

1 John D. Vaughn, State Bar No. 171801
Jeffrey A. Feasby, State Bar No. 208759
2 PEREZ WILSON VAUGHN & FEASBY, INC.
750 B Street, Suite 3300
3 San Diego, California 92101
Telephone: 619-702-8044
4 Facsimile: 619-460-0437
E-Mail: vaughn@perezwilson.com
5 E-Mail: feasby@perezwilson.com

6 Attorneys for Defendant and Counterclaimant
Windermere Real Estate Services Company
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9 **UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

10
11 BENNION & DEVILLE FINE
HOMES, INC., a California
12 corporation, BENNION & DEVILLE
FINE HOMES SOCAL, INC., a
13 California corporation, WINDERMERE
SERVICES SOUTHERN
14 CALIFORNIA, INC., a California
corporation,

15 Plaintiffs,

16 v.

17 WINDERMERE REAL ESTATE
18 SERVICES COMPANY, a Washington
corporation; and DOES 1-10

19 Defendant.
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Case No. 5:15-CV-01921 R (KKx)

**FIRST AMENDED
COUNTERCLAIM BY
DEFENDANT AND
COUNTERCLAIMANT
WINDERMERE REAL ESTATE
SERVICES COMPANY FOR
DAMAGES AND INJUNCTIVE
RELIEF**

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1 WINDERMERE REAL ESTATE
2 SERVICES COMPANY, a Washington
corporation,

3 Counterclaimant,

4 v.

5 ROBERT L. BENNION, an individual,
6 JOSEPH R. DEVILLE, an individual,
BENNION & DEVILLE FINE
7 HOMES, INC., a California
corporation, BENNION & DEVILLE
8 FINE HOMES SOCAL, INC., a
California corporation, and
9 WINDERMERE SERVICES
SOUTHERN CALIFORNIA, INC., a
California corporation,

10 Counterdefendants.
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1 COMES NOW Defendant and Counterclaimant Windermere Real Estate
2 Services Company (“WSC”) and asserts its First Amended Counterclaim for
3 damages and injunctive relief against Counterdefendants Robert L. Bennion and
4 Joseph R. Deville and Plaintiffs and Counterdefendants Bennion & Deville Fine
5 Homes, Inc. (“B&D Fine Homes”), Bennion & Deville Fine Homes SoCal, Inc.
6 (“B&D SoCal”), and Windermere Services Southern California, Inc. (“WSSC”) as
7 follows:

8 NATURE OF ACTION

9 1. Founded by John Jacobi over 40 years ago, WSC is the franchisor of
10 the Windermere System of franchisees providing real estate brokerage services to
11 customers seeking to buy, sell or lease real property. Beginning with a single office
12 and eight (8) real estate agents in Seattle Washington, Windermere Real Estate grew
13 to a network of approximately 300 offices and more than 7000 agents throughout
14 the Western United States. Windermere is the largest real estate brand in the Pacific
15 Northwest.

16 2. WSC is ranked “Top Private Company” by *Washington CEO*
17 *Magazine*, “Most Respected Real Estate Brand” by the *Puget Sound Business*
18 *Journal*, and received the Family Business “Succession” Award from *Seattle*
19 *Business Magazine*.

20 3. WSC has always focused on three basic principles: hire the best, give
21 them the best tools, and create thriving communities.

22 Community

23 4. WSC established the Windermere Foundation in 1989. For every home
24 that is bought or sold through a Windermere agent, a portion of the commission is
25 donated to the Windermere Foundation. Funds raised are then donated to local
26 organizations supporting low-income and homeless families throughout the
27 communities Windermere serves. What started as a grassroots foundation serving
28 Seattle-area families in need has grown to encompass ten states and has raised more

1 than \$30 million for programs and organizations that provide shelter, clothing,
2 children’s programs, emergency assistance, and other services for those in need.

3 **Tools**

4 5. For decades, WSC has strived to provide the very best tools in the
5 business for its agents. Working collaboratively with its talented agents, WSC
6 offers a wide range of innovative tools and programs, allowing its agents to serve
7 home buyers and sellers in a way that is unique to Windermere.

8 6. Since 2010 WSC and its principals have invested more than \$11
9 million into the Windermere technology system. WSC’s Technology Fee currently
10 is \$68.00 per agent per month – extremely low by industry standards. For this fee,
11 WSC’s agents receive a suite of tools *at least* comparable, and very likely *superior*,
12 to the technology services utilized and offered by its competitors. Indeed, WSC’s
13 technology is so widely respected, WSC “white-labels” its technology package and
14 sells it to other real estate brokerage businesses in other areas of the United States.

15 **People**

16 7. WSC began its relationship with Bennion and Deville in 2001. They
17 had been Windermere agents in the Seattle area for some time, but in 2001 they
18 became owners of a Windermere franchise in the Coachella Valley.

19 8. Bennion and Deville grew their business quickly, opening fourteen (14)
20 franchised locations between 2001 and 2010.

21 9. However, it became clear that Bennion and Deville exercised poor
22 business judgment in growing faster than their cash flow could support. By 2007
23 and moving forward, WSC began to forgive Bennion and Deville’s Franchise Fees,
24 decrease or freeze their Technology Fees, and/or defer other fees relative to the
25 franchise relationship – all in an effort to support a struggling franchise. In 2009,
26 Bennion and Deville asked WSC for a personal loan of \$501,000.00 as “an
27 emergency cash infusion” to their Coachella Valley business, indicating that without
28 this loan the company would soon be insolvent. One of WSC’s affiliated entities

1 made the loan, which was due in full in 2014. Unable to repay the loan on time,
2 Bennion and Deville asked for a three year extension to the loan term, which was
3 granted. The loan remains outstanding at this time.

4 10. In 2011, WSC's affiliated entities provided Bennion and Deville with
5 additional personal loans in the total amount of \$750,000.00, to finance their
6 expansion to the San Diego area. One of these loans remains outstanding.

7 11. In 2012, WSC agreed to waive \$1,151,060.00 of past due Franchise
8 and Technology Fees.

9 12. Despite this extraordinary support, Bennion and Deville's earlier
10 successes could not be duplicated. The parties' relationship deteriorated. After
11 Bennion and Deville gave notice that they wanted their franchise agreements to
12 expire, they indicated they would be willing to sell their Southern California
13 operations to WSC. The parties were unable to reach an agreement on the terms of
14 such a sale, however, resulting in Bennion and Deville's decision to begin operating
15 as an independent brokerage.

16 13. Bennion and Deville stopped paying WSC their Franchise Fees in July
17 2014. Through September 30, 2015, Bennion and Deville owe WSC more than \$1.2
18 million pursuant to the various franchise and franchise related agreements discussed
19 herein and below.

20 14. Moreover, Bennion and Deville continue to flagrantly infringe WSC's
21 federally registered trademarks notwithstanding multiple demands that such conduct
22 immediately cease and desist.

23 15. For these reasons, WSC now comes before this Court seeking
24 compensatory damages, statutory damages, and the recovery of its attorneys' fees
25 and costs associated with this action.

26 16. Additionally, WSC seeks injunctive relief as a result of Defendants'
27 refusal to cooperate with WSC relative to WSC's intellectual property.

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1 **PARTIES**

2 17. Defendant and Counterclaimant Windermere Real Estate Services
3 Company is a Washington corporation registered with the California Secretary of
4 State to do business in California.

5 18. Plaintiff and Counterdefendant Bennion & Deville Fine Homes, Inc. is
6 a California corporation with its principle place of business in Rancho Mirage,
7 California.

8 19. Plaintiff and Counterdefendant Bennion & Deville Fine Homes SoCal,
9 Inc. is a California corporation with its principle place of business in Rancho
10 Mirage, California.

11 20. Plaintiff and Counterdefendant Windermere Services Southern
12 California, Inc. is a California corporation with its principle place of business in
13 Rancho Mirage, California.

14 21. WSC is informed and believes, and thereon alleges, that
15 Counterdefendant Robert L. Bennion is an individual residing in the State of
16 Washington and doing business in California and within this Judicial District.

17 22. WSC is informed and believes, and thereon alleges, that
18 Counterdefendant Joseph R. Deville is an individual residing in the State of
19 California and doing business within this Judicial District.

