

OFFICE OF THE ATTORNEY GENERAL  
OF THE STATE OF NEW YORK

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In the Matter of

Assurance No. 14[ ]

The World Trade Centers Association, Inc.

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**ASSURANCE OF DISCONTINUANCE**

WHEREAS, the Office of the Attorney General of the State of New York ("OAG") conducted an investigation into the 1986 transfer of the property and associated rights for the service mark "World Trade Center" (the "Service Mark" or "Mark") from the Port Authority of New York and New Jersey (the "Port Authority") to The World Trade Centers Association, Inc. ("WTCA" or the "Association"), as well as certain other matters, including compensation paid to WTCA's former President, Guy Tozzoli;

WHEREAS, WTCA and OAG each believe that the obligations imposed by this agreement are prudent and appropriate, will strengthen WTCA's relationship with the State of New York, and advance their common goal of resolving this matter in a way that is mutually beneficial for the People of the State of New York and WTCA; and

WHEREAS, OAG finds the financial relief and other obligations set forth in this agreement to be in the public interest, accepts the terms of this Assurance of Discontinuance ("Assurance") in lieu of commencing a legal proceeding, and hereby discontinues all aspects of its investigation on the terms below and agrees not to take further legal action against WTCA or any of the Association's officers, directors, employees, subsidiaries, or affiliates based upon the allegations set forth herein as to any matter within the scope of OAG's investigation.

This Assurance contains the findings of OAG's investigation and the relief agreed to by OAG and WTCA (collectively, the "Parties").

## OAG FINDINGS

### Summary

1. The Port Authority exercised lax oversight when approving the transfer and assignment of the Service Mark to WTCA in 1986 and performed virtually no due diligence. The available evidence nevertheless fails to establish that either WTCA or Port Authority officials exerted undue influence or engaged in unlawful conduct in connection with the transfer. Rather, surviving witnesses and documents indicate that the Port Authority simply failed to foresee the potentially considerable value of the Service Mark in the future or to take adequate steps to secure that value for the benefit of taxpayers in New York and New Jersey.
2. The outside counsel for the Port Authority had a clear conflict of interest in connection with the transfer of the Service Mark, simultaneously representing both WTCA and the Port Authority in connection with the Mark and its ultimate transfer to WTCA. Regardless of whether this conflict of interest colored his advice to the Port Authority, however, a court is unlikely on that basis to void the Confirmatory Assignment transferring the Service Mark to WTCA. The terms of that assignment have been acknowledged in numerous subsequent license and other agreements over 25 years, including recent agreements, where independent counsel represented the Port Authority.

## **Background**

3. On September 18, 2013, pursuant to Executive Law § 63(3), Governor Andrew Cuomo requested that OAG investigate the circumstances surrounding the Port Authority's transfer and assignment of its rights to the Service Mark to WTCA. OAG commenced an investigation shortly thereafter, subpoenaing WTCA for documents and information relating to, among other things, the Port Authority's 1986 Confirmatory Assignment (the "Confirmatory Assignment"), through which WTCA assumed control of rights the Port Authority previously owned in the Service Mark.
4. WTCA cooperated with OAG's investigation, and OAG reviewed approximately 30,000 documents related to the transfer of the Service Mark and to the operations of WTCA and the Port Authority over many decades. The offices and archives for both entities, however, were based at the World Trade Center Complex and destroyed in the horrific attacks of September 11, 2001. Thus, evidence that could further clarify the issues in this investigation has undoubtedly been lost.
5. OAG interviewed numerous surviving witnesses with some connection to the circumstances surrounding the assignment of the Service Mark, including former employees and professionals associated with WTCA and the Port Authority. In addition to memories that have faded in the 28 years since the transfer of the Service Mark, several individuals with knowledge of key issues have died, including Guy Tozzoli, who was a senior Port Authority executive and founding President of WTCA; the General Counsel of the Port Authority in 1986; the outside counsel advising both

WTCA and the Port Authority on the transaction; and the corporate secretary who signed the Confirmatory Assignment.

