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7  
8 Attorneys for Plaintiffs Standard Furniture  
9 Manufacturing Company, Inc. and International  
10 Furniture Marketing, Inc.

11 **UNITED STATES DISTRICT COURT**

12 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

13 **SANTA ANA DIVISION**

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15 STANDARD FURNITURE  
16 MANUFACTURING COMPANY,  
17 INC., an Alabama corporation; and  
18 INTERNATIONAL FURNITURE  
19 MARKETING, INC., an Alabama  
20 corporation,

Plaintiffs,

v.

21 LF PRODUCTS PTE LTD., a  
22 Singapore corporation; ALTON  
23 IRVINE, INC. d/b/a TRUE  
24 INNOVATIONS, a Delaware  
25 corporation; TRUE DESIGNS, INC.,  
26 a foreign corporation, and DOES 1-10,  
27 inclusive,

Defendantss.

Case No.:

**COMPLAINT FOR:**

- (1) BREACH OF CONTRACT;
- (2) NEGLIGENCE;
- (3) FRAUD BY CONCEALMENT;
- (4) INTENTIONAL INTERFERENCE WITH PROSPECTIVE ECONOMIC ADVANTAGE;
- (5) VIOLATION OF SECTION 17200 OF THE CALIFORNIA BUSINESS AND PROFESSIONS CODE

**DEMAND FOR JURY TRIAL**

**INTRODUCTION**

1  
2 1. Plaintiff Standard Furniture Manufacturing Company, Inc.  
3 ("Standard") is an Alabama company that designs, manufactures and distributes a  
4 diverse array of “case goods”, including high-quality, leather upholstered furniture.

5 2. Standard, along with its corporate affiliate, International Furniture  
6 Marketing, Inc. (“IFM”) engaged the Defendants in this case to create a supply  
7 chain with factories in China to supply nine suites of furniture to be marketed and  
8 sold by Standard and IFM in connection with a strategic licensing partnership IFM  
9 had entered into with celebrity home designers Joanna and Chip Gaines.

10 3. Two suites of the furniture were to be comprised of leather  
11 upholstered chairs and couches. Standard and IFM, on the one hand, and the  
12 Defendants, on the other hand, agreed that the raw material for these chairs and  
13 couches would be a top grain cowhide, reflected in a “master standard”  
14 leather sample signed by representatives of Standard and IFM and the Defendants.

15 4. Prior to the first shipment of this furniture from China, Defendants  
16 showed Standard’s and IFM’s quality control team a hand-selected sample of the  
17 furniture (approximately 8-9%) in order to induce approval by Standard.

18 5. Because this select sample was in conformity with the master  
19 standard, payment for and an initial shipment of the furniture was approved.  
20 However, unbeknownst to Standard and IFM, the remaining product (over 90% of  
21 it) and shipments would not be in conformity with the master standard.

22 6. In fact, Defendants unilaterally changed the raw material used in the  
23 remaining product to *water buffalo hide*, a cheaper and completely unacceptable  
24 alternative to the top grain cowhide that had been agreed upon.

25 7. In addition, there was an unapproved and extreme departure from the  
26 “distressed leather” color and finish that had been agreed upon, as evident from  
27 the side-by-side photos below, that rendered the furniture unmarketable, unsaleable  
28 and unfit for the purposes it was intended.

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8. This “bait and switch” was discovered in an embarrassing and damaging manner for Standard and IFM when their licensing partner Joanna Gaines was shipped and opened a box containing the defective furniture. It was immediately apparent to Ms. Gaines that the product was substandard and unsaleable.

9. Ms. Gaines promptly alerted Standard and IFM to the fact that the furniture was defective, who in turn contacted Defendants in an attempt to mitigate damages and obtain Defendants cooperation in remedying the defects.

10. Standard requested that representatives of Defendants visit Standard’s distribution center to inspect the product and see for themselves the obvious defects in the furniture that had been shipped to and received by Standard.

11. Defendants refused to perform an inspection of the defective furniture at Standard’s distribution center, which was and is highly irregular and a breach of standard protocol. Instead, Defendants insisted that Standard and IFM had approved what Defendants claimed (falsely) was a slight variation in color rather than an

1 unapproved, unacceptable and dramatic change in color and finish, as well as  
2 substitution of raw material.