20 23. WSC is informed and believes, and thereon alleges, that Bennion and
21 Deville are each 50% owners and the sole principals of Counterdefendants Bennion
22 & Deville Fine Homes SoCal, Inc., Windermere Services Southern California, Inc.,
23 and Bennion & Deville Fine Homes, Inc.

24 24. WSC is informed and believes, and thereon alleges, that
25 Counterdefendants were at all times relevant herein the agents, servants, and/or
26 employees of the other Counterdefendants, and each of them, and in doing the
27 things herein alleged, were acting at least in part within the course and scope of their
28 authority as such agents, servants, and/or employees of the other Counterdefendants,

1 and each of them. WSC is informed and believes, and thereon alleges, that the acts
2 and/or omissions of the Counterdefendants were authorized and/or ratified by
3 officers, directors, principals, and/or managing agents of the Counterdefendants, and
4 each of them.

5 25. Bennion, Deville, Bennion & Deville Fine Homes Inc., Bennion &
6 Deville Fine Homes SoCal, Inc., and Windermere Services Southern California, Inc.
7 will be referred to herein as “Defendant” or, collectively, “Defendants.”

8 **JURISDICTION AND VENUE**

9 26. Defendants Bennion and Deville are (1) subject to service of process,
10 (2) individuals whose joinder would not destroy diversity or otherwise affect the
11 Court’s subject matter jurisdiction, and (3) are proper parties to the claims for relief
12 as set forth herein. Accordingly, Defendants Bennion and Deville are properly
13 joined as parties to the Counterclaim pursuant to Rules 13(h), 19 and 20 of the
14 Federal Rules of Civil Procedure

15 27. This Court has jurisdiction over WSC’s Counterclaim because “it arises
16 out of the transaction or occurrence that is the subject matter of” Defendants’ claims
17 against WSC and because the resolution of WSC’s Counterclaim does not require
18 the presence of third parties over whom the Court does not have jurisdiction.
19 Accordingly, WSC’s Counterclaim is a compulsory counterclaim under Rule 13(a)
20 of the Federal Rules of Civil Procedure

21 28. Because diversity jurisdiction existed as to the Complaint and claims
22 asserted therein, and because WSC’s Counterclaim is compulsory and/or related to
23 claims asserted in the Complaint forming part of the same constitutional case or
24 controversy, this Court may exercise supplemental/ancillary jurisdiction over the
25 Counterclaim and Defendants Bennion and Deville pursuant to 28 USC § 1367(a).

26 29. Venue is proper in the Central District of California because
27 Defendants are subject to personal jurisdiction in this District, a substantial part of
28 the events occurred in this District, and all parties specifically agreed to the Western

1 Division of the Central District of California pursuant to a forum selection clause
2 contained in a contract that is in dispute in this action. (Modification Agreement,
3 Ex. N, § 9.)

4 **RELEVANT FACTUAL BACKGROUND**

5 30. Bennion and Deville each personally guaranteed full and complete
6 payment of all Franchise and Franchise-related Fees and costs arising pursuant to
7 the franchise and franchise-related agreements identified and discussed herein and
8 below. (See Exs. A and B; Ex. L, Appendix 2.)

9 31. Accordingly, Bennion and Deville are personally liable for the amounts
10 due and owing WSC as a result of Defendants' breaches of the franchise and
11 franchise-related agreements identified and discussed herein and below.

12 **THE COACHELLA VALLEY FRANCHISE AGREEMENT**

13 32. On August 1, 2001, WSC entered into a Windermere Real Estate
14 License Agreement (the "Coachella Valley Franchise Agreement") with Bennion
15 and Deville and Defendant B&D Fine Homes. A true and correct copy of the
16 Coachella Valley Franchise Agreement is attached hereto as Exhibit A.

17 33. Pursuant to the Coachella Valley Franchise Agreement, Bennion and
18 Deville and B&D Fine Homes were required to pay the following fees:

- 19 a. Initial fee of \$15,000.00;
- 20 b. Monthly License Fee of 5% of gross commission revenue, or
21 \$200.00/agent;
- 22 c. Monthly Technology Fees of \$10.00/agent; and
- 23 d. Monthly Administrative Fees of \$25.00/agent

24 (See Ex. A, § 5.)

25 34. Failure to remit the monthly License Fees triggered a late fee of 10% of
26 the delinquent amount, as well as compounding interest of 10%. (See Ex. A, § 5.)

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1 35. Also pursuant to the Coachella Valley Franchise Agreement:

2 a. Bennion and Deville and B&D Fine Homes were required to
3 obtain the consent of WSC to open new locations or to relocate
4 an office;

5 b. Bennion and Deville and B&D Fine Homes agreed to obey WSC
6 guidelines governing use of the “Windermere” tradename and
7 Trademark, WSC’s intellectual property, and the “style of
8 advertising materials;”

9 c. WSC had the right to audit B&D Fine Homes’ books at any time,
10 and if the audit revealed that WSC had been underpaid by 2% or
11 more, B&D Fine Homes was required to pay the cost of the
12 audit; and

13 d. The Coachella Valley Franchise Agreement was for an indefinite
14 term and was terminable by either side with six months’ notice.

15 (See Ex. A, §§ 3-6.)

16 36. Between August 2001 and April 2010, B&D Fine Homes, with WSC’s
17 permission, opened fourteen (14) Windermere franchised businesses under the
18 Coachella Valley Franchise Agreement.

19 37. During this same period of time, the parties agreed to various fee
20 adjustments at Bennion and Deville’s requests, all reflected by contemporaneous
21 Addenda. True and correct copies of said Addenda are attached hereto as Collective
22 Exhibit B.

23 38. In this vein, WSC went out of its way to accommodate Bennion and
24 Deville and B&D Fine Homes and to assist them with financial troubles. For
25 instance, on August 10, 2007, the parties executed an Addendum that forgave *all* of
26 2006 franchise fees in the amount of \$500,840.00 over five years. A true and
27 correct copy of the August 10, 2007 Addendum is attached hereto as Exhibit C.
28 Two weeks later, Bennion and Deville and B&D Fine Homes again requested

1 financial assistance, and WSC agreed to defer the 2007 franchise fees to June 2008
2 subject to payment by May 2013. A true and correct copy of the August 27, 2007
3 Addendum is attached hereto as Exhibit D.

4 39. This pattern of extraordinary accommodations and financial assistance
5 continued during and throughout the entirety of WSC's relationship with Bennion
6 and Deville, including personal loans to Bennion and Deville of \$1.25 million.

7 40. Ultimately, however, B&D Fine Homes became financially untenable.
8 Bennion and Deville provided WSC with written notice of termination of the
9 Coachella Valley Franchise Agreement on March 27, 2015, effective as of
10 September 30, 2015. A true and correct copy of the termination notice of the
11 Coachella Valley Franchise Agreement is attached hereto as Exhibit E.

12 41. Bennion and Deville personally guaranteed all amounts due and owing
13 under the Coachella Valley Franchise Agreement. (See Exs. A and B.)

14 42. Bennion and Deville and B&D Fine Homes have failed and refused to
15 remit required Franchise Fees to WSC since July 2014 despite demands for
16 payment. Accordingly, Bennion and Deville and B&D Fine Homes have breached,
17 and currently are in breach of, the Coachella Valley Franchise Agreement.

18 43. As of September 30, 2015, Defendants Bennion and Deville and B&D
19 Fine Homes owe WSC the amount of \$629,968.64 under the Coachella Valley
20 Franchise Agreement. Additionally Bennion and Deville owe fees for the month of
21 September 2015, in an amount to be determined at trial, or through the accounting
22 demanded below.

23 **AREA REPRESENTATION AGREEMENT**

24 44. In addition to being franchisees, Bennion and Deville wished to
25 become WSC Area Representatives whose job it was, among other things, to
26 generally administer and provide support and auxiliary services to WSC licensees
27 throughout Southern California.

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1 45. On May 1, 2004, WSC entered into an Area Representation Agreement
2 with Bennion and Deville’s newly formed company, WSSC. A true and correct
3 copy of the Area Representation Agreement is attached hereto as Exhibit F.

