

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF NEW YORK

DUNKIN' DONUTS FRANCHISED RESTAURANTS LLC, a Delaware limited liability company, DUNKIN' DONUTS FRANCHISING LLC, a Delaware limited liability company, DD IP HOLDER LLC, a Delaware limited liability company, BASKIN-ROBBINS FRANCHISING LLC, a Delaware limited liability company, and BR IP HOLDER LLC, a Delaware limited liability company,

Plaintiffs,

v.

1700 CHURCH AVENUE CORP., a New York corporation, 244 FLATBUSH AVENUE LLC, a New York limited liability company, ASAM HABIB, a resident of New York, and HINDY GLUCK, a resident of New York,

Defendants.

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AMON, J.

GO. M.J.

COMPLAINT

This is an action for breach of contract, trademark infringement, trade dress infringement, and unfair competition arising from, among other things, Defendants' unauthorized transfer of ownership interests in their Dunkin' Donuts and Baskin-Robbins franchises. Plaintiffs seek monetary, injunctive, and other relief against Defendants for the reasons set forth below.

**PARTIES**

1. Plaintiff Dunkin' Donuts Franchised Restaurants LLC, successor-in-interest to Dunkin' Donuts LLC and Dunkin' Donuts Incorporated, is a Delaware limited liability company with its principal place of business at 130 Royall Street, Canton, Massachusetts. All Dunkin' Donuts Franchise Agreements dated prior to May 26, 2006 have been assigned to Dunkin' Donuts Franchised Restaurants LLC. It is engaged in the business of franchising independent businesspersons to operate Dunkin' Donuts shops throughout the United States. Dunkin' Donuts franchisees are licensed to use the trade names, service marks, and trademarks of Dunkin' Donuts and to operate under the Dunkin' Donuts system, which involves the production, merchandising, and sale of donuts and related products utilizing a specially designed building with special equipment, equipment layouts, interior and exterior accessories, identification schemes, products, management programs, standards, specifications, proprietary marks and identification.

2. Plaintiff Dunkin' Donuts Franchising LLC is a Delaware limited liability company with its principal place of business at 130 Royall Street, Canton, Massachusetts. All Dunkin' Donuts Franchise Agreements dated on or after May 26, 2006 are in the name of Dunkin' Donuts Franchising LLC. It is engaged in the business of franchising independent businesspersons to operate Dunkin' Donuts shops throughout the United States. Dunkin' Donuts franchisees are licensed to use the trade names, service marks, and trademarks of Dunkin' Donuts and to operate under the Dunkin' Donuts system, which involves the production, merchandising, and sale of donuts and related products utilizing a specially designed building with special equipment, equipment layouts, interior and exterior accessories, identification

schemes, products, management programs, standards, specifications, proprietary marks and identification.

3. Plaintiff DD IP Holder LLC, Dunkin's wholly-owned subsidiary and successor-in-interest to Dunkin' Donuts USA, Inc., is a Delaware limited liability company with its principal place of business at 130 Royall Street, Canton, Massachusetts. DD IP Holder LLC is the owner of the trademark, service mark, and trade name "Dunkin' Donuts," and related marks. Unless otherwise specified, Dunkin Donuts Franchised Restaurants LLC, Dunkin' Donuts Franchising LLC, and DD IP Holder LLC are collectively referred to hereinafter as "Dunkin'" or "Dunkin' Donuts."

4. Plaintiff Baskin-Robbins Franchising LLC is a Delaware limited liability company with its principal place of business at 130 Royall Street, Canton, Massachusetts. Baskin-Robbins is authorized to use the trademarks, service marks and trade names owned by BR IP Holder LLC and to sublicense Baskin-Robbins franchisees, as independent business persons, to use these marks and trade names. Baskin-Robbins franchisees are licensed to use the Baskin-Robbins trade names, service marks, and trademarks and to operate under the Baskin-Robbins System, which involves the production, merchandising, and sale of ice cream and related products utilizing special equipment, equipment layouts, interior and exterior accessories, identification schemes, products, management programs, standards, specifications, proprietary marks, and information.

5. Plaintiff BR IP Holder LLC, successor-in-interest to Baskin-Robbins Incorporated, is a Delaware limited liability company with its principal place of business at 130 Royall Street, Canton, Massachusetts. BR IP Holder LLC is the owner of the trademark, service mark, and trade name "Baskin-Robbins," and related marks. Unless otherwise specified, Baskin-

Robbins Franchising LLC and BR IP Holder LLC are collectively referred hereinafter as “Baskin-Robbins” or “Baskin”.