**The Port Authority, WTCA, and Guy Tozzoli**

6. The Port Authority is a bi-state agency that builds, operates, and maintains transportation and transit hubs in the New York and New Jersey region, including a network of aviation, rail, surface transportation, and seaport facilities.
7. WTCA is a not-for-profit organization founded in 1969 and registered as a membership organization under United States Internal Revenue Service Code § 501(c)(6). At its inception and for the first 18 years of its existence, WTCA operated under the auspices and within the office space of the World Trade Department of the Port Authority. WTCA's stated mission is to promote world trade through the establishment and operation of World Trade Center facilities (WTCs). Currently, WTCA has over 300 members worldwide, each of which is required to pay annual dues. In 2012, WTCA reported revenue of approximately \$7 million, primarily from dues and new member initiation fees.
8. Tozzoli worked for the Port Authority in the 1960s, 1970s, and 1980s. He was an influential executive, most notably serving as director of the World Trade Department. In that role, he successfully managed the construction and development of the World Trade Center Complex in New York City.
9. Tozzoli used his influence at the Port Authority to support the fledgling WTCA. In or about 1970, WTCA's members elected Tozzoli to serve as a voluntary President of

WTCA. In or about 1986, WTCA hired Tozzoli to serve as its paid President, a position he retained until January 5, 2011.

10. During his tenure with WTCA, Tozzoli's salary varied, beginning at \$75,000 per year in 1986 and rising to an annual salary of more than \$400,000 in 2011. At certain times after 1986, Tozzoli also received fringe benefits from WTCA, including a luxury car, membership at Rockland Country Club, and a retirement package that took effect beginning in February 2012. Tozzoli died in February 2013.

#### **Use and Ownership of the Service Mark**

11. In approximately 1961, the Port Authority adopted and began to use the words "World Trade Center" to describe the Complex of that name that was then being planned for construction in lower Manhattan. By 1969, WTCA had been formed, with members in Houston, New Orleans and elsewhere, including overseas, and the Association and its members had also begun to use "World Trade Center" in connection with trade promotion and association services.
12. Acting to defend its intellectual property rights, the Port Authority challenged the unauthorized use of the Mark by third parties at various times, including through litigation in 1972. By the mid-1980s, the Port Authority, however, had become concerned that the legal costs of defending the Service Mark were exceeding the revenue the Port Authority generated from owning it.
13. In early 1985, the Port Authority began to explore the best possible way to protect the Service Mark from unlawful infringement and limit legal costs. A letter dated March 14, 1985, from a Port Authority official to its outside counsel, Lee Robinson ("Robinson") of Curtis, Morris & Safford P.C., noted that WTCA members had been

“using the Mark without formal written licensing.” The letter further stated that a “state registration” might protect against other entities that may attempt to trade on the Service Mark.

14. Robinson prepared a memorandum, dated June 27, 1985 (the “June 1985 Memorandum”), summarizing a telephone call he had with Port Authority personnel, including in-house counsel, that further discussed how to protect the Service Mark against infringement. Observing that unauthorized third parties were using the Service Mark in several U.S. cities (including Los Angeles, California, Dallas, Texas, and Washington, DC), Robinson recommended further steps to reduce the costs of defending the Service Mark, including registering the Mark in New York and New Jersey, but not federally.
15. On November 14, 1985, the Port Authority obtained six registrations associated with the Service Mark in New York State. By this time, it had also obtained two registrations for use of the Mark in Argentina by assignment from a third party.
16. On December 19, 1985, Robinson provided in-house counsel at the Port Authority with a formal written opinion (the “December 1985 Opinion”) as to who the owner of the Service Mark should be “as among the WTCA, the individual members of the WTCA, or the Port Authority . . .” The Opinion stated that it had been solicited due to “the need to take immediate action to enforce the mark against an infringer in the Washington, D.C. area” and noted other potential infringers in other U.S. cities against which enforcement action might be necessary. The December 1985 Opinion acknowledged that the Port Authority and WTCA each enjoyed “long and continuous use” of the Service Mark and that, unlike WTCA, the Port Authority had successfully litigated an

infringement case. The December 1985 Opinion also stated that “because of the course of dealing between the parties it is reasonable to take the position that the World Trade Centers Association has been operating under an oral license from the Port Authority. . .” Robinson nonetheless concluded that WTCA, not the Port Authority, should be considered the “proper owner” of the Mark and that the Port Authority should execute the Confirmatory Assignment, in large part, to avoid “the political ramifications incident to the Port Authority having to bring an infringement suit in, say, California.”