4 46. The Area Representation Agreement defined the “Region” to be the
5 State of California – “Region” was *not* limited to Southern California. Further, the
6 rights granted to WSSC were *non-exclusive*. WSC expressly reserved the right to
7 have other area representatives in the state, with all area representatives having the
8 right to solicit franchisees anywhere in the state, but with WSC having the right to
9 assign each new franchisee to the area representative that made the most sense.
10 WSSC was given initial rights to a list of existing franchisees which was attached as
11 Exhibit A to the Area Representation Agreement. New offices added would be
12 assigned to an area in WSC’s sole discretion. (See Ex. F.)

13 47. As Area Representative, WSSC had specific enumerated duties,
14 including:

- 15 a. Provision of support and auxiliary services to Windermere
16 licensees in the Region in accordance with the Area
17 Representation Agreement and the policies and guidelines
18 enunciated from time to time by WSC;
- 19 b. Collecting fees from the franchisees in the Region including, but
20 not limited to, License Fees, Administrative Fees, advertising
21 fund contributions, Technology Fees, Windermere Foundation
22 fees, “and other amounts due under the license agreements in the
23 Region, *and to remit to WSC its shares of such fees;*”
- 24 c. Marketing Windermere licenses in the Region;
- 25 d. Establishing and operating a training, education and professional
26 development program for licensees and for their respective
27 salespersons;
- 28 e. Implementing the Windermere intra-system referral program;

- f. Offering Windermere marketing programs;
- g. Making available samples of Windermere forms and listing and marketing materials;
- h. Monitoring licensee compliance with the errors and omissions and general liability insurance requirements; and
- i. Coordination of advertising and public relations.

7 (See Ex. F.)

8 48. Pursuant to the Area Representation Agreement, it was WSSC's
9 responsibility to monitor and see that its licensees in the Region complied with and
10 conformed to WSC's policies and guidelines pertaining to the use of the
11 Windermere trademark. Further, as Area Representative, WSSC agreed to give
12 prompt, courteous and efficient service, and to be governed by the highest ethical
13 standards of fair dealing and honesty when dealing with the public and all members
14 of the Windermere System. (See Ex. F.)

15 49. The Area Representation Agreement was terminable by either side
16 giving 180 days' notice at any time without cause. The Area Representation
17 Agreement also could be terminated by WSC for cause if defaults were not cured
18 within 90 days of written notice. (See Ex. F, § 4.)

19 50. Regarding Technology Fees, the Area Representation Agreement
20 provided:

21 Licensees in the Region shall pay Technology Fees in an amount
22 determined by WSC, and as disclosed in the UFOC and the license
23 agreements executed by each licensee. Area Representative shall be
24 responsible for collecting all Technology Fees in the region, as one
25 of the additional fees collected by Area Representative and
26 forwarded in full to WSC. The Technology Fee is intended to
27 support the operation and development of WSC's technology
28 systems Area Representative acknowledges that features
available in and for the Region may be limited due to the currently
small number of Windermere licensees in the Region. It is
anticipated that technology services available for the Region will
expand with the number of licensees. However, such expansion
will be time and cost-intensive, and may require the imposition of
additional or increased Technology Fees to fund such development.
Area Representative agrees to cooperate with WSC in establishing

1 and implementing a technology strategy for Region, and in
2 financing the development of technology tools for the Region
3 through increased contributions from Area Representative and/or its
4 licensees in such amounts as determined by WSC and Area
5 Representative.

6 (See Ex. F, § 13.)

7 51. Bennion and Deville and WSSC breached, and currently are in breach
8 of, the Area Representation Agreement. Bennion and Deville and WSSC, in many
9 instances, did not provide “prompt, courteous and efficient service” to franchisees
10 and did not deal “fairly and honestly” with the members of the Windermere System.
11 Bennion and Deville did not offer the same *support* to other Windermere franchisees
12 in Southern California as they provided to the offices they owned themselves, as
13 required by the material terms of the Area Representation Agreement. For example,
14 Bennion and Deville hosted a listing seminar for Windermere SoCal agents in
15 Carlsbad, California, but did not invite anyone from Windermere Homes & Estates
16 which also operates an office in Carlsbad.

17 52. Instead of offering *support* as required by the Area Representation
18 Agreement, Bennion and Deville actually *competed* against the Windermere
19 franchisees they were contractually obligated to support.

20 53. On at least two occasions Bennion and Deville actually sent emails to
21 agents who worked for Windermere Homes & Estates in San Diego (one of the
22 franchises Bennion and Deville were supposed to be supporting), attempting to
23 recruit agents to leave Windermere Homes & Estates and work for Bennion and
24 Deville instead.

25 54. This lack of support, and open hostility, toward other franchisees drove
26 many out of the Windermere System resulting in significant financial loss to WSC.

27 55. Additionally, Bennion and Deville and WSSC failed to collect and
28 remit License and Technology Fees as required by the Area Representative
Agreement, despite numerous demands made by WSC.

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1 56. On January 28, 2015, WSC provided WSSC with notice of termination
2 of the Area Representation Agreement pursuant to ¶4.1 of that agreement. A true
3 and correct copy of the January 28, 2015 notice of termination of the Area
4 Representation Agreement is attached hereto as Exhibit G.

5 57. On February 26, 2015, without waiving its right to terminate the Area
6 Representation Agreement without cause, WSC provided WSSC with its notice of
7 termination of the Area Representation Agreement with cause due to WSSC's
8 failure and refusal to collect and remit fees from licensees, including licensees B&D
9 Fine Homes and B&D SoCal themselves, in WSSC's Region – a material breach of
10 the Area Representation Agreement. A true and correct copy of the February 26,
11 2015 notice of termination of the Area Representation Agreement is attached hereto
12 as Exhibit H.

13 **PERSONAL LOANS**

14 58. Throughout 2008, Bennion and Deville suffered financially. In
15 January 2009, *at the eleventh hour*, Bennion and Deville approached WSC
16 explaining that they were in such financial distress they were in imminent danger of
17 insolvency, and could be forced to close their business. They asked WSC for a
18 personal loan as an emergency cash infusion. Wishing to be supportive of its
19 franchisee and Area Representative, WSC arranged for one of its affiliated entities
20 to provide Bennion and Deville with a personal loan in the amount of \$501,000.00.
21 While this loan was originally due in full by March 1, 2014, WSC later agreed to
22 extend the due date an additional three (3) years at the request of Bennion and
23 Deville, because they were unable to timely pay the final payment. A true and
24 correct copy of the January 13, 2009 personal loan document is attached hereto as
25 Exhibit I.

26 59. In February 2011, after a large franchise left Windermere in the San
27 Diego area, Bennion and Deville again approached WSC requesting more funds to
28 assist them in opening offices in San Diego to replace the offices that were

1 departing. Bennion and Deville formed a third company, B&D SoCal, and WSC
2 entered into a new franchise agreement with that entity (the SoCal Franchise
3 Agreement discussed below). Again seeking to assist and support its franchisee and
4 Area Representative to successfully launch San Diego operations, WSC agreed and,
5 on February 16, 2011, arranged for one of its affiliated entities to provide Bennion
6 and Deville with another personal loan in the amount of \$500,000.00. This loan is
7 due in full on March 1, 2016. A true and correct copy of the February 16, 2011
8 personal loan document is attached hereto as Exhibit J.

9 60. Just four (4) months later, Bennion and Deville *again* approached WSC
10 for *additional* funds for startup costs associated with their new San Diego
11 operations. Wishing to see Bennion and Deville successful, WSC again arranged
12 for an affiliated entity to provide Bennion and Deville with a personal loan, this time
13 in the amount of \$250,000.00. This loan was repaid in full on May 1, 2014. A true
14 and correct copy of the June 6, 2011 personal loan document is attached hereto as
15 Exhibit K.

16 61. All told, in unflagging and unmatched support of its franchisee and
17 Area Representative, WSC loaned \$1,250,001.00 to Bennion and Deville between
18 2008 and 2011 in order to assist in the success of Defendants' business operations.

19 **SOCAL FRANCHISE AGREEMENT**

20 62. Using the funds referenced above provided by WSC and its affiliates,
21 Bennion and Deville began opening offices in the San Diego area in early 2011.