3 12. Adding further insult to injury, Defendants wrote directly to several  
4 suppliers, manufacturers and other vendors in China who were already doing  
5 business with Standard and IFM and urged those vendors not to continue doing  
6 business with Standard.

7 13. Ultimately, 100% of the defective furniture had to be recalled and  
8 Standard was and is left warehousing approximately \$600,000 of worthless product  
9 that Defendants to this day to refuse to inspect or acknowledge is defective.

10 14. By and through this action, Standard seeks restitution and the  
11 disgorgement of all earnings, profits, compensation, benefits and other ill-gotten  
12 gains obtained by Defendants, including, but not limited to, the approximately  
13 \$650,000 paid to Defendants for the defective product at issue and related freight  
14 and customs charges, as well as damages, including punitive damages, for  
15 Defendants' tortious conduct, in an amount to be proven at trial, but believed to be  
16 in excess of \$2 million.

17 **THE PARTIES**

18 15. Plaintiff Standard is corporation organized and existing under the laws  
19 of the state of Alabama with its principal place of business in Bay Minette, Alabama.

20 16. Plaintiff International Furniture Marketing, Inc. ("IFM") is a  
21 corporation organized and existing under the laws of the state of Alabama with its  
22 principal place of business in Bay Minette, Alabama. IFM is a corporate affiliate of  
23 Standard.

24 17. Upon information and belief, Defendant LF Products PTE LTD ("Li &  
25 Fung"), is a corporation organized and existing under the laws of the Republic of  
26 Singapore, with its principal place of business at 10 Raeburn Park, Block A #3-08  
27 Singapore 088702.

1 18. Upon information and belief, Defendant Alton Irvine, Inc., does  
2 business as “True Innovations’ and is organized and existing under the laws of  
3 Delaware, with its principal place of business in Irvine, California.

4 19. Upon information, Defendant True Designs, Inc. (“True Designs”) is a  
5 foreign corporation organized and existing under the laws of the State of Delaware  
6 with its principal place of business in Irvine, California.

7 20. Upon information and belief, True Innovations and True Designs  
8 (hereinafter, together referred to as True Innovations), are wholly-owned  
9 subsidiaries of Li & Fung.

10 21. The names of other Defendants and/or their involvement in this dispute  
11 are presently unknown to Plaintiffs, who therefore sue such Defendants in this action  
12 by fictitious names. Each of the Defendants designated as a DOES 1-10 is legally  
13 responsible in some manner for the unlawful acts described above. Plaintiffs will  
14 seek leave of the Court to amend this Complaint to reflect the true names and  
15 capacities of the DOE defendants as and when their identities become known.

16 22. Each Defendant is the agent, servant and/or employee of other  
17 Defendants and each Defendant was acting within the course and scope of his, her  
18 or its authority as agent, servant and/or employee of the other Defendants.  
19 Defendants, and each of them, are individuals, limited liability companies, or  
20 corporations which joined in and conspired with the other wrongdoers in carrying  
21 out the tortious and unlawful acts described herein, and Defendants, and each of  
22 them, ratified those acts.

23 **JURISDICTION AND VENUE**

24 23. This Court has subject matter jurisdiction over this matter under 28  
25 U.S.C. §1332(a), because there is complete diversity of citizenship between the  
26 parties and more than \$75,000, exclusive of interests and costs, is at stake.

27 24. Pursuant to 28 U.S.C. §1391(b)(2), venue is proper in this judicial  
28 district because a substantial part of the events or omissions giving rise to this claim

1 occurred in this district. Venue is also proper pursuant to 28 U.S.C. §1391(b)(3)  
2 because Defendants are subject to personal jurisdiction in California.

3 25. Upon information and belief, this Court has personal jurisdiction over  
4 Defendants based on Defendants’ continuous and systematic minimum contacts with  
5 residents of California through the offerings of its services and/or products and  
6 involvement with residents of California, within this judicial district, and elsewhere.

7 **FACTUAL ALLEGATIONS**

8 **A. Standard and IFM Partner with Joanna and Chip Gaines to create**  
9 **Magnolia Home**

10 26. Standard is based in Bay Minette, Alabama, and has been in business  
11 for almost 70 years. Standard designs, manufactures and distributes case goods, *i.e.*,  
12 home furniture often sold as sets.