6. Dunkin’ and Baskin operate as separate corporations. However, they pursue or permit joint development of units in selected markets, which are commonly referred to as “combo” shops.

7. Defendant 1700 Church Avenue Corp. is a New York corporation and, upon information and belief, its principal place of business is in Brooklyn, New York. Defendant 1700 Church Avenue Corp. was the owner of a Dunkin’ Donuts retail shop located at 1700 Church Avenue, Brooklyn, New York (the “Church Avenue Shop”) pursuant to a Franchise Agreement dated August 6, 2005.

8. Defendant 244 Flatbush Avenue LLC is a New York limited liability company and, upon information and belief, its principal place of business is in Brooklyn, New York. Defendant 244 Flatbush Avenue LLC was the owner of a Dunkin’ Donuts and Baskin-Robbins retail shop located at 244 Flatbush Avenue, Brooklyn, New York (the “Flatbush Shop”) pursuant to a Franchise Agreement dated August 8, 2006.

9. Defendant Asam Habib is a natural person and a citizen and resident of the State of New York. Defendant Asam Habib was or is an officer, member, and/or shareholder of each of the foregoing corporate entities, and personally guaranteed the obligations of the foregoing entities pursuant to executed personal guarantees.

10. Defendant Hindy Gluck is a natural person and a citizen and resident of the State of New York. Defendant Hindy Gluck was or is an officer, member, and/or shareholder of each of the foregoing corporate entities, and personally guaranteed the obligations of the foregoing entities pursuant to executed personal guarantees.

**JURISDICTION AND VENUE**

11. This Court has jurisdiction pursuant to §§ 34(a) and 39 of the Lanham Act, 15 U.S.C. §§ 1116 (a) & 1121, and 28 U.S.C. §§ 1331, 1332(a), 1338, & 1367(a). The amount in controversy exceeds \$75,000, exclusive of interest and costs.

12. This Court has *in personam* jurisdiction over Defendants because they conduct business in this District, they are residents of this District, and the events giving rise to Plaintiffs' claims occurred in this district.

13. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b).

**BACKGROUND FACTS**

**The Dunkin' Donuts System**

16. Dunkin' is the franchisor of the Dunkin' Donuts franchise system.

17. DD IP Holder LLC is the owner of the trademark, service mark, and trade name "Dunkin' Donuts," and related marks. Dunkin' Donuts has the exclusive license to use and license others to use these marks and trade name and has used them continuously since approximately 1960 to identify its doughnut shops, and the doughnuts, pastries, coffee, and other products associated with those shops.

18. The Dunkin' Donuts trademarks and trade name are distinctive and famous and have acquired secondary meaning.

19. The Dunkin' Donuts trademarks and trade name are utilized in interstate commerce.

20. The Dunkin' Donuts marks have been very widely advertised and promoted by Dunkin' Donuts over the years. Dunkin' Donuts and its franchisees have expended approximately \$875,000,000 in advertising and promoting the Dunkin' Donuts marks over the

last twenty-nine years. Dunkin' Donuts spent approximately \$94,000,000 in fiscal year 2000 alone on advertising and promotion.

21. Dunkin' Donuts and its franchisees currently operate approximately 5,100 shops in the United States and 1,800 shops outside of the United States. Dunkin' Donuts shops feature Dunkin' Donuts' distinctive trade dress, including the pink and orange color scheme, and the frankfurter lettering style. In the more than fifty years since the Dunkin' Donuts system began, millions of consumers have been served in Dunkin' Donuts shops.

22. As a result of the extensive sales, advertising, and promotion of items identified by the Dunkin' Donuts marks, the public has come to know and recognize the Dunkin' Donuts marks, and to associate them exclusively with products and services offered by Dunkin' Donuts and its franchisees. The Dunkin' Donuts marks are among the best and most widely known trademarks in the United States today, and are assets of inestimable value to Dunkin' Donuts, representing and embodying Dunkin' Donuts' considerable goodwill and favorable reputation.

#### **The Baskin-Robbins System**

23. Baskin-Robbins is the franchisor of the Baskin-Robbins System.

24. BR IP Holder LLC is the owner of the trademark, service mark, and trade name "Baskin-Robbins" and related marks. Baskin-Robbins Incorporated has the exclusive license to use and license others to use these marks and trade names and has used them continuously since approximately 1947 to identify its ice cream stores, and the ice cream and other products associated with those stores.