22 63. On March 29, 2011, Bennion, Deville and B&D SoCal, entered into a
23 new Windermere real estate franchise license agreement (the "SoCal Franchise
24 Agreement") with WSC. A true and correct copy of the SoCal Franchise Agreement
25 is attached hereto as Exhibit L.

26 64. Like the Coachella Valley Franchise Agreement, the SoCal Franchise
27 Agreement granted B&D SoCal "the revocable and non-exclusive right to use the
28 Windermere Trademark and Windermere System in the conduct of real estate

1 brokerage services” in certain locations. (See Ex. L, § 1.) Unlike the Coachella
2 Valley Franchise Agreement, B&D SoCal was not required to pay an Initial Fee.
3 The SoCal Franchise Agreement did, however, require a monthly License Fee, a
4 monthly Technology Fee of \$25.00 per agent, and a Windermere Foundation
5 suggested donation of \$10.00 per transaction per side for each closed transaction
6 (See Ex. L, § 7, Appendix 1.)

7 65. Initial locations under the SoCal Franchise Agreement were La Mesa,
8 Laguna Niguel, Carmel Valley, and Solana Beach/Lomas Santa Fe. WSC never
9 provided B&D SoCal permission for the addition of any offices or satellites beyond
10 the referenced four initial locations.

11 66. As with the Coachella Valley Franchise Agreement, Bennion and
12 Deville provided WSC with written notice of termination of the SoCal Franchise
13 Agreement on March 27, 2015, effective as of September 30, 2015. A true and
14 correct copy of the termination notice of the SoCal Franchise Agreement is attached
15 hereto as Exhibit M.

16 67. Bennion and Deville personally guaranteed all amounts due and
17 owing under the SoCal Franchise Agreement. (See Ex. L, Appendix 2.)

18 68. Bennion and Deville and B&D SoCal have failed to remit required
19 Franchise Fees to WSC since July 2014 despite demands for payment. Accordingly,
20 Bennion and Deville and B&D SoCal have breached, and currently are in breach of,
21 the SoCal Franchise Agreement.

22 69. As of September 30, 2015, Defendants Bennion, Deville and B&D
23 SoCal owe WSC \$192,630.22 under the SoCal Franchise Agreement. This does not
24 include fees owing for September 2015, which are also owing in an amount to be
25 determined at trial, or through the accounting demanded below.

26 **MODIFICATION AGREEMENT**

27 70. In or about 2002, an individual named Gary Kruger filed a lawsuit
28 against a Windermere franchisee in the Seattle, Washington area. After he lost the

1 lawsuit, Mr. Kruger began to voice his negative opinions regarding Windermere.
2 Mr. Kruger created and launched a campaign he named “Windermere Watch,”
3 consisting initially of postcards and other materials sent through the US mail, and
4 via fax. Later Mr. Kruger registered the domain name “windermerewatch.com,”
5 and published a website at that address in an effort to disparage the Windermere
6 name and System.

7 71. In late 2012, Bennion and Deville threatened they would have to leave
8 Windermere entirely, citing problems they were having with Mr. Kruger and the
9 Windermere Watch website. Negotiations with WSC ensued, culminating in
10 Bennion and Deville’s promise to remain with the Windermere System for an
11 additional five (5) years in exchange for certain concessions regarding Franchise
12 Fees and WSC’s agreement to “do something” about Mr. Kruger and the
13 Windermere Watch websites.

14 72. Thus, on December 18, 2012, WSC and Defendants WSSC, B&D Fine
15 Homes, and B&D SoCal entered into an “Agreement Modifying Windermere Real
16 Estate Franchise License Agreements” (the “Modification Agreement”). A true and
17 correct copy of the Modification Agreement is attached hereto as Exhibit N.

18 73. In addition to the Kruger issue, WSC agreed:
19 a. To waive \$1,151,060.00 of past due Franchise and Technology
20 Fees, of which \$863,560.00 was owed to WSC;
21 b. To apply a “ramp up” discount for all Bennion and Deville
22 Franchise Fees retroactive to April 2012;
23 c. To cap Bennion and Deville’s Technology Fees at no more than
24 \$25.00 per agent per month, and no more than \$25,000.00 total
25 for five (5) years; and

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- 1 d. To release Bennion and Deville from personal liability for the
2 amounts waived, although their personal guarantees then existing
3 *continued to apply to fees that became owing on or after April 1,*
4 *2012.*

5 (See Ex. N, § 3.)

6 74. In consideration, Bennion and Deville agreed:

- 7 a. To remain with Windermere for a five (5) year term;
8 b. To pay to WSC a pro rata portion of all fees waived if they left
9 the Windermere System before expiration of the five (5) year
10 term; and
11 c. To pay to WSC \$181,075.00 of past due Franchise and
12 Technology Fees by December 31, 2012.

13 (Id.)

14 75. While the Modification Agreement references both the Coachella
15 Valley Franchise Agreement and the SoCal Franchise Agreement and states that it is
16 intended to modify both agreements, the Modification Agreement did not modify
17 the Area Representation Agreement, nor did it modify or in any way affect the
18 various loans and notes entered into by WSC and Bennion and Deville during and
19 throughout their business relationship.

20 76. In a series of communications beginning in January 2014, Bennion and
21 Deville claimed that WSC had not made commercially reasonable efforts to address
22 the activities of Mr. Kruger and the Windermere Watch websites. Bennion and
23 Deville claimed that they had spent \$64,113.00 on search engine optimization
24 (“SEO”) efforts to effectively address Mr. Kruger’s activities. Bennion and Deville
25 demanded reimbursement of these sums.

26 77. WSC agreed that Bennion and Deville could deduct the \$64,113.00
27 amount as a credit against past due Franchise Fees then owing to WSC. Bennion
28 and Deville then demanded a larger credit of \$85,280.00 which purportedly included

1 additional expenses not previously discussed. Nevertheless, WSC agreed to this
2 figure. Finally, Bennion and Deville requested that WSC provide them with a three
3 (3) year extension of the January 2009 personal loan that was then due on March 1,
4 2014. WSC agreed to provide Bennion and Deville with this extension.

5 78. On June 3, 2014, Mr. Michael Teather, Windermere's Senior Vice
6 President of Client Services, confirmed in writing with Mr. Robert J. Sunderland,
7 counsel for Messrs. Bennion and Deville, that "WSC's agreement to the loan
8 extension and the \$85,280 fee credit resolves all current issues, and that as of the
9 date of this letter WSC is not in breach of any obligations, contractual or otherwise,
10 owed to your clients." Mr. Teather further noted that "[b]arring any material change
11 in Mr. Kruger's activities, we have agreed that there is nothing further that WSC can
12 or should be doing with regard to Windermere Watch at this time, and that your
13 clients will bear the expense of any ongoing SEO efforts on their part without taking
14 further credits or offsets from amounts they owe to WSC." A true and correct copy
15 of Mr. Teather's June 3, 2014 letter is attached hereto as Exhibit O.

16 79. On March 27, 2015, Bennion and Deville provided WSC with written
17 notice of termination of the Coachella Valley Franchise Agreement and the SoCal
18 Franchise Agreement, effective September 30, 2015. (See Exs. E and M.)
19 Similarly, the Area Representation Agreement terminated effective September 30,
20 2015.

21 80. Accordingly, Defendants did not remain with the Windermere System
22 for the five (5) year period mandated by the Modification Agreement. Pursuant to
23 the Modification Agreement, Defendants are required to repay to WSC a pro rata
24 portion of the franchise fees waived under the Modification Agreement.

25 81. As of September 30, 2015, that pro rata figure owed by Defendants to
26 WSC is \$386,056.57.

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1 **INTELLECTUAL PROPERTY INFRINGEMENT**

2 82. WSC owns federal trademark registrations for the mark “Windermere”
3 and design, United States Trademark Registration Nos. 2,047,919; 2,057,372; and
4 2,490,442 used in connection with the marketing and sale of real property brokerage
5 and property management services, and mortgage loan origination and mortgage
6 lending services since 1997 (Nos. 2,047,919 and 2,057,372) and 2001 (No.
7 2,490,442) (collectively, the “Windermere Marks”). True and correct copies of
8 WSC’s federal registration of the “Windermere” mark and design are attached
9 hereto as Exhibit P.

10 83. Prior to their registration with the United States Patent and Trademark
11 Office, WSC had used some of the Windermere Marks in commerce as early as
12 1973.

