organizations Code, Nerium SkinCare is entitled to examine

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the Company's books, records of accounts, and other information regarding the business affairs and financial condition of the Company.

COUNT 4 – ACCOUNTING (Against Company)

51. Nerium SkinCare incorporates herein, as if fully set forth, paragraphs 6 through 50.

52. Nerium SkinCare is equitably entitled to an accounting of the Company's revenue, expenses, and net profits for purposes of calculating any dividend or distribution to which it may be entitled.

V. ATTORNEY FEES

53. Nerium SkinCare incorporates herein, as if fully set forth, paragraphs 6 through 52.

54. Nerium SkinCare is entitled to recover reasonable and necessary attorney fees under the Texas Civil Practice and Remedies Code chapter 38 because this suit is for breach of contract. Nerium SkinCare has retained counsel. Likewise, Nerium SkinCare is entitled to recover reasonable and necessary attorney fees under the Texas Civil Practice and Remedies Code § 37.009.

VI. CONDITIONS PRECEDENT

55. All conditions precedent to Nerium SkinCare's right to recovery herein have occurred or been excused.

VII. PRAYER

ACCORDINGLY, Nerium SkinCare, Inc. respectfully requests judgment as follows:

(a) Actual damages in an amount not less than $1 million;

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(b) Exemplary damages for Olson's breaches of his fiduciary duty;

(c) Declaratory relief as set forth above;

(d) An accounting as set forth above;

(e) Reasonable and necessary attorney fees;

(f) Pre-judgment and post-judgment interest at the highest rate allowed by law;

(g) All costs of suit; and

(h) Such other and further relief to which Nerium SkinCare may be justly entitled.

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Respectfully submitted,

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ATTORNEYS FOR PLAINTIFF NERIUM SKINCARE, LLC

CERTIFICATE OF SERVICE

The undersigned certifies that a copy of the foregoing was served upon the attorneys of record in the above cause in accordance with Rule 21a, Texas Rules of Civil Procedure, on this 21st day of March, 2016.

/s/ Michael S. Forshey

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Filed Online
The Commissioner of Trade Marks
WELLINGTON

2 November 2015

Dear Commissioner

Our Ref: RB 437350NZOP, 437351NZOP
Contacts:
Rachel McDonald – Team Leader, Senior Associate
Lucy Hopman – Solicitor
Sue Irwin Ironside – Partner
Philip Thoreau – Consultant

Nerium Biotechnology, Inc.
Opposition against New Zealand application no. 1007827 NERIUM and Opposition against New Zealand application no. 1007917 N NERIUM logo ("NERIUM Trade Marks")

Proceeding Nos. 2343 and 2344

URGENT REQUEST FOR HALT IN PROCEEDINGS – REGULATION 28

We refer to our letter to the Office dated 13 October 2015, to the email from Helen Baxter, Hearings Case Officer, dated 29 October and to subsequent telephone discussions with Helen earlier today.

Background information

The Opponent and the Applicant are pursuing various opposition proceedings around the world relating to use and ownership of the **NERIUM** Trade Marks. More recently, in August 2015, the Opponent through its parent company, Nerium Skincare, Inc., filed civil court proceedings against the Applicant, Nerium International, LLC., in the District Court of Dallas County, Texas ("**Court Proceeding**").

The primary cause of action in the Court Proceeding is breach of contract – ownership of intellectual property, particularly use and registration of the **NERIUM** Trade Marks, is a key issue in the Court Proceeding. The Court Proceeding also seeks a declaratory judgment relating to intellectual property. As a result, the Court Proceeding is directly relevant to a key matter at issue in these opposition proceedings – namely, true ownership of the **NERIUM** Trade Marks.

It is clear that the Court Proceeding will have a direct impact on the opposition proceedings operating worldwide relating to the **NERIUM** Trade Marks, including these two opposition proceedings operating under the New Zealand Trade Marks Act 2002. Accordingly, the Opponent believes it is reasonable and appropriate for the New Zealand opposition proceedings to be halted pending the outcome or resolution of the Court Proceeding.