17. On February 18, 1986, as advised by Robinson, the Port Authority executed the Confirmatory Assignment, which transferred to WTCA “the entire right, title and interest in and to said service mark WORLD TRADE CENTER,” various registrations for the Service Mark, “the good will of PORT AUTHORITY’s business in the services in respect of which the mark is used, together with all rights to apply for, obtain and hold registrations of the same and renewals and extensions thereof, and together with all right to bring suit for any past and future infringement of said mark.” In exchange, WTCA agreed to pay the Port Authority \$10 and “other consideration” not specified in the Confirmatory Assignment. The Port Authority retained certain rights to use the Service Mark. The corporate secretary for the Port Authority signed the Confirmatory Assignment, which did not require a signatory from WTCA, and her signature was notarized by a Port Authority in-house attorney.

18. Robinson advised both WTCA and the Port Authority when they executed a second agreement (the “License Agreement”) on March 6, 1986. The License Agreement formally granted the Port Authority a license for its ongoing use of the Service Mark.

Tozzoli signed the agreement for WTCA, and the Port Authority's executive director endorsed it on behalf of the Port Authority.

19. In the years since 1986, WTCA has initiated enforcement action in the U.S. and overseas to prevent unauthorized use of the Service Mark, and WTCA has registered the Service Mark and variations thereof in the U.S. and internationally at its own expense.
20. Since 1986, multiple agreements between WTCA, the Port Authority, and other lessees and licensees have referenced and incorporated the Service Mark, the Confirmatory Assignment and License Agreement.
21. The Port Authority has not paid, and has never paid, WTCA a fee to use the Service Mark. However, between 1991 and 2011, as a member of WTCA, the Port Authority paid an annual membership fee to WTCA. In total, the Port Authority has paid membership fees to WTCA of approximately \$184,000.
22. WTCA represented that, excluding any amounts purportedly due from the Port Authority, it currently receives approximately \$20,000 annually in membership fees and other revenue in connection with the use of the Service Mark in New York and New Jersey.

**The Port Authority Failed to Exercise Adequate Due Diligence or Oversight in Connection with the Confirmatory Assignment**

23. In 1986, the Port Authority concluded that the Service Mark was more of a liability, due to the associated legal costs, than an asset—without conducting adequate due diligence or engaging in any serious deliberations concerning the future consequences of relinquishing the Mark to WTCA or any other third party. Available materials

provide no indication that the Port Authority Board deliberated on the transfer of the Service Mark or its potential value. Nor is there any indication from witnesses or in the documentation, apart from the limited analysis of legal costs contained in the June 1985 Memorandum, that any department of the Port Authority conducted a cost-benefit analysis, market research, or other inquiry to ascertain the Service Mark's true potential value.

24. In 1985, governmental entities like the Port Authority did not commonly exploit trademarks or service marks commercially, and the Port Authority apparently took the low value of the Service Mark for granted. For example, the June 1985 Memorandum indicated, without analysis, that the Port Authority's corporate secretary would execute the Confirmatory Assignment on behalf of the Port Authority, and she later did. Two former officials of the Port Authority's Contracts Division from that time surmised that the corporate secretary would only sign contracts that did not require Board approval under the Port Authority's rules, specifically where the dollar value of the contract did not achieve a certain threshold.<sup>1</sup> At the time, the threshold was approximately \$10,000. With no discussion, the Port Authority, and more specifically the Contracts Division and its in-house attorneys, apparently concluded that the Service Mark was worth less than \$10,000.

25. The failure to closely scrutinize the terms of the Confirmatory Assignment is consistent with a general culture of lax oversight at the Port Authority during that period. More than one Port Authority witness expressed the then-prevailing Port Authority view that

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<sup>1</sup> While cooperative, both officials struggled to remember specific details about the Confirmatory Assignment.

it was "not bound by the same standards as other agencies" with respect to checks and balances.

26. The chief of the Contracts Division at the time of the transfer, for example, described her responsibility as hiring honest, capable employees but told OAG that she was "not a believer in oversight." She further stated that she had not been "interested" in copyright and trademark issues, like the transfer of Service Mark, and would not have reviewed the work of her staff who were tasked with those issues. Nor would the General Counsel of the Port Authority at the time, who was too senior to oversee the junior attorneys responsible for intellectual property issues.
27. Tozzoli assumed a well-compensated position with WTCA shortly after the Port Authority executed the Confirmatory Assignment, contributing to suspicion about his role in the transfer. Although Tozzoli did not officially retire from the Port Authority until February 14, 1987, he signed an employment contract with WTCA on April 18, 1986, just two months after the Port Authority agreed to the Confirmatory Assignment. The surviving documents and witnesses, however, do not indicate that Tozzoli or any other Port Authority official exerted undue influence on the contracting process through which the Port Authority transferred the Service Mark to WTCA. The surviving Port Authority witnesses most involved with the Confirmatory Assignment, in fact, denied knowing that Tozzoli or his close colleague, the General Counsel of the Port Authority, had any direct relationship to the transaction whatsoever.
28. The evidence available to OAG does not establish that Tozzoli, WTCA, or its current or former directors, officers or employees engaged in unlawful conduct in connection with the transfer of Service Mark. Rather, the clearest conclusion is that WTCA benefited