13 84. WSC has spent a substantial amount of time, money and resources to
14 promote, advertise and protect its respective marks and has developed valuable
15 goodwill and an outstanding reputation in the Windermere Marks. WSC promotes
16 its products under the Windermere Marks in its promotional literature, at trade
17 shows, and on its website.

18 85. Pursuant to the Coachella Valley Franchise Agreement, all parties
19 acknowledged that WSC owned the “Windermere Real Estate” and “Windermere”
20 trade names as well as “related trademarks, service marks and logotypes” defined in
21 the agreement as the “Trademark.” (See Ex. A, Recital A.) They also
22 acknowledged WSC’s “exclusive right to use and license others to use the
23 Trademark.” (Id.) Pursuant to the Coachella Valley Franchise Agreement,
24 Defendants B&D Fine Homes, Deville, and Bennion were granted a “revocable and
25 non-exclusive right during the term of [the] Agreement to use the Trademark ... in
26 the conduct of real estate brokerage and sales activities.” (Id., ¶ 2.) However, WSC
27 expressly reserved the sole and exclusive ownership of the Trademark. (Id. ¶ 3.)

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1 86. B&D Fine Homes, Deville, and Bennion further agreed that upon
2 request by WSC, they would cooperate fully and in good faith in assisting WSC to
3 the extent necessary to protect WSC’s rights in and to the Trademark. (Id.) Upon
4 termination of the Coachella Valley Franchise Agreement, Defendants B&D Fine
5 Homes, Deville, and Bennion were required to discontinue all use of the Trademark.
6 (Id., ¶ 7.)

7 87. On March 27, 2015, Bennion and Deville terminated the Coachella
8 Valley Franchise Agreement effective September 30, 2015.

9 88. Pursuant to the Area Representation Agreement, all parties
10 acknowledged that WSC owned the “Trademark” which was defined to mean “the
11 trade names ‘Windermere Real Estate,’ ‘Windermere’ and variations of those
12 names, and all trademarks, service marks, related symbols and logotypes, owned by
13 WSC and used in connection with real estate brokerage services and activities and
14 licensing activities, together with all related names, marks and symbols used in
15 connection with these activities.” (See Ex. F, ¶ 1.6.)

16 89. The Area Representation Agreement granted WSSC a license to use the
17 Trademark in the State of California. (Id. at ¶¶ 1.5, 2.) However, WSC maintained
18 exclusive ownership of the proprietary rights in and to the Trademark. (Id. at ¶ 6.)

19 90. Upon termination of the Area Representation Agreement, WSSC
20 agreed to change its name to a name not containing any reference to “Windermere”
21 or “Windermere Real Estate” and to “discontinue all use or reference to the
22 tradenames and Trademark.” (Id.)

23 91. On January 28, 2015, WSC provided notice of termination of the Area
24 Representation Agreement pursuant to ¶ 4.1(b) of that agreement. (See Ex. G.) On
25 February 26, 2015, without waiving its right to terminate the Area Representation
26 Agreement without cause, WSC provided notice of termination of the Area
27 Representation Agreement for cause due to WSSC’s failure and refusal to collect
28 and remit fees from licensees, which was a material breach of the Area

1 Representation Agreement. (See Ex. H.) The Area Representation Agreement
2 terminated effective September 30, 2015.

3 92. Pursuant to the SoCal Franchise Agreement, the parties acknowledged
4 WSC's ownership of the "Trademark," which was defined to include the trade
5 names "Windermere" and "Windermere Real Estate," and the Windermere logo
6 appearing on that agreement. (See Ex. L, Recital A.) The parties also
7 acknowledged WSC's ownership of "related and associated trademarks, service
8 marks and logotypes other than the Trademark." (Id.)

9 93. Pursuant to the SoCal Franchise Agreement, WSC granted B&D SoCal
10 a "revocable and non-exclusive right during the term of [the] Agreement to use the
11 Trademark ... only in the conduct of real estate brokerage services." (Id., ¶ 1.)
12 However, as with the other agreements, WSC "expressly reserve[d] the sole and
13 exclusive ownership of the Windermere names and the Trademark ... and all other
14 trademarks, service marks, logotypes or trade names associated with the
15 Windermere System." (Id., ¶ 5.)

16 94. In addition, B&D SoCal agreed to "cooperate fully and in good faith
17 [to] assist WSC to the extent necessary in the procurement of any protection of or to
18 protect any of WSC's rights in and to the Trademark." (Id.)

19 95. Upon termination of the SoCal Franchise Agreement, B&D SoCal was
20 required to immediately discontinue use of the Trademark and transfer or cause to
21 be transferred to WSC any "domain names registered by, to, or on behalf of [them]
22 which include the word Windermere, or any variation thereof, or any other
23 Trademark (whether or not registered) of WSC," and B&D SoCal was required to
24 change its name to remove "Windermere." (Id., ¶ 9.)

25 96. On March 27, 2015, Bennion & Deville terminated the SoCal Franchise
26 Agreement effective September 30, 2015.

27 97. While the Modification Agreement references both the Coachella
28 Valley Franchise Agreement and the SoCal Franchise Agreement and states that it is

1 intended to modify both agreements, the Modification Agreement did not modify
2 the Area Representation Agreement, nor did it modify or in any way affect
3 Defendants' licensing rights or the termination of those rights.

4 98. During the time that they were franchisees of WSC, Defendants used
5 the domain windermeresocal.com for their website. The windermeresocal.com
6 domain is registered through Defendants' proxy, Domains by Proxy. Defendants
7 also registered at least 314 other Internet domains that included the name
8 Windermere or a close derivative thereof.

9 99. On October 1, 2015, counsel for WSC prepared and forwarded an email
10 communication alerting Defendants' counsel of Defendants' misuse of WSC's
11 intellectual property and demanding that Defendants immediately cease and desist
12 such misuse. A true and correct copy of WSC's counsel's October 1, 2015 email
13 communication is attached hereto as Exhibit Q.

14 100. Counsel for Defendants did not respond. Accordingly, the following
15 day, October 2, 2015, counsel for WSC prepared and delivered a more formal letter
16 to Defendants' counsel demanding that Defendants 1) immediately cease and desist
17 their continued misuse of the Windermere name and Trademark, 2) redirect
18 www.windermeresocal.com to www.winderemere.com, and 3) remove the
19 Windermere name and logo from their blog. A true and correct copy of WSC's
20 counsel's October 2, 2015 cease and desist letter is attached hereto as Exhibit R.

21 **UNLAWFUL SURRENDER OF DOMAIN NAMES**

22 101. Section 9 of the SoCal Franchise Agreement provides as follows: "In
23 the event of the expiration or termination of the term of this Agreement for any
24 reason, Licensee shall immediately discontinue all use of the Trademark, the name
25 'Windermere,' all variations of the name, and the Windermere System. Without
26 limiting the generality of the foregoing, if Licensee is a corporation, limited liability
27 company or other entity, Licensee's principals covenant and agree to cause the
28 entity's formation documents to be amended to change the name of the entity if it

1 contains the word ‘Windermere.’ Following expiration or termination, Licensee
2 shall also transfer, or cause to be transferred to WSC any Internet domain names
3 registered by, to, or on behalf of Licensee which include the word Windermere, or
4 any variation thereof, or any other Trademark (whether or not registered) of WSC.”
5 (See Ex. L, ¶ 9 [emphasis added].)

6 102. This provision is an extremely important, material term of the SoCal
7 Franchise Agreement.

8 103. During the time that Defendants were Windermere Franchisees,
9 Defendant B&D Fine Homes registered at least 314 Internet domains that include
10 the name Windermere or a close derivative thereof.

11 104. The SoCal Franchise Agreement terminated on September 30, 2015.

12 105. The very next day, WSC demanded, among other things, that
13 Defendants transfer certain domain names to WSC as soon as possible. (See Ex. Q.)

14 106. Over the course of the following twelve (12) days, WSC identified 70
15 additional domain names to be transferred to WSC and communicated as much to
16 Defendants.

17 107. WSC was provided with assurances that Defendants were in the
18 process on transferring those domain names identified and requested by WSC.