By letter dated 13 October 2015 (emailed to the attorneys for the applicant on 14 October 2015), the Opponent requested consent to halt the above proceedings. To date, the attorneys for the Applicant have been unable to take instructions and therefore have not been able to confirm their client's position in respect of obtaining a halt in proceedings. Being unable to take instructions for almost 2.5 weeks, especially without any explanation as to absences of key personnel or otherwise, is a rather unusual circumstance.

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Legal services are provided by Baldwins Law Limited
Practising in Australia and New Zealand www.baldwins.com

New request for 1 month halt in proceedings

Regulation 28 provides:

> ***28 Commissioner may halt proceeding***
>
> *(1) The Commissioner may halt a proceeding, if the Commissioner thinks it appropriate, on the application of a party or on the Commissioner's own initiative.*
> *(2) The Commissioner may halt the proceeding for the period and on the terms and conditions that the Commissioner thinks appropriate, but must not halt the proceeding for more than 6 months.*
> *(3) The Commissioner may halt the proceeding for further periods, but on each occasion for no more than 6 months.*
> *(4) The Commissioner may at any stage, while the proceeding is halted, recommence the proceeding.*

Regulation 28 grants discretion to the Commissioner to halt any proceeding, for a period of up to 6 months, if the Commissioner thinks it *appropriate* to do so. There is no requirement for there to be genuine or exceptional circumstances. There is also no requirement for express consent from the other party.

We appreciate that it may be common practice for halts to be requested and granted based on consent when settlement negotiations are on foot. However, neither consent nor the existence of settlement negotiations is actually required by the Regulations – all that is required is for the Commissioner to consider that *appropriate* circumstances exist for halting a proceeding.

The Opponent therefore requests a short halt in proceedings of one (1) month in relation to the above opposition proceedings. A one month halt will preserve the parties' respective positions in the opposition proceedings while allowing further time for the attorneys for the Applicant to receive instructions.

The grounds on which a one month halt is requested are:

1. The Court Proceeding is directly relevant to matters at issue in these opposition proceedings – namely who owns and has the right to use and register the **NERIUM** Trade Marks;

2. It is appropriate to halt an opposition proceeding where Court proceedings on related issues are likely to have a direct impact on the outcome or continuation of the opposition proceeding;

3. Consent to a six (6) month halt in proceedings was requested from the Applicant on 14 October (over two weeks ago now) but the Applicant is yet to confirm whether it agrees to obtaining a halt or to explain why it considers that a halt is not appropriate in the circumstances;

4. The attorneys for the Applicant only advised this morning, 2 November 2015, that they have been unable to take instructions. Prior to receiving that correspondence, the Opponent believed that consent to a halt would be forthcoming. The Attorneys for the Applicant have not provided any information, such as absence of key personnel, to explain why instructions have not or cannot be received;

5. The Commissioner has a discretion to halt proceedings on terms and conditions that the Commissioner thinks appropriate;

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6. A short halt in proceedings of one month will provide further time for the Applicant to consider and confirm its position;

7. There is no prejudice to the Applicant in halting the proceedings for one month, but the Opponent's position will be prejudiced if it is required to now finalise its evidence under time pressure purely because the attorneys for the Applicant have been unable to take instructions.

If the Applicant does not agree that a halt in proceedings is appropriate in the circumstances, then we suggest that it would be proper for the Applicant to put forward grounds establishing why it believes a halt is *not* appropriate.

Given the Opponent's evidence deadline is today, we would greatly appreciate if this request could be considered and the Office's decision issued as a matter of urgency.

Baldwins Intellectual Property
(Opponent)

Rachel McDonald
Team Leader, Senior Associate

Encl.

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Quoting Our Ref assists us to respond efficiently

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