13 27. In or around the first half of 2015, Todd Evans, who is the President of  
14 Standard, and Bo Morrison, who was a Vice-President at the time, began exploring  
15 the idea of a licensing partnership with Joanna and Chip Gaines.

16 28. The Gaineses own and operate Magnolia Homes, a remodeling and  
17 design business based in Waco, Texas, and have become famous for their featured  
18 roles in a reality-based television show on HGTV called “Fixer Upper”.

19 29. Each episode of Fixer Upper follows the Gaineses as they use their keen  
20 eyes for style and design to transform often drab and outdated houses into stylish  
21 and appealing new homes.

22 30. Mr. Evans believed that a licensing partnership with the Gaineses  
23 would be mutually beneficial for Standard and the Gaineses and so he worked out  
24 an arrangement whereby Joanna and Chip Gaines’ brand would be used by Standard  
25 to manufacture and market furniture under the brand name Magnolia Home.

26 31. The Gaineses were to be and are heavily involved in the design and  
27 appearance of the furniture, drawings of the furniture, and providing other  
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1 specifications for the furniture. Standard would then undertake to build the furniture  
2 and market it using the Gaineses brand and identity.

3 **B. Standard and IFM Engage Defendants to Expedite the Creation of a**  
4 **Supply Chain in China**

5 32. IFM and the Gaineses entered into a licensing agreement in or around  
6 May of 2015 and planned to launch their new Magnolia Home product line at the  
7 furniture industry’s biggest trade show held annually in October in High Point, North  
8 Carolina.

9 33. Because of the relatively brief time available before the October trade  
10 show, there was a need to expedite the creation of a supply chain with original  
11 manufacturers and suppliers of the various materials needed to create the furniture.

12 34. Standard and IFM therefore decided to reach out to Li & Fung, a global  
13 sourcing and supply chain management firm, whose purported expertise includes  
14 “product design and development, raw material and factory sourcing, production  
15 planning and management, quality assurance and export documentation to shipping  
16 consolidation.” (Li & Fung Annual Report 2004).

17 35. In or around June of 2015, Standard and IFM reached out to Chad Long,  
18 who, upon information and belief, was and is the Senior Vice-President, Upholstery  
19 Division, of Li & Fung. Mr. Long maintains offices in both Tupelo, Mississippi, as  
20 well as at the Irvine, California offices of True Innovations.

21 36. Mr. Long, as well as an Executive Vice-President of True Innovations  
22 named Dan Tacheney, also based in Irvine, California, negotiated with Bo Morrison  
23 at Standard, and the parties made an agreement whereby Standard and IFM would  
24 pay True Innovations and Li & Fung to act as brokers in pulling together the supply  
25 chain, including original equipment manufacturers and material vendors, to create  
26 the new Magnolia Home product line. However, at all times it was understood and  
27 agreed-upon that Standard, IFM and the Gaineses would control the choice of  
28 material and overall quality of craftsmanship of the product.

1 37. To that end, a meeting was convened at a True Innovations factory in  
2 China so that representatives of Standard, IFM and the Gaineses, on the one hand,  
3 and representatives of True Innovations and Li & Fung could come to an agreement  
4 on the type and quality of leather to be used in the Magnolia Home furniture.

5 38. At this meeting, the parties agreed that the raw material to be used  
6 would be a top grain cowhide, a sample piece of which was cut and created as the  
7 “master standard” and signed by all of the parties. A piece of the master standard  
8 was cut for Standard/IFM, for True Designs and Li & Fung and then for the  
9 manufacturer. The parties agreed that the color and finish would be distressed  
10 leather, per the photograph below, consistent with the overall style that Magnolia  
11 Homes was seeking to create.



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19 **C. Li & Fung Pulls a “Bait and Switch” With Respect to Raw Material**

20 39. Before the initial shipment furniture left the manufacturer in China, a  
21 China-based “quality control” team of Standard was required to inspect and approve  
22 it. In the ordinary course, Standard’s quality control team would review the entire  
23 population of product to be shipped.