25. BR IP Holder LLC owns numerous federal registrations for the mark "Baskin-Robbins" or derivations thereof, as well as related marks. Each of these registrations is in full force and effect, and most of them are incontestable pursuant to 15 U.S.C. § 1065.

26. The Baskin-Robbins trademarks are utilized in interstate commerce.

27. The Baskin-Robbins marks have been very widely advertised and promoted by Baskin-Robbins over the years. As a result, the Baskin-Robbins marks have become famous throughout the United States.

28. Baskin-Robbins and its franchisees currently operate approximately 2,200 stores in the United States and 2,600 stores outside of the United States. In the more than fifty years since the Baskin-Robbins System began, millions of consumers have been served in Baskin-Robbins stores.

29. As a result of the extensive sales, advertising, and promotion of items identified by the Baskin-Robbins marks, the public has come to know and recognize the Baskin-Robbins marks, and to associate them exclusively with products and services offered by Baskin-Robbins and its franchisees. The Baskin-Robbins marks are among the best and most widely known trademarks in the United States today, and are assets of inestimable value to Baskin-Robbins, representing and embodying Baskin-Robbins' considerable goodwill and favorable reputation.

#### **Defendants' Obligations Under the Franchise Agreements**

30. Under the terms of the Franchise Agreements, Defendants agreed they would use Dunkin' Donuts' and Baskin-Robbins' proprietary marks, including, but not limited to, their trademarks, logos, emblems, trade dress and other indicia of origin, "only in the manner and to the extent specifically licensed" by the agreement. Franchise Agreement §§ 7.0 and 7.1.

31. Defendants agreed that any unauthorized use of the Dunkin' and Baskin-Robbins proprietary marks during or after the expiration or earlier termination of the agreement would constitute an incurable default causing irreparable harm subject to injunctive relief. Franchise Agreement §§ 7.1, 9.4.2, 9.4.3.

38. The Franchise Agreements each contain a “cross-default” provision, which states in Paragraph 9.0.4 that “Franchisee shall be in default under this Agreement . . . [i]f any other franchise agreement between FRANCHISEE and FRANCHISOR or any affiliated entity is terminated by reason of FRANCHISEE’s default thereunder . . . .” Franchise Agreement, § 9.0.4.

39. Thus, the termination of one Franchise Agreement constitutes grounds for the termination of all of the other Franchise Agreements, and each of them individually.

40. Under Paragraph 9.1.4 of the Franchise Agreements, no cure period is available if Defendants are in default under any paragraph designated in 9.0.1 through 9.1.4 or if they otherwise commit an act of fraud with respect to their obligations under the Agreement. Moreover, as a matter of law, no cure period is available for such defaults.

41. Defendants agreed that upon the termination of the Franchise Agreements, their rights to use Plaintiffs’ proprietary marks and system would cease, and that they would promptly pay Plaintiffs any damages, costs, and expenses, including reasonable attorneys’ fees, incurred by Plaintiffs as a result of the Defendants’ default(s). Franchise Agreement §§ 9.3, 9.4, 9.4.1, 9.4.2.

42. Defendants agreed that any unauthorized use of Dunkin’ Donuts’ and Baskin-Robbins’ proprietary marks following the effective date of the termination of the Franchise Agreements would result in irreparable harm to Dunkin’ Donuts and Baskin-Robbins and would constitute willful trademark infringement. Franchise Agreement § 9.4.3.

#### **THE STORE DEVELOPMENT AGREEMENT**

43. On January 9, 2004, Defendant Asam Habib signed a Multiple Unit Store Development Agreement (“SDA”) to develop several combination Dunkin’ Donuts/Baskin-

Robbins units within a designated area in Brooklyn. Under the SDA, Defendants agreed that their right to develop the franchises was contingent upon their not being in default of the SDA or any Franchise Agreements they may have with Plaintiffs. By engaging in the breaches of the Franchise Agreements as noted herein, Defendants breached the SDA.

#### **DEFENDANTS' DEFAULTS**

44. Plaintiffs recently discovered that Defendants breached their Franchise Agreements and SDA by the conduct described below.

#### **Unauthorized Transfers of Interest**

45. In signing the Franchise Agreements, Defendants made specific representations regarding the identity of the shareholders of the corporate franchisees. For example, with regard to 1700 Church Avenue Corp., Defendants represented that Asam Habib and Hindy Gluck were 51% and 49% shareholders in the corporation, respectively. With regard to 244 Flatbush Avenue LLC, Defendants represented that Asam Habib and Hindy Gluck were 55% and 45% owners in the company, respectively.

