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**SECTION:** BUSINESS; Pg. D1

**LENGTH:** 506 words **HEADLINE:** Suit hits buyer of Tower Web site;  
Rock stars allege an entrepreneur sells merchandise illegally.

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**BODY:**

Two months ago, San Francisco entrepreneur Bill Sagan was about to merge two rock music icons into a powerful marketing tool, using Tower Records' Web site to sell a treasure trove of rock merchandise from the warehouse of legendary concert promoter Bill Graham.

Today Sagan's \$3.8 million deal to buy Tower.com is in limbo. And Sagan is being sued by some of the most famous names in rock.

On Monday, guitarist Carlos Santana and surviving members of the Grateful Dead, Led Zeppelin and the Doors announced they sued Sagan and his company Norton LLC, saying Sagan's current Web site is illegally selling merchandise using their trademarks and likenesses.

The lawsuit, filed in U.S. District Court in San Francisco, accuses Sagan and Norton of trademark and copyright infringement. Sagan and Norton are guilty of "willful exploitation of these artists' rights," the suit says.

"We have never given permission for our images and material to be used in this way," Bob Weir of the Grateful Dead said in a statement released by Gibson, Dunn & Crutcher, the law firm filing the suit.

The suit also says many of the concert items being marketed as originals are actually reproductions. Sagan purchased Graham's warehouse in 2002 from Clear Channel Entertainment for a reported \$6 million. He has been selling T-shirts, posters, photographs and other merchandise at his own Web site, (Graham, who died in 1991, was born Wolfgang Grajonca). Sagan also has been "streaming" concert recordings on the Web site to promote the merchandise sales.

Even though West Sacramento-based Tower is going out of business in the United States, Sagan said in an October interview that the brand was still powerful and could be used to ramp up his merchandise sales. Sagan's company was the winning bidder for Tower's Web site at the Tower bankruptcy auction in early October.

It's far from certain that the deal will get done.

Tower filed court papers Oct. 10 saying Sagan was trying to back out of the deal or renegotiate the terms. Sagan denied that, saying he had simply run into snags involving privacy issues and the transfer of Tower.com's customer list.

A day later, lawyers for both sides appeared in U.S. Bankruptcy Court and said they could iron out their differences. But the deal still hasn't been completed, and two individuals familiar with the matter said Tower is talking to other potential buyers for the Web site in addition to Sagan's firm. The individuals insisted on anonymity because they haven't been authorized to speak for either company.

The Tower Web site remains open for business and could continue operating even after the stores go under. Although Tower's warehouse has been emptied out, and the stores are rapidly running out of inventory, the company is working with wholesalers to fulfill Internet orders.

Sagan and his lawyer couldn't be reached for comment Monday.

The last dozen or so Tower stores are expected to go out of business Friday.

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**GRAPHIC:** Associated Press file, 1995 / Jim Cole

A suit by Bob Weir, above, Carlos Santana, Led Zeppelin and the Doors says sales by Bill Sagan violate their trademarks.

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