

**Anne Schlafly Cori, et al. v. Edward R. Martin, Jr., et al., (2016 MR 000111) (Madison County lawsuit)**

**EXECUTIVE SUMMARY:**

On April 22, 2016, Plaintiffs Anne Schlafly Cori, Eunie Smith, Cathie Adams, Rosina Kovar, Carolyn McLarty and Shirley Curry, constituting six of the eleven directors of Eagle Forum (the “Majority Directors”), filed this lawsuit in Madison County, Illinois against Ed Martin and John Schlafly. Eagle Forum was also named as a nominal defendant because the Majority Directors sought an inventory and accounting of Eagle Forum’s finances and assets.

The Madison County lawsuit arises from the April 11, 2016 meeting of the Board of Directors of Eagle Forum, at which the Majority Directors undertook certain actions designed to protect the assets and resources of Eagle Forum in compliance with their fiduciary duties and obligations as directors. At the April 11, 2016 board meeting, the following motions were passed by a vote of the majority of the Eagle Forum Board of Directors: (1) the removal of Martin as the President of the Eagle Forum effective immediately; (2) the revocation of all prior Eagle Forum authorizations with banks and other financial institutions, and the authorization of Anne Schlafly Cori, Eunie Smith and Lois Linton to transact business with respect to Eagle Forum accounts with banks and other financial institutions; (3) the adoption of a conflict of interest policy whereby no employee of the Eagle Forum may also serve as a director; (4) the authorization of a complete and independent audit of the Eagle Forum; (5) the authorization of Anne Schlafly Cori to pursue a liability insurance contract covering directors and officers of the Eagle Forum; and (6) a resolution that neither the Runnymede Law Group, nor any other law firm, has been engaged to represent Eagle Forum, and that only the Board of Directors shall have the authority to engage legal counsel to represent Eagle Forum.

The following is a brief description of each of the individual claims asserted in the Madison County lawsuit:

**Count I: Breach of Fiduciary Duty against Ed Martin**

The Majority Directors asserted this claim against Ed Martin only, alleging that Ed Martin has (1) continued to hold himself out as President of Eagle Forum after being terminated, (2) denied the Majority Directors access to the property of Eagle Forum, and (3) prevented the Majority Directors from fulfilling their fiduciary duties. The Majority Directors allege that Ed Martin’s actions has damaged the name and reputation of Eagle Forum, among other things.

**Count II: Breach of Fiduciary Duty against John Schlafly**

The Majority Directors asserted this claim against John Schlafly only, alleging that John Schlafly has denied the Majority Directors access to the property and assets of Eagle Forum and has prevented the Majority Directors from fulfilling their fiduciary duties.

Count III: Inducement of Breach of Fiduciary Duty against Ed Martin

The Majority Directors asserted this claim against Ed Martin only, alleging that he has induced or caused John Schlafly to deny the Majority Directors access to the property and assets of Eagle Forum and prevent the Majority Directors from fulfilling their fiduciary duties.

Count IV: Action for Accounting

The Majority Directors asserted this claim to obtain an inventory and accounting of the records and property of Eagle Forum.

Count V: Declaratory Judgment

The Majority Directors asserted this claim to obtain a declaration from the Court that the various actions taken at the April 11, 2016 meeting of the Board of Directors were lawful and proper, including but not limited to the termination of Ed Martin as President and the authorization of an independent audit of Eagle Forum.

Count VI: Injunctive Relief

The Majority Directors asserted this claim to prevent any further breaches of fiduciary duty and other actions which could harm the interests of Eagle Forum. The goal of this claim, as with each of the others, is to protect the assets and resources of Eagle Forum.