from a failure by the Port Authority to exercise sufficient due diligence or to investigate the value the Service Mark. While these failures do not rise to the level of legal wrongdoing, they raise serious doubts about whether the Port Authority acted in the public interest in 1986, when its rights in the Service Mark were assigned to WTCA for virtually no apparent consideration.

#### **The Port Authority's Outside Counsel Had a Clear Conflict of Interest**

29. As outside counsel, Robinson had a clear conflict of interest that may have affected his legal advice in guiding the Port Authority on steps to take with respect to the Service Mark. Specifically, he was actively representing, or being retained to advise, WTCA and its affiliates at the same time.
30. Robinson advised both the assignor/licensee (the Port Authority) and the assignee/licensor (WTCA) of the Service Mark at various points in time in connection with the Mark. For example, minutes of board meetings, dated August 21, 1985 and November 12, 1985, suggest that a WTCA member in Washington, D.C., retained Robinson to address a dispute over the use of the Mark. Yet, in the June 1985 Memorandum and in the December 1985 Opinion, Robinson provided the Port Authority with his professional opinion that the Port Authority should transfer rights associated with the Service Mark to WTCA—without explicitly noting that WTCA was also his client.
31. The December 1985 Opinion also noted that WTCA and the Port Authority had each enjoyed “long and continuous use of the Mark”—while neglecting to mention that the Port Authority had registered the Mark and established certain rights to the Mark prior to WTCA. As noted above, Robinson advised the Port Authority to assign the Service

Mark to WTCA to avoid the unspecified “political ramifications” of bringing an infringement suit in another state, such as California, but he never addressed the potential value of the Service Mark.

32. Former Port Authority officials did not know, or could not remember, that WTCA had also retained Robinson in connection with the Service Mark. Nor is there any surviving evidence suggesting whether or not the Port Authority knowingly waived this conflict of interest. Even if it had, it is far from clear whether, as an ethical matter, Robinson could have agreed to advise both parties (or either party) on the wisdom of the transaction.
33. When advised of the conflict, several witnesses, including Port Authority officials and counsel to WTCA, maintained that conflicts of interests like Robinson’s were commonplace in the 1980s. It is also likely that senior Port Authority officials knew that Robinson also represented WTCA; Robinson maintained close personal ties with the Port Authority’s General Counsel, who was a law school roommate, and Tozzoli. As detailed above, Tozzoli, in turn, had close ties to WTCA.
34. Whatever the situation was in 1986, the Port Authority and its subsidiaries have referenced and amended the Confirmatory Assignment and licensing agreement on several occasions, at times represented by counsel with no known conflict of interest. The most recent ratification occurred in 2006, when WTCA, subsidiaries of the Port Authority and lessees of the Port Authority executed various license agreements authorizing the use of the Service Mark at the World Trade Center complex in lower Manhattan. Among other reasons, these ratifications of the Confirmatory Assignment

make it unlikely that a court would void the Confirmatory Assignment or subsequent agreements that rely on it.

### **WTCA RESPONSE TO FINDINGS**

WTCA neither admits nor denies OAG's findings recited in the foregoing paragraphs and denies any violation of law in this matter. At the same time, WTCA appreciates OAG's conclusion that the available evidence does not suggest that its current or former directors, officers or employees engaged in any unlawful conduct in connection with the transactions that gave rise to this investigation.

### **PROSPECTIVE RELIEF**

IT IS HEREBY UNDERSTOOD AND AGREED by and among the parties that, in consideration of the making and execution of this Assurance:

### **MONETARY RELIEF**

WTCA, in settlement of this Investigation:

35. Shall pay the sum of \$184,000 to New York State and will provide documentation of such payment to OAG.
36. Shall pay 33% of any revenues received by WTCA from use of the Mark in New York and New Jersey to New York State in each year subsequent to 2014 for the next twenty (20) years, not to exceed \$15,000 per annum. As stated above, WTCA represented that it currently receives approximately \$20,000 in annual revenue from use of the mark in New York and New Jersey, excluding amounts payable from the Port Authority.