46. However, in reality, Hindy Gluck has sold a 10% interest in the companies to Najum Latif and a 5% interest in the companies to Arif Ali.

47. Habib, Gluck, Latif, and Ali have admitted that the transfers of ownership interest took place.

48. Defendants made these transfers of interest without Plaintiffs' knowledge and without receiving Plaintiffs' prior written approval in breach of the Franchise Agreements.

#### **Providing False Information in Their Application for the Flatbush Avenue Franchise Agreement**

49. At the time they signed the 244 Flatbush Avenue Franchise Agreement, Defendants represented and warranted that all financial and other information provided to

Plaintiffs in connection with their application for the agreement was “true and accurate.” They acknowledged that their representations and warranties were a material inducement to Plaintiffs’ grant of the franchise to Defendants. Franchise Agreement, § 1.2.

50. When they signed their Franchise Agreement for the Flatbush Avenue Shop in 2006, Defendants represented that the sole shareholders of 244 Flatbush Avenue LLC were Asam Habib and Hindy Gluck. However, the true shareholders included Najum Latif (10%) and Arif Ali (5%).

51. Based on Defendants’ own admissions, the information provided to Plaintiffs regarding the shareholders in 244 Flatbush Avenue LLC was false. Defendants knew this information was false at the time they provided it to Plaintiffs. The information was material to Plaintiffs’ decision to grant the franchise, Defendants intended Plaintiffs to rely upon the information, which they did to their detriment. As a result of Defendants’ conduct, Plaintiffs have suffered and are continuing to suffer damages.

52. Defendants’ unauthorized transfers constitute breaches of the Franchise Agreements and SDA, warranting termination of those agreements. Further, their conduct in providing false information to Plaintiffs regarding the true shareholders in 244 Flatbush Avenue LLC also constitutes breaches of the Franchise Agreements and SDA, warranting termination of those agreements.

53. Pursuant to the applicable provisions of the Franchise Agreements and SDA, on June 14, 2007, Plaintiffs served Defendants with a Notice of Default and Termination, terminating the Franchise Agreements and SDA, and demanding that they cease using Plaintiffs’ trade names and proprietary marks immediately upon the effective date of termination. In

addition, the Notice demanded that they comply with their post-termination obligations under the Franchise Agreements and SDA.

**COUNT I  
(Breach of Contract – Franchise Agreements)**

54. The allegations of paragraphs 1 through 53 are hereby incorporated by reference.

55. The conduct described herein constitutes breaches of the contractual obligations and agreements contained in the Franchise Agreements.

56. These breaches constitute grounds for terminating the agreements.

57. As a result of Defendants' actions, Dunkin' and Baskin-Robbins have suffered and are continuing to suffer irreparable injury, and have incurred and are continuing to incur monetary damage in an amount that has yet to be determined.

**COUNT II  
(Breach of Contract – SDA)**

58. The allegations of paragraphs 1 through 57 are hereby incorporated by reference.

59. The conduct described herein constitutes breaches of the contractual obligations and agreements contained in the SDA.

60. These breaches constitute good cause for terminating the SDA.

61. As a result of Defendants' actions, Dunkin' and Baskin-Robbins have suffered and are continuing to suffer irreparable injury, and have incurred and are continuing to incur monetary damage in an amount that has yet to be determined.

**COUNT III  
(Trademark Infringement)**

62. The allegations of paragraphs 1 through 61 are hereby incorporated by reference.

63. The use in commerce of the Dunkin' and Baskin-Robbins trademarks and trade names by Defendants outside the scope of the Franchise Agreements and without Dunkin's and

Baskin-Robbins' consent is likely to confuse or deceive the public into believing, contrary to fact, that the unauthorized activities of Defendants are licensed, franchised, sponsored, authorized, or otherwise approved by Dunkin' and Baskin-Robbins. Such unauthorized use of Dunkin's and Baskin-Robbins' trademarks and trade names infringes Dunkin's and Baskin-Robbins' exclusive rights in their trademarks under § 32 of the Lanham Act, 15 U.S.C. § 1114 and applicable state law.

64. The acts of Defendants were and are being done knowingly and intentionally to cause confusion, or to cause mistake, or to deceive.