**Anne Schlafly Cori, et al. v. Phyllis Schlafly's American Eagles, et al., (3:16-cv-946) ("PSAE lawsuit")**

**EXECUTIVE SUMMARY:**

Plaintiffs Anne Schlafly Cori, Eunie Smith, Cathie Adams, Rosina Kovar, Carolyn McLarty and Shirley Curry, each of whom are members and jointly constitute six of the eleven directors of Eagle Forum (the "Majority Directors"), filed this lawsuit in the Southern District of Illinois against a Virginia corporation called Phyllis Schlafly's American Eagles ("PSAE"), which was created by Ed Martin on May 11, 2016, after the Madison County lawsuit had already been filed. The lawsuit was filed derivatively on behalf of Eagle Forum. Eagle Forum is named in the lawsuit as a nominal defendant because the Majority Directors are seeking to protect the assets and resources of Eagle Forum on Eagle Forum's behalf. Eagle Forum is the registered owner of the trade name and service mark EAGLE FORUM®. Under the Bylaws, the Board of Directors is specifically tasked with the duty to "protect the name 'Eagle Forum.'"

Notwithstanding that the PSAE Annual Report uses the address of Eagle Forum's Illinois headquarters as the principal office of PSAE, lists Ed Martin as President of PSAE, and identifies Ed Martin, Kathleen Sullivan, John Schlafly, Phyllis Schlafly and Andrew Schlafly as directors of the new PSAE entity (while they were concurrently serving as officers and/or directors of Eagle Forum), the Eagle Forum Board of Directors was neither consulted about nor authorized the formation of PSAE.

At Ed Martin's direction, and without authorization by Eagle Forum, PSAE also solicited support and funds from Eagle Forum's supporters and donors. The PSAE letter soliciting donations includes the use of Phyllis Schlafly's name and image, and employs phrasing such as "Our Eagle Leaders," "my American Eagles" and references to "loyal supporters" of Phyllis Schlafly who have been fighting "for decades." These phrases are strategically designed to mislead Eagle Forum's substantial donor base, creating confusion between Eagle Forum and PSAE and implying that Eagle Forum sponsors or is otherwise affiliated with PSAE. Even the name "Phyllis Schlafly's American Eagles" is designed to mislead Eagle Forum's membership and donor base, in that Eagle Forum is commonly referred to as "Phyllis Schlafly's Eagle Forum" on newsletters, pamphlets and correspondence disseminated by Eagle Forum. The PSAE letter also requests that checks be mailed to the Illinois Headquarters or to the P.O. Box used by Eagle Forum.

**Count I: Conversion**

The Majority Directors allege that PSAE used the assets and resources of Eagle Forum to benefit PSAE without its permission. Specifically, the Majority Directors allege that PSAE used Eagle Forum's money, intellectual property (including goodwill and trademark and service mark rights), mailing lists, real and personal property and Eagle Forum's P.O. Box to benefit an entity in direct competition with Eagle Forum.

### Counts II and III: Federal and Common Law Trademark and Service Mark Infringement

The Majority Directors asserted this claim because PSAE has used the Eagle Forum® trademark and service mark in connection with its fundraising and solicitations of donations, which is likely to confuse or deceive the public, and damage the rights of Eagle Forum in the Eagle Forum® mark, as well as harm its business, reputation and goodwill.

### Counts IV and V: Unfair Competition under Federal Law and Illinois Law

The Majority Directors asserted this claim because PSAE are direct competitors, and the efforts undertaken by PSAE to solicit donations appear to be strategically designed to mislead Eagle Forum's substantial donor base, implying that Eagle Forum sponsors or is otherwise affiliated with PSAE, and suggesting that PSAE is a continuation or successor of Eagle Forum, in violation of federal and state law.

### Counts VI and VII: Violation of the Lanham Act and Illinois Dilution Law

The Majority Directors allege that PSAE is continuing to use brands, names and marks similar or identical to Eagle Forum brands, names and marks, including the Eagle Forum® mark, without Eagle Forum's permission in violation of federal and state law.

### Count VIII: Cyberpiracy

The Majority Directors allege that PSAE has registered certain websites, which are confusingly similar to the Eagle Forum website, [www.eagleforum.org](http://www.eagleforum.org), and the Eagle Forum® mark, without Eagle Forum's permission in violation of federal law.