37. The Parties request that New York State direct the funds paid pursuant to this Assurance to the September 11 Memorial Foundation.
38. All payments due under this Assurance shall be made by wire transfer, certified check and/or bank check.

**ADDITIONAL PROVISIONS**

39. The Port Authority shall be granted membership in the WTCA and its membership dues shall be waived *ad infinitum*.
40. The term of this Assurance is continuing, unless modified by mutual agreement of the parties, except that the terms of paragraph 36 shall expire 20 years from the date of execution of this Assurance.
41. OAG has agreed to the terms of this Assurance based on, among other things, the representations WTCA and its counsel made to OAG. To the extent that any material representations are later found by a court of competent jurisdiction to be inaccurate or misleading, OAG may void this Assurance.
42. WTCA agrees not to raise or interpose in any way its state of incorporation or other jurisdictional objections as a defense to any cause of action, claim or argument arising from OAG's enforcement of this Assurance.
43. This Assurance constitutes the entire agreement between OAG and WTCA, and it supersedes all prior agreements and understandings, written or oral, among the Parties with respect to the subject matter of this Assurance. No representation, inducement, promise, understanding, condition, or warranty not set forth in this Assurance has been made to or relied upon by any party in agreeing to this Assurance. The headings and

captions in this Assurance are for convenience only and do not affect or control the meaning or construction of this Assurance.

44. No party shall take any action or make any statement denying, directly or indirectly, the propriety of this Assurance. Nothing in this paragraph affects WTCA's (i) testimonial obligations, or (ii) right to take legal or factual positions in litigation to which the OAG is not a party. This Assurance is not intended for use by any third party in any other proceeding, and should not be construed as an admission of liability by WTCA or be admissible in connection with contract negotiations or litigation with the Port Authority or any other entity. Likewise, no third party (including but not limited to the Port Authority) shall be estopped from taking, or bound by, any legal commitment or factual finding described in this Assurance.
45. Each party represents and warrants, through the signatures below, that the terms and conditions of this Assurance are duly approved, and execution of this Assurance is duly authorized.
46. This Assurance may not be amended, except by an instrument in writing signed on behalf of all of the parties to this Assurance. This Assurance may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties and exchanged electronically or in hard copy.
47. This Assurance shall be binding on and inure to the benefit of all the parties hereto and their respective successors and assigns, provided that no party other than OAG may assign, delegate, or otherwise transfer any of its rights or obligations under this Assurance without the prior written consent of OAG.

48. In the event that any one or more of the provisions in this Assurance shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Assurance.
49. WTCA shall, upon request by OAG, provide all documentation and information necessary for OAG to verify compliance with this Assurance without the necessity for a subpoena.
50. Acceptance of this Assurance by OAG shall not be deemed approval by OAG of any of the practices or procedures referenced in OAG's findings herein, and WTCA shall make no representation to the contrary.
51. Evidence of a violation of this Assurance shall constitute *prima facie* proof of violation of the Executive Law in any action or proceeding thereafter commenced by OAG. If any court of competent jurisdiction determines that WTCA has breached this Assurance, WTCA shall pay to OAG the reasonable cost, if any, of such determination and of enforcing this Assurance, including without limitation legal fees, expenses and court costs.
52. All notices, reports, requests and other communications pursuant to this Assurance shall be in writing and shall be directed as follows:

If to OAG, to:

John R. Spagna  
Criminal Division  
Office of the Attorney General  
120 Broadway – 22nd Floor  
New York, New York 10271

If to the WTCA, to:

Bruce R. Ewing  
Dorsey & Whitney, LLP  
51 West 52<sup>nd</sup> Street  
New York, NY 10019

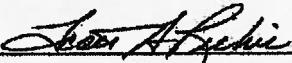
53. This Assurance shall be governed by the laws of the State of New York without regard to any conflict of laws principles.

54. Nothing contained herein shall be construed as to deprive any person of any private right under the law.

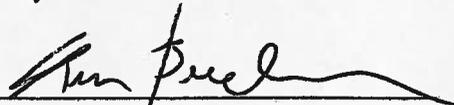
IN WITNESS THEREOF, this Assurance is executed by the parties hereto as of the date set forth below.

Dated: February 12, 2015

WORLD TRADE CENTERS ASSOCIATION

By:   
Scott A. Richie  
WTCA General Counsel

ERIC T. SCHNEIDERMAN  
Attorney General of the State of New York

By:   
Simon G. Brandler  
Senior Advisor & Special Counsel