24 40. In this case, however Li & Fung arranged it so that the quality control  
25 team would only be shown a limited sampling of the product, less than 10% of the  
26 units actually shipped. Because these hand-selected samples—measured against the  
27 benchmark of the master standard—appeared within the range of tolerance for  
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1 variation in color and acceptable in terms of raw material, Standard’s and IFM’s  
2 quality-control team in China signed off on shipment.

3 41. Much to Standard’s and IFM’s dismay, however, when the entire  
4 population of the product was received, it was not only substandard but  
5 manufactured using a completely different animal hide—rather than use top grain  
6 cowhide, representatives of Li & Fung had ordered the use of water buffalo hide, in  
7 order to save approximately 7-8 cents a square foot on the raw material. In addition,  
8 the color and finish was a substantial departure from the distressed leather color and  
9 finish that had been agreed upon.



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20 42. Standard and IFM only learned of this “bait and switch” when their  
21 licensing partner Joanna Gaines opened a shipment of the Magnolia Home furniture  
22 and discovered the defective product. She immediately contacted Standard, which  
23 began its own investigation.

24 43. Although the dramatic variation in color and finish is obvious to the  
25 naked eye, and the switch in material is detectable by a layperson, Standard and IFM  
26 had an expert in leather materials confirm that the material at issue in the defective  
27 product was and is water buffalo hide.

1 44. Furthermore, when Standard and IFM interviewed a factory owner in  
2 China who had actually supplied the material, the factory owner “came clean” and  
3 informed Standard and IFM that representatives of Li & Fung had specifically  
4 instructed him to use the cheaper water buffalo hide in order to save Li & Fung costs.

5 45. Standard’s and IFM’s quality control team in China were and are  
6 insistent that the product actually received in the United States was never approved  
7 for shipment by them. Indeed, none of the defective products reviewed by  
8 Standard’s United States-based quality control team bears an approval stamp from  
9 its China-based quality control team, anywhere on the product. Li & Fung  
10 deliberately concealed this defective product from Standard and IFM.

11 **D. Defendants Refuse to Inspect and Acknowledge the Defective Product**

12 46. Upon discovering the defective product, Standard contacted its entire  
13 dealer base that had purchased the two suites of furniture at issue and those dealers  
14 confirmed that a significant amount of their respective inventories was defective.

15 47. At the same time, representatives of Standard reached out to Mr. Long  
16 of Li & Fung and Mr. Tacheny of True Innovations, in an attempt to achieve an  
17 informal resolution and avoid litigation.

18 48. Both Bo Morrison and Todd Evans of Standard sent emails to Messrs.  
19 Long and Tacheny informing them of the defective inventory and requesting that  
20 they inspect the inventory for themselves at Standard’s distribution center. Within  
21 the industry, such an inspection is standard operating protocol.

22 49. In this case, however, Messrs. Long and Tacheny declined to perform  
23 an inspection, which was highly unusual and evidence of their bad faith. Instead,  
24 Mr. Long claimed that Mr. Morrison and his team had signed off on samples and  
25 closing inspection and that the defects were merely a “color variation”, which had  
26 been approved by Standard and IFM quality control personnel.

27 50. This was and is untrue, of course, and a visual inspection of the product  
28 would have easily demonstrated it was untrue. Defendants continued to decline to

1 perform such an inspection, even after being presented with a formal claim for  
2 reimbursement of the approximately \$650,000 in costs incurred by Standard for the  
3 defective merchandise and freight and customs charges.

4 51. Defendants responded by denying liability and claiming that Standard  
5 had not “articulated [its] claim in sufficient detail.” Once again, Defendants declined  
6 to perform an inspection, asking instead for “high-resolution photos” of the defective  
7 product. In addition to the photos shown above, a high-resolution photo of more of  
8 the defective product is presented below:



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18 **E. Li & Fung Intentionally Interferes With Plaintiffs’ Prospective**  
19 **Business Advantage**

20 52. Heaping insult upon injury, Li & Fung embarked on a campaign to  
21 interfere with and disrupt Standard’s and IFM’s relationship with several of the  
22 suppliers and manufacturers in China with whom Standard and IFM have done and  
23 expect to continue to do business.

24 53. Li & Fung sent several letters to these Chinese vendors, in which Li &  
25 Fung impugned the reputation of Standard and IFM and attempted to dissuade these  
26 vendors from doing any further business with Standard and IFM.  
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1 conduct evinces malice, oppression or fraud and, accordingly, Plaintiffs are entitled  
2 to an award of punitive damages in an amount to be established at trial.