19 108. However, WSC since learned that Defendants may have instead
20 surrendered all requested domain names to the domain registrar in deliberate breach
21 of the SoCal Franchise Agreement and with full intent to damage WSC.

22 109. If Defendants did surrender, these 314 Internet domain names, all
23 including the name Windermere or a close derivative thereof, are now available to
24 the public, worldwide, for anyone to register.

25 110. It is not uncommon that domain names such as those at issue
26 immediately get snatched up by cybersquatters in Hong Kong and/or other locations
27 beyond the jurisdiction of U.S. courts. WSC’s sole remedy under such
28 circumstances would be a Uniform Domain-Name Dispute Resolution Policy

1 (UDRP) arbitration through the Internet Corporation for Assigned Names and
2 Numbers (ICANN). This process costs \$1,500.00 per domain name.

3 111. This is why Section 9 of the SoCal Franchise Agreement is of
4 significant importance, as Defendants well know. WSC is informed and believes,
5 and thereon alleges, that if Defendants surrendered any or all of the 314 domain
6 names, it was done intentionally and calculated to cause significant damage to WSC.

7 **FIRST CAUSE OF ACTION**

8 **Breach of Contract – Coachella Valley Franchise Agreement**

9 (By WSC Against Bennion, Deville, and B&D Fine Homes)

10 112. WSC hereby incorporates by this reference paragraphs 1 through 111,
11 inclusive, as if set forth fully herein.

12 **Failure to Pay Franchise Fees**

13 113. On August 1, 2001, WSC entered into the Coachella Valley Franchise
14 Agreement with Defendants Bennion, Deville and B&D Fine Homes. (See Ex. A.)
15 The Coachella Valley Franchise Agreement was later amended to include WSSC as
16 a party.

17 114. WSC has performed all acts and obligations required of it under the
18 Coachella Valley Franchise Agreement, unless otherwise excused by Defendants'
19 breaches.

20 115. Defendants breached the Coachella Valley Franchise Agreement by
21 failing and refusing to pay required contractual fees to WSC since July 2014.

22 116. As of September 30, 2015, the amount past due and owing to WSC
23 under the Coachella Valley Franchise Agreement is \$629,968.64, plus interest
24 thereon, plus fees for September 2015 in an amount to be determined at trial or
25 through the accounting demanded below.

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1 117. As a direct and proximate result of Defendants' breaches of the
2 Coachella Valley Franchise Agreement, WSC has suffered damages through
3 September 30, 2015 in the amount of \$629,968.64, plus interest thereon, plus such
4 further amounts as determined at trial.

5 Tradename and Trademark Infringement

6 118. Additionally, Defendants have breached the Coachella Valley
7 Franchise Agreement by and through their continued, knowing and intentional
8 misuse of WSC's federally registered trademark, "Windermere."

9 119. The Coachella Valley Franchise Agreement requires Defendants to
10 immediately cease all use of the Windermere name and Trademark upon expiration
11 or termination of the agreement. (See Ex. A, § 7.)

12 120. The Coachella Valley Franchise Agreement terminated effective
13 September 30, 2015,

14 121. On October 1, 2015, Defendants nevertheless continued their misuse of
15 WSC's intellectual property by, among other things, using their old domain name,
16 windermeresocal.com, to display their new website and using the Windermere name
17 and logo on their blog, all in direct competition with WSC.

18 122. On October 1, 2015, counsel for WSC prepared and forwarded an email
19 communication alerting Defendants' counsel of Defendants' misuse of WSC's
20 intellectual property and demanding that Defendants immediately cease and desist
21 such misuse. (See Ex. Q.)

22 123. Counsel for Defendants did not respond. Accordingly, the following
23 day, October 2, 2015, counsel for WSC prepared and delivered a more formal letter
24 to Defendants' counsel demanding that Defendants 1) immediately cease and desist
25 their continued misuse of the Windermere name and Trademark, 2) redirect
26 www.windermeresocal.com to www.winderemere.com, and 3) remove the
27 Windermere name and logo from their blog. (See Ex. R.)

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1 124. Defendants breached the Coachella Valley Franchise Agreement by
2 their continued, knowing and intentional misuse of the Windermere name and
3 Trademark following expiration/termination of the Coachella Valley Franchise
4 Agreement.

5 125. As a direct result of Defendants' misuse of WSC's intellectual property
6 and resulting breaches of the Coachella Valley Franchise Agreement, WSC has
7 suffered actual damages in an amount to be proven at trial but far in excess of the
8 jurisdictional minimums of this Court.

9 126. WSC has retained this law firm to recover the amounts due and owing
10 under the Coachella Valley Franchise Agreement and to prosecute this action.
11 Pursuant to the terms of the Coachella Valley Franchise Agreement, WSC is entitled
12 to its reasonable attorneys' fees and costs incurred in connection with this matter, in
13 an amount to be determined according to proof at the time of trial or other resolution
14 of this action.

15 **SECOND CAUSE OF ACTION**

16 **Breach of Contract – Area Representation Agreement**

17 (By WSC Against WSSC)

18 127. WSC hereby incorporates by this reference paragraphs 1 through 126,
19 inclusive, as if set forth fully herein.

20 **Failure to Support and Remit Fees**

21 128. On May 1, 2004, WSC entered into the Area Representation
22 Agreement with Defendants Bennion, Deville, and WSSC. (See Ex. F.)

23 129. WSC has performed all acts and obligations required of it under the
24 Area Representation Agreement, unless otherwise excused by Defendants' breaches.

25 130. Defendant breached the Area Representation Agreement by failing to
26 provide "prompt, courteous and efficient service" to Windermere franchisees and by
27 failing to deal "fairly and honestly" with members of the Windermere System.

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1 131. Defendant further breached the Area Representation Agreement by
2 failing and refusing to collect and remit fees from Windermere franchisees,
3 including from Defendants B&D Fine Homes and WSSC themselves.

4 132. As a direct and proximate result of Defendant's breaches of the Area
5 Representation Agreement, WSC has suffered actual damages in an amount to be
6 proven at trial but far in excess of the jurisdictional minimums of this Court.

7 Tradename and Trademark Infringement

8 133. Additionally, Defendant breached the Area Representation Agreement
9 by and through its continued, knowing and intentional misuse of WSC's federally
10 registered trademark, "Windermere."

11 134. The Area Representation Agreement requires Defendant to
12 immediately cease all use of the Windermere name and Trademark upon expiration
13 or termination of the agreement. (See Ex. F, § 6.)

14 135. The Area Representation Agreement terminated effective
15 September 30, 2015.

16 136. On October 1, 2015, Defendant nevertheless continued its misuse of
17 WSC's intellectual property by, among other things, using its old domain name,
18 windermeresocal.com, to display its new website and using the Windermere name
19 and logo on its blog, all in direct competition with WSC.

20 137. On October 1, 2015, counsel for WSC prepared and forwarded an email
21 communication alerting Defendants' counsel of Defendant's misuse of WSC's
22 intellectual property and demanding that Defendant immediately cease and desist
23 such misuse. (See Ex. Q.)

24 138. Counsel for Defendants did not respond. Accordingly, the following
25 day, October 2, 2015, counsel for WSC prepared and delivered a more formal letter
26 to Defendants' counsel demanding that Defendant 1) immediately cease and desist
27 their continued misuse of the Windermere name and Trademark, 2) redirect

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1 www.windermeresocal.com to www.winderemere.com, and 3) remove the
2 Windermere name and logo from its blog. (See Ex. R.)

3 139. Defendant breached the Area Representation Agreement by its
4 continued, knowing and intentional misuse of the Windermere name and trademarks
5 following expiration/termination of the Area Representation Agreement.

6 140. As a direct result of Defendant's misuse of WSC's intellectual property
7 and resulting breaches of the Area Representation Agreement, WSC has suffered
8 actual damages in an amount to be proven at trial but far in excess of the
9 jurisdictional minimums of this Court.

10 141. WSC has retained this law firm to prosecute this action. Pursuant to
11 the terms of the Area Representation Agreement, WSC is entitled to its reasonable
12 attorneys' fees and costs incurred in connection with this matter, in an amount to be
13 determined according to proof at the time of trial or other resolution of this action.

