

WWE Smacks Down Its Licensing Agents

The SmackDown between the World Wrestling Entertainment's ("WWE") and its tag-team of former licensing agents, Jim Bell and Stanley Shenker, earned a spot in the Licensing Hall of Shame after a judge labeled Shenker a "*serial perjurer*" before fining and jailing these agents for a host of charges resulting from their collaboration in a million-dollar kickback scheme that they perpetrated.

The story began soon after Bell joined the WWE in the late 1990s as head of licensing. He reached out to and retained an old colleague, Stanley Shenker, and his company, Stanley Shenker & Associates ("SSA"), to help broker deals with licensees. Both individuals had extensive licensing experience before joining working for WWE.



Soon after Shenker got involved, the pair set up a Hong Kong company, called Stanfull Industrial Limited ("Stanfull"), which was used to divert royalty payments from such WWE licensees as Toy Island, Ringside and Jakks Pacific Inc. Over a four-year period between 1998 and 2002, Stanfull paid kickbacks to Bell of about \$950,000, falsely designed as invoices for consulting services. This allowed Shenker to deduct such payments on his tax returns as purported business expenses.

When WWE became unhappy with its licensing program, it dismissed Bell and severed its relationship with Shenker. Instead of going away quietly and being satisfied with retaining its ill-gotten gains, Shenker commenced an action against the WWE in Connecticut state court for what he claimed were past due commissions. That action would ultimately bring the scheme to light, particularly after WWE began noticing certain irregularities in the licensing program. It would also lead to a second action, this time brought by WWE in federal court against Bell and Shenker and toy licensees, Jakks Pacific, Inc., and THQ, Inc.

The WWE had maintained as a defense in the state court action that Shenker conspired with Bell to defraud the WWE and its licensees of money, by: (1) improperly soliciting and splitting a series of kickbacks from at least one licensee, Trinity Products (Trinity); and, (2) improperly treating licensing transactions not otherwise commissionable to associates as if such deals had been procured and negotiated by associates, and subsequently splitting the commissions wrongfully obtained by associates as a result.

For well over two years, Shenker consistently and vehemently denied these allegations, testifying throughout the first three days of his deposition that: (1) every payment Shenker made to Bell was for “developmental projects” unrelated to the WWE; (2) these payments amounted to no more than \$300,000 to \$400,000; (3) associates received payments from Trinity according to a “separate oral consulting agreement” in which Bell was not involved; and (4) Shenker had no ownership interest in any companies other than associates, Creative Craft Company and a real estate venture co-owned with his daughter.

Apparently, unbeknownst to Shenker during the first three days of his deposition, the WWE had obtained copies of Bell Consulting invoices that had been inadvertently produced to the WWE which made clear the fact that Shenker had willfully perjured himself in deposition testimony and interrogatory answers. After being confronted with one of those invoices on the third day of his

PERJURY: deliberately gives false and misleading testimony under oath.

deposition, Shenker recanted much of his prior testimony, making more than 400 substantive changes to his deposition testimony, and admitting to having given deliberately false and misleading testimony. The recantations made clear that for months, Shenker had deliberately

lied under oath.

The WWE had also taken the deposition of the president of a WWE licensee, Trinity, who disclosed the scheme devised by Shenker under which Trinity would be granted an exclusive right to sell WWE licensed products to Wal-Mart if Trinity would pay Shenker a commission of 2% of those sales.

After hearing that testimony, Shenker also recanted his prior testimony denying such a scheme and finally admitted that: (1) he granted Trinity a secret exclusive right to sell WWE products to Wal-Mart in exchange for 2% of those sales; (2) he sought to conceal his agreement with Trinity from WWE’s counsel; (3) Bell was a part of the arrangement; and, (4) it was not a mere “coincidence” that his company-issued checks to Bell were equal to exactly one-half of Trinity’s payments to WWE, since Shenker had agreed to split those payments with Bell. Shenker also admitted that he had lied and deliberately misled the WWE regarding the Trinity arrangement.

Shenker admitted to a wide range of discovery abuses that included: (1) giving perjured deposition testimony; (2) providing perjured interrogatory answers; (3) fabricating evidence after

instituting the present action; (4) facilitating the destruction of evidence after instituting the present action; (5) concealing evidence; and (6) conspiring with third parties to engage in other litigation misconduct.

These disclosures occurred after more than two years of extensive discovery, including four discovery extensions, the production of more than 92,000 pages of documents, the taking of more than twenty-five depositions, and the filing of more than 150 motions, briefs, and other pleadings.

The Connecticut state court judge did not take kindly to Shenker's conduct, labeling him a "serial perjurer", dismissing Shenker's action under a doctrine called terminating sanctions (remember the WINNIE THE POOH case), and referring the case to the U.S. Attorney's Office for prosecution.

Both Bell and Shenker pled guilty to a host of charges in 2005. Shenker was sentenced to 33 months in prison and three years of probation while Bell received an



eight-month sentence and three years of probation. Shenker was ordered as part of his sentencing to pay \$2.8 million in restitution to WWE. Bell was ordered to pay a \$6,000 fine and more than \$950,000 in restitution.