3 **FOURTH CAUSE OF ACTION**

4 (Intentional Interference with Prospective Economic Advantage)

5 (By Both Plaintiffs Against Defendant Li & Fung and DOES 1-10)

6 72. Plaintiffs re-allege and incorporate each and every allegation contained  
7 in paragraphs 1 through 54 as if set forth fully herein.

8 73. Plaintiffs were in economic relationship with certain suppliers and  
9 manufacturers and other vendors in China that would have resulted in a reasonably  
10 probable future economic benefit or advantage to Plaintiffs.

11 74. Defendants knew of the relationship and intended to disrupt the  
12 relationship.

13 75. Defendants engaged in wrongful conduct and thereby the relationship  
14 between Plaintiffs and certain suppliers and manufacturers and other vendors in  
15 China.

16 76. The aforementioned conduct of Defendants was intentional and was  
17 done with the intent of depriving Plaintiffs of property rights and legal rights and  
18 causing Plaintiffs' injury. Defendants' conduct was despicable and subjected  
19 Plaintiff to unjust hardship in conscious disregard of Plaintiffs' rights. Defendants  
20 conduct evinces malice, oppression or fraud and, accordingly, Plaintiffs are entitled  
21 to an award of punitive damages in an amount to be established at trial.

22 **FIFTH CAUSE OF ACTION**

23 (Violation of Section 17200 of the California Business and Professions Code)

24 (By Both Plaintiffs Against All Defendants)

25 77. Plaintiffs re-allege and incorporate each and every allegation  
26 contained in paragraphs 1 through 54 as if set forth fully herein.

27 78. This cause of action is brought pursuant to Unfair Competition Law at  
28 Business & Professions Code § 17200 *et seq.* Defendants' conduct constitutes unfair,



1 unlawful and/or fraudulent business practices within the meaning of Business &  
2 Professions Code § 17200

3 79. Pursuant to Business & Professions Code § 17203, Plaintiffs seek from  
4 Defendants, and each of them, restitution and the disgorgement of all earnings,  
5 profits, compensation, benefits and other ill-gotten gains obtained by Defendants as  
6 a result of Defendants' conduct in violation of Business & Professions Code § 17200  
7 *et seq.*

8 80. Pursuant to Business & Professions Code § 17204, Plaintiffs seek an  
9 order of this Court enjoining Defendants, and each of them, from continuing to  
10 engage in the acts as set forth in this complaint, which acts constitute violations of  
11 Business & Professions Code § 17200 *et seq.* Plaintiffs and the public will be  
12 irreparably harmed if such an order is not granted.

13 **PRAYER FOR RELIEF**

14 WHEREFORE, Plaintiffs pray that this Court enter judgment against the  
15 Defendants as follows:

- 16 1. For damages in an amount to be proven at trial;
- 17 2. For punitive or exemplary damages;
- 18 3. For restitution and the disgorgement of all earnings, profits,  
19 compensation, benefits and other ill-gotten gains obtained by  
20 Defendants as a result of Defendants' conduct in violation of Business  
21 & Professions Code § 17200 *et seq.*;
- 22 4. For an order of this Court enjoining Defendants, and each of them,  
23 from continuing to engage in the acts as set forth in this complaint,  
24 which acts constitute violations of Business & Professions Code §  
25 17200 *et seq.*;
- 26 5. For prejudgment and post-judgment interest;
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6. For any such other and further relief as this Court may deem just and proper.

Dated: November 22, 2016

**BROWN, NERI, SMITH & KHAN, LLP**

By:           /s/ Geoffrey A. Neri            
Geoffrey A. Neri  
Attorneys for Plaintiffs Standard  
Furniture, Inc. and International  
Furniture Marketing, Inc.

**DEMAND FOR JURY TRIAL**

Pursuant to Federal Rule of Civil Procedure 38, Plaintiffs hereby demand a jury for all issues triable by such.

Dated: November 22, 2016

**BROWN, NERI, SMITH & KHAN, LLP**

By:           /s/ Geoffrey A. Neri            
Geoffrey A. Neri  
Attorneys for Plaintiffs Standard  
Furniture, Inc. and International  
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