14 **THIRD CAUSE OF ACTION**

15 **Breach of Contract – SoCal Franchise Agreement**

16 (By WSC Against Bennion, Deville, and B&D SoCal)

17 142. WSC hereby incorporates by this reference paragraphs 1 through 141,
18 inclusive, as if set forth fully herein.

19 **Failure to Pay Franchise Fees**

20 143. On March 29, 2011, Defendants Bennion and Deville, through
21 Defendants WSSC and B&D SoCal, entered into the SoCal Franchise Agreement
22 with WSC. (See Ex. L.)

23 144. WSC has performed all acts and obligations required of it under the
24 SoCal Franchise Agreement, unless otherwise excused by Defendants' breaches.

25 145. Defendants breached the SoCal Franchise Agreement by failing and
26 refusing to pay required contractual fees to WSC since July 2014.

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1 146. As of September 30, 2015, the amount past due and owing to WSC
2 under the SoCal Franchise Agreement is \$192,630.22, plus interest thereon, plus
3 such further amounts as determined at trial.

4 147. As a direct and proximate result of Defendants' breaches of the SoCal
5 Franchise Agreement, WSC has suffered damages through September 30, 2015 in
6 the amount of \$192,630.22, plus interest thereon, plus such further amounts as
7 determined at trial.

8 Tradenname and Trademark Infringement

9 148. Additionally, Defendants have breached the SoCal Franchise
10 Agreement by and through their continued, knowing and intentional misuse of
11 WSC's federally registered trademark, "Windermere."

12 149. The SoCal Franchise Agreement requires Defendants to immediately
13 cease all use of the Windermere name and Trademark upon expiration or
14 termination of the agreement. (See Ex. L, § 9.)

15 150. The SoCal Franchise Agreement terminated effective September 30,
16 2015.

17 151. On October 1, 2015, Defendants nevertheless continued their misuse of
18 WSC's intellectual property by, among other things, using their old domain name,
19 windermersocal.com, to display their new website and using the Windermere name
20 and logo on their blog, all in direct competition with WSC.

21 152. On October 1, 2015, counsel for WSC prepared and forwarded an email
22 communication alerting Defendants' counsel of Defendants' misuse of WSC's
23 intellectual property and demanding that Defendants immediately cease and desist
24 such misuse. (See Ex. Q.)

25 153. Counsel for Defendants did not respond. Accordingly, the following
26 day, October 2, 2015, counsel for WSC prepared and delivered a more formal letter
27 to Defendants' counsel demanding that Defendants 1) immediately cease and desist
28 their continued misuse of the Windermere name and Trademark, 2) redirect

1 www.windermeresocal.com to www.winderemere.com, and 3) remove the
2 Windermere name and logo from their blog. (See Ex. R.)

3 154. Defendants breached the SoCal Franchise Agreement by their
4 continued, knowing and intentional misuse of the Windermere name and Trademark
5 following expiration/termination of the SoCal Franchise Agreement.

6 155. As a direct result of Defendants' misuse of WSC's intellectual property
7 and resulting breaches of the SoCal Franchise Agreement, WSC has suffered actual
8 damages in an amount to be proven at trial but far in excess of the jurisdictional
9 minimums of this Court.

10 156. Further, to the extent Defendants did surrender any of the 314 domain
11 names that they had registered, rather than transferring them to WSC as required by
12 the SoCal Franchise Agreement, WSC may suffer additional damages as a result of
13 those breaches.

14 157. WSC has retained this law firm to recover the amounts due and owing
15 under the SoCal Franchise Agreement and to prosecute this action. Pursuant to the
16 terms of the SoCal Franchise Agreement, WSC is entitled to its reasonable
17 attorneys' fees and costs incurred in connection with this matter, in an amount to be
18 determined according to proof at the time of trial or other resolution of this action.

19 **FOURTH CAUSE OF ACTION**

20 **Breach of Contract – Modification Agreement**

21 (By WSC Against B&D Fine Homes, B&D SoCal, and WSSC)

22 158. WSC hereby incorporates by this reference paragraphs 1 through 157,
23 inclusive, as if set forth fully herein.

24 159. On December 18, 2012, WSC entered into the Modification Agreement
25 with Defendants WSSC, B&D Fine Homes, and B&D SoCal. (See Ex. N.)

26 160. WSC has performed all acts and obligations required of it under the
27 Modification Agreement, unless otherwise excused by Defendants' breaches.

28 ///

1 161. Defendants breached the Modification Agreement by failing to remain
2 with the Windermere System for the five (5) year period mandated by the
3 Modification Agreement. Pursuant to the Modification Agreement, Defendants are
4 therefore required to repay to WSC a pro rata portion of the franchise fees waived
5 under the Modification Agreement.

6 162. As of September 30, 2015, the pro rata amount past due and owing to
7 WSC under the Modification Agreement is \$386,056.57, plus such further amounts
8 as determined at trial.

9 163. As a direct and proximate result of Defendants' breaches of the
10 Modification Agreement, WSC has suffered damages through September 30, 2015
11
12 in the amount of \$386,056.57, plus interest thereon, plus such further amounts as
13 determined at trial.

14 164. WSC has retained this law firm to recover the amounts due and owing
15 under the Modification Agreement and to prosecute this action. Pursuant to the
16 terms of the Modification Agreement, WSC is entitled to its reasonable attorneys'
17 fees and costs incurred in connection with this matter, in an amount to be
18 determined according to proof at the time of trial or other resolution of this action.

19 **FIFTH CAUSE OF ACTION**

20 **(Violation of the Anticybersquatting & Consumer Protection Act [Lanham Act,**
21 **15 U.S.C. § 1125(d)] [the "ACPA"])**

22 (By WSC Against Defendants WSSC, B&D Fine Homes, and B&D SoCal)

23 165. WSC hereby incorporates by this reference paragraphs 1 through 164,
24 inclusive, as if set forth fully herein.

25 166. Defendants have registered at least 314 Internet domains that include
26 the name Windermere or a close derivative thereof with full knowledge of WSC's
27 rights to the corresponding Windermere Marks, which rights date back to 1973, and
28 which were registered by the USPTO since 1997 and 2001 (the "Infringing

1 Domains”). As of the date of this filing Defendants claim to have cancelled their
2 registrations for all of the domain names including Windermere’s registered mark,
3 but WSC has been unable to confirm the cancellations.

4 167. The Windermere Marks are registered marks and are presumptively
5 distinctive.

6 168. Under ACPA provisions set out in § 1125(d), a violation is established,
7 inter alia, if the plaintiff demonstrates that one or more defendants uses a domain
8 name that is identical or confusingly similar to the complaining party's mark with
9 intent to profit.

10 169. With respect to the "bad faith" elements, 15 U.S.C. § 1125(d)(1)(B)
11 requires the Court to consider nine non-exclusive factors in determining whether a
12 person has engaged in “bad faith intent” to profit from registering, trafficking in, or
13 using a domain name.

14 170. Applying these factors here, Defendants plainly registered and/or used,
15 and are using, the Infringing Domains in bad faith.

16 171. The domain names registered by Defendants correspond to the
17 Windermere Marks that were distinctive at the time that Defendants registered the
18 Infringing Domains, and the Infringing Domains are “identical or confusingly
19 similar to” the Windermere Marks. Further, at the time that the Infringing Domains
20 were registered by Defendants, they were operating under a license to use the
21 Windermere Marks. Thus, Defendants plainly were aware WSC was marketing and
22 selling real estate services under the “Windermere” mark.

23 172. Defendants have engaged, and continue to engage, in violations of the
24 cyberpiracy prevention provisions of 15 U.S.C. § 1125(d)(1) of the ACPA. Under
25 subdivision (C) of Section 1125(d)(1) of the ACPA, Congress has provided for
26 certain specific remedies so urgently required by WSC in this case, including an
27 order commanding the immediate transfer and return of the windermeresocal.com
28 domain name, as well as other domain names as requested.

1 173. Furthermore, 15 U.S.C. § 1125(d)(1)(C) grants the Court the authority
2 to “order the forfeiture or cancellation of the domain name or the transfer of the
3 domain name to the owner of the mark.”

4 174. Alternatively, WSC is entitled to statutory damages of up to \$100,000
5 for each of the 314 domain names registered, or maintained, in violation of the
6 ACPA, pursuant to 15 U.S.C. § 1117 (d).