65. As a result of the actions of Defendants, Dunkin' and Baskin-Robbins have suffered and are continuing to suffer irreparable injury, and have incurred and are continuing to incur monetary damage in an amount that has yet to be determined.

**COUNT IV  
(Unfair Competition)**

66. The allegations of paragraphs 1 through 65 are hereby incorporated by reference.

67. The use in commerce of Dunkin's and Baskin-Robbins' trademarks and trade names by Defendants outside the scope of the Franchise Agreements and without the consent of Dunkin' and Baskin-Robbins is likely to cause confusion, or to cause mistake, or to deceive as to the origin, sponsorship, or approval of their goods, services, or commercial activities by another person. Such unauthorized use of Dunkin's and Baskin-Robbins' trademarks and trade names violates § 43 of the Lanham Act, 15 U.S.C. § 1125(a) and applicable state law.

68. The acts of Defendants were and are being done knowingly and intentionally to cause confusion, or to cause mistake, or to deceive.

69. As a result of the actions of Defendants, Dunkin' and Baskin-Robbins have suffered and are continuing to suffer irreparable injury, and have incurred and are continuing to incur monetary damage in an amount that has yet to be determined.

**COUNT V**  
**(Trade Dress Infringement)**

70. The allegations of paragraphs 1 through 69 are hereby incorporated by reference.

71. The Defendants' shops are identified by signs, exterior appearance, packaging, containers, and other items on which the words "Dunkin' Donuts" and "Baskin-Robbins" appear in the same lettering style and in the same distinctive color scheme as Dunkin' Donuts and Baskin-Robbins use for the doughnut and ice cream shops operated by Dunkin' Donuts and Baskin-Robbins licensees.

72. The use by Defendants of trade dress that is identical to the Dunkin' Donuts and Baskin-Robbins trade dress outside the scope of the Franchise Agreements constitutes a false designation of the origin of Defendants' shops, which is likely to cause confusion, or to cause mistake, or to deceive the public as to the affiliation, connection, or association of their shops with the Dunkin' Donuts and Baskin-Robbins shops operated by Dunkin' Donuts and Baskin-Robbins licensees. Such adoption of Dunkin' Donuts and Baskin-Robbins trade dress violates § 43 of the Lanham Act, 15 U.S.C. § 1125, and the common law.

73. The acts of Defendants were and are being done knowingly and intentionally to cause confusion, or to cause mistake, or to deceive.

74. As a result of the actions of Defendants, Dunkin' and Baskin-Robbins have suffered and are continuing to suffer irreparable injury, and have incurred and are continuing to incur monetary damage in an amount that has yet to be determined.

**Prayer for Relief**

WHEREFORE, Plaintiffs pray that this Court:

- a. Enter a declaratory judgment order stating that the conduct of Defendants violated the terms of the Franchise Agreements and SDA, and constitutes grounds for terminating the Franchise Agreements and SDA;
- b. Enter a judgment in favor of Plaintiffs for the damages incurred by them as a result of the breaches of the Franchise Agreements and SDA by Defendants;
- c. Enter an injunctive order ratifying and enforcing the termination of the Franchise Agreements and SDA as of the effective date of the Notice of Termination, or as otherwise provided by applicable law;
- d. Enjoin Defendants and all those acting in concert with them from infringing upon Dunkin's and Baskin-Robbins' trademarks, trade dress, and trade names and from otherwise engaging in unfair competition with Dunkin' and Baskin-Robbins;
- e. Enter an injunctive order directing Defendants to comply with their post-termination obligations under any contract with Plaintiffs, including but not limited to the Franchise Agreements, SDA, Lease Riders, and Lease Option Agreements;
- f. Award Dunkin' and Baskin-Robbins judgment against Defendants for the damages they have sustained and the profits Defendants have derived as a result of their actions, and that such damages be assessed in a separate accounting procedure and trebled in accordance with § 35 of the Lanham Act, 15 U.S.C. § 1117;
- g. Award Dunkin' and Baskin-Robbins prejudgment interest in accordance with § 35 of the Lanham Act, 15 U.S.C. § 1117;

- h. Award Plaintiffs such exemplary or punitive damages as are deemed appropriate because of the willful, intentional, and malicious nature of the conduct of Defendants;
- i. Award Plaintiffs their costs and attorneys' fees incurred in connection with this action pursuant to contract and § 35 of the Lanham Act, 15 U.S.C. § 1117; and
- j. Award Plaintiffs such other relief as this Court may deem just and proper.

Respectfully submitted,

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