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BANKRUPTCY BEAT

American Sniper's Widow Sues Bankrupt Training Company He Founded

By *Katy Stech*

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"American Sniper" author Chris Kyle poses for this 2012 file photo. Mr. Kyle was fatally shot at a shooting range southwest of Fort Worth, Texas, on Feb. 2, 2013. *PAUL MOSELEY/ASSOCIATED PRESS*

The widow of "American Sniper" Chris Kyle is suing the Texas law-enforcement-training business he founded, saying that the company has been illegally using Mr. Kyle's image to sell merchandise and training services.

In court papers, lawyers for Taya Kyle said that Craft International LLC continues to use the name of her dead husband---who claimed to be the most lethal sniper in U.S. military history---without her permission. Ms. Kyle said that she

and her children "have the right to control the use of Chris Kyle's name, likeness and image" after he was killed on Feb. 2, 2013, on a Texas gun range.

Mr. Kyle, a former Navy SEAL, was credited with more than 150 "confirmed kills." His 2012 autobiography became a bestseller.

Merchandise sales at Craft International, which filed for bankruptcy on May 30, soared after his death, according to documents filed in U.S. Bankruptcy Court in Dallas. Half of

the company's \$900,000 in revenue last year came from apparel sales; only 13% of the company's \$655,000 in revenue came from ammunition and apparel in 2012.

The company has pictures of Mr. Kyle "prominently displayed on its website and routinely advertises that [he] was a co-founder," said Ms. Kyle's lawsuit, which demands that the company remove the references. Ms. Kyle also wants to be paid an unspecified amount of profit "from [the company's] unauthorized use" of her husband's name and image.

A bankruptcy lawyer for Craft International did not return requests for comment on the lawsuit.

Craft International trains police officers, SWAT teams and the military on how to handle "austere environments and situations," but some investors who are owed more than \$2.6 million said earlier this year that the business doesn't have enough money to operate and is losing instructors.

Those investors---which include legendary Dallas Cowboys quarterback Roger Staubach (and his son, Jeffrey), golf sportscaster David Feherty and the son of former Texas Rangers owner Tom Hicks---would become the new owners of the company under a bankruptcy-exit plan that was filed to the court earlier this year.

Other investors that could become owners include finance folks like Third Point hedge fund manager Daniel Loeb and J. Kyle Bass's investment fund. (While we're name-dropping, we'll throw in that the company said it owes money to a promotional company founded by Dallas Cowboy Bob Lilly.)

Those investors extended money to the Craft in the form of a note on Dec. 18, 2009, according to court papers. Under the plan, the 85% ownership stake that Ms. Kyle said she inherited from her husband would be canceled.

The ownership reshuffle could happen before a movie about Mr. Kyle's life, starring Bradley Cooper, shines another bright spotlight on Craft International's business. In July, Craft International's bankruptcy lawyers threatened to sue Ms. Kyle for royalties on the movie, which opens in some theaters on Christmas Day.

The books *American Sniper* and the [sic] *American Gun* were written by Chris during his employment by the Debtor and both books required much of his time during the workday. Chris's book tours and promotion efforts for these books were

done as part of his job at the Debtor. The Debtor may seek discovery and may potentially make demand on the companies that published those books for the Debtor's share of its royalties, and may potentially make demand on any and all entities producing and making the movie "American Sniper" for the Debtor's share of the royalties and other payments which will be paid by those entities. Likewise, the Debtor may seek discovery and potentially bring a claim against Taya for the Debtor's share of the revenues paid to Taya and generated by the movie "American Sniper" and the two books. The Debtor anticipates that this litigation may be taken on a contingency fee arrangement by counsel representing the reorganized Debtor. Obviously, whether the litigation is pursued will be determined by the management and new owners of the reorganized Debtor.

Craft International's Chief Executive Steven Young first challenged Ms. Kyle's inherited ownership stake in the business last year.

The dispute got ugly quickly: Craft International executives said in court papers that Mr. Kyle, prior to his death, intentionally limited the power of members' spouses in governing documents because of "his belief that divorce was a very real possibility" for his own marriage. At the same time, Ms. Kyle's lawyers accused Mr. Young of mishandling Craft International's money.

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Correction: An earlier version of this blog post incorrectly stated that a trust run by Highland Capital's Jim Dondero invested in Craft International's business. Mr. Dondero doesn't run the trust, according to a spokesman.

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