7 175. WSC has retained this law firm to prosecute this action and address
8 Defendants’ violations of the cyberpiracy prevention provisions of 15 U.S.C. §
9 1125(d)(1) of the ACPA. Pursuant to the applicable provisions of the ACPA, WSC
10 is entitled to its reasonable attorneys’ fees and costs incurred in connection with this
11 matter, in an amount to be determined according to proof at the time of trial or other
12 resolution of this action.

13 **SIXTH CAUSE OF ACTION**

14 **Federal Trademark Infringement**

15 (By WSC Against Defendants WSSC, B&D Fine Homes, and B&D SoCal)

16 176. WSC hereby incorporates by this reference paragraphs 1 through 175,
17 inclusive, as if set forth fully herein.

18 177. As Area Representative and Windermere franchisees, Defendants were
19 permitted to use the Windermere Marks by and through a limited license granted by
20 WSC under the Coachella Valley Franchise Agreement, the Area Representation
21 Agreement, and the SoCal Franchise Agreement. Upon expiration/termination of
22 those agreements, said limited license was immediately revoked and Defendants
23 were required to immediately discontinue all use or reference to the Windermere
24 Marks.

25 178. Defendants continued to use the Windermere Marks notwithstanding
26 demands to immediately cease and desist.

27 179. In using the Windermere Marks, Defendants are “using a mark
28 confusingly similar to a valid, protectable trademark” owned by WSC.

1 180. The Windermere Marks are federally registered. This is “prima facie
2 evidence” of the validity of the Windermere Marks. Moreover, the USPTO
3 registered the Windermere Marks without proof of secondary meaning. As a result,
4 these marks are presumed to be inherently distinctive.

5 181. Here, as set forth by the eight factors outlined by the Ninth Circuit in
6 *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir. 1979), there plainly
7 exists a likelihood of consumer confusion due to Defendants’ use of the Windermere
8 Marks.

9 182. As of the filing date of this Counterclaim, and despite multiple written
10 notices advising of Defendants’ misuse and demanding that said misuse
11 immediately cease and desist, Defendants have failed and refused to adequately
12 respond to WSC’s demands and Defendants’ misuse will continue unchecked in the
13 absence of judicial intervention.

14 183. Pursuant to 15 USC § 1116(a), WSC is entitled to injunctive relief
15 commanding Defendants to immediately discontinue all use or reference to the
16 Windermere Marks.

17 184. As a direct and proximate result of defendants’ intentional infringement
18 of the Windermere Marks, WSC has suffered actual damages in an amount to be
19 proven at trial, but far in excess of the jurisdictional minimums of this Court.

20 185. Pursuant to 15 USC § 1117(c), WSC also is entitled to statutory
21 damages in an amount not to exceed \$2 million for Defendants’ willful acts of
22 trademark infringement.

23 186. WSC has retained this law firm to prosecute this action and address
24 Defendants’ trademark infringement. Pursuant to the Lanham Act, 15 USC §
25 1117(a), WSC is entitled to its reasonable attorneys’ fees and costs incurred in
26 connection with this matter, in an amount to be according to proof at the time of trial
27 or other resolution of this action.

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1 **SEVENTH CAUSE OF ACTION**

2 **Unfair Business Practices – Cal. Bus. & Prof. Code § §17200 et seq.**

3 (By WSC Against Defendants WSSC, B&D Fine Homes, and B&D SoCal)

4 187. WSC hereby incorporates by this reference paragraphs 1 through 186,
5 inclusive, as if set forth fully herein.

6 188. Defendants’ wrongful and unlawful use and possession of the
7 Windermere Marks and Internet domains that include the name Windermere or a
8 close derivative thereof constitute unlawful and unfair business practices in violation
9 of, among other things, California Business and Professions Code §§ 17200 –
10 17203.

11 189. WSC is the sole owner of all right title and interest in the Windermere
12 Marks. Defendants’ continued use and possession of the Windermere Marks and
13 Internet domains is unauthorized, unfair and unlawful and constitutes infringement
14 and violations of federal trademark law and the ACPA.

15 190. WSC has made multiple demands that Defendants immediately cease
16 all use of the Windermere Marks and return to WSC the Internet domains.
17 Defendants have refused to cooperate with WSC. Defendants’ continued unlawful
18 use and possession of the Windermere Marks and Internet domains is knowing and
19 intentional.

20 191. WSC has suffered injury and damages as a result of Defendants’
21 unlawful and unfair practices in violation of WSC’s legally protected interests.

22 192. California’s Unfair Competition Law (“UCL”) permits injunctive relief
23 and civil recovery in the form of disgorgement of monies derived by and through the
24 unlawful and unfair business practices.

25 193. Accordingly, Pursuant to Cal. Bus. & Prof. Code §§ 17200 and 17203,
26 WSC requests the issuance of injunctive relief enjoining Defendants from any and
27 all further use of or reference to the Windermere Marks, and requiring Defendants to

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1 transfer to WSC any and all internet domain names registered by or on behalf of any
2 of the Defendants to WSC.

3 **EIGHTH CAUSE OF ACTION**

4 **Open Book Account**

5 (By WSC Against All Defendants)

6 194. WSC hereby incorporates by this reference paragraphs 1 through 193,
7 inclusive, as if set forth fully herein.

8 195. Within the last four years, Defendants became indebted to WSC on an
9 open book account for money due in a sum of at least \$1,208,655.43, plus interest,
10 plus such further amounts to be determined at trial.

11 196. Neither the whole nor any part of the above sum has been paid,
12 although demand therefore has been made, and there is now due, owing and unpaid
13 from Defendants to WSC the sum of \$1,208,655.43, plus such further amounts to be
14 determined at trial, with interest thereon at the legal rate.

15 **NINTH CAUSE OF ACTION**

16 **Accounting**

17 (By WSC Against WSSC, B&D Fine Homes, and B&D SoCal)

18 197. WSC hereby incorporates by this reference paragraphs 1 through 196,
19 inclusive, as if set forth fully herein.

20 198. During the course of their existence, WSSC, B&D Fine Homes, and
21 B&D SoCal have undertaken numerous sales transactions, and have received
22 money, a portion of which is due to WSC as provided for in the parties' various
23 agreements.

24 199. The amount of money due from WSSC, B&D Fine Homes, and B&D
25 SoCal to WSC is unknown to WSC and cannot be ascertained without an accounting
26 of the receipts and disbursements by WSSC, B&D Fine Homes, and B&D SoCal to
27 date.

28 ///

1 200. WSC has repeatedly demanded that WSSC, B&D Fine Homes, and
2 B&D SoCal account for the aforementioned transactions and pay the amount found
3 due to WSC. WSSC, B&D Fine Homes, and B&D SoCal have failed and refused,
4 and continue to fail and refuse, to provide WSC with the requested information.

5 201. Accordingly, WSC requests that the Court order WSSC, B&D Fine
6 Homes, and B&D SoCal to prepare the accounting to which WSC is entitled.

7 WHEREFORE, WSC prays for relief against Defendants as follows:

- 8 1. For damages according to proof at trial, but in an amount of not less
9 than \$1,208,655.43;
- 10 2. For injunctive relief requiring Defendants WSSC, B&D Fine Homes,
11 and B&D SoCal to immediately discontinue all use or reference to the
12 Windermere Marks, and to immediately transfer to WSC any and all
13 internet domain names registered by or on behalf of any of the
14 Defendants to WSC;
- 15 3. For a Permanent Injunction precluding Defendants from further
16 infringing on WSC's trademarks;
- 17 4. For the maximum statutory damages and penalties available under the
18 ACPA and related federal statutes;
- 19 5. For a full accounting of Defendants WSSC, B&D Fine Homes, and
20 B&D SoCal's corporate books and ledgers;
- 21 6. For pre and post-judgment interest as provided by law and/or all
22 applicable Agreements at issue herein;
- 23 7. For reasonable attorneys' fees pursuant to the ACPA and related
24 federal statutes, 15 USC § 1117(a), Section 11 of the Coachella Valley
25 Franchise Agreement, Section 21 of the Area Representation
26 Agreement, Section 13 of the SoCal Franchise Agreement, and Section
27 7 of the Modification Agreement;
- 28 8. For costs of suit; and

