

1 John D. Vaughn, State Bar No. 171801  
Jeffrey A. Feasby, State Bar No. 208759  
2 PEREZ WILSON VAUGHN & FEASBY  
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  
7

8 **UNITED STATES DISTRICT COURT**  
9 **CENTRAL DISTRICT OF CALIFORNIA**

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

14 Plaintiffs,

15 v.

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

18 Defendant.  
19  
20  
21

22  
23 AND RELATED COUNTERCLAIMS  
24  
25  
26  
27  
28

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

Hon. Manuel L. Real

**REPLY MEMORANDUM OF  
POINTS AND AUTHORITIES IN  
SUPPORT OF WINDERMERE  
REAL ESTATE SERVICES  
COMPANY'S MOTION TO  
DISMISS PLAINTIFFS'  
COMPLAINT**

**[F.R.C.P. 12(b)(6)]**

Date: November 16, 2015

Time: 10:00 a.m.

Courtroom: 6

**Table of Contents**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

I. INTRODUCTION ..... 1

II. LEGAL ANALYSIS ..... 2

    A. All of Plaintiffs’ Breach of Contract Claims Fail to State a Claim  
    Against WSC..... 2

        1. Plaintiffs Fail to State a Claim for Breach of the Confidentiality  
        Agreement..... 3

        2. Plaintiffs Fail to State a Claim for Breach of the Coachella  
        Valley Franchise Agreement ..... 3

        3. Plaintiffs Fail to State a Claim for Breach of the SoCal Franchise  
        Agreement..... 6

        4. Plaintiffs Failed to State a Claim for Breach of the Modification  
        Agreement..... 8

    B. Plaintiffs Fail to State a Claim for Intentional Interference with  
    Contractual Relations ..... 9

    C. Plaintiffs Failed to State a Claim for Intentional Interference with  
    Prospective Economic Advantage ..... 10

    D. Plaintiffs Failed to State a Claim for Breach of the Covenant of Good  
    Faith and Fair Dealing..... 11

III. CONCLUSION ..... 14

|    |  |         |
|----|--|---------|
| 1  | <b>Federal Cases</b>   |         |
| 2  | <i>Ashcroft v. Iqbal</i> , 556 U.S. 662 (2009).....  | 2       |
| 3  | <i>Bell Atl. v. Twombly</i> , 550 U.S. 544 (2007).....   | 2       |
| 4  | <i>Burger King Corp. v. Weaver</i> , 169 F.3d 1310 (11th Cir. 1999).....   | 12      |
| 5  | <i>Damabeh v. 7-Eleven, Inc.</i> , No. 12-CV-01739 LHK,<br>2013 WL 1915867 (N.D. Cal. May 8, 2013).....  | 11      |
| 6  | <i>In re Vylene Enters.</i> , 90 F.3d 1472 (9th Cir. 1996).....  | 12, 13  |
| 7  | <i>Scheck v. Burger King Corp.</i> , 756 F.Supp. 543 (S.D. Fla. 1991) .....  | 12      |
| 8  | <i>Sprewell v. Golden State Warriors</i> , 266 F.3d 979 (9th Cir. 2001).....   | 3, 4    |
| 9  | <i>UMG Recordings, Inc. v. Global Eagle Entertainment, Inc.</i> ,<br>No. 14-CV-3466 MMM (JPRX), 2015 WL 4606077 (C.D. Cal. June 22, 2015)9, 11 |         |
| 10 | <i>United States ex rel. Riley v. St. Luke's Episcopal Hosp.</i> ,<br>355 F.3d 370 (5th Cir. 2004) .....                                       | 3, 4    |
| 11 |  |         |
| 12 | <b>California Cases</b>  |         |
| 13 | <i>Guz v. Bechtel Nat. Inc.</i> , 24 Cal.4th 317 (2000).....   | 13      |
| 14 | <i>Ladas v. California State Auto. Assn.</i> , 19 Cal.App.4th 761 (1993) .....   | 4, 7, 8 |
| 15 | <b>Federal Rules</b>   |         |
| 16 | Federal Rules of Civil Procedure 12(b)(6) .....  | 2       |
| 17 | <b>California Statutes</b>   |         |
| 18 | California Civil Code § 1641.....  | 5, 8    |
| 19 |  |         |
| 20 |  |         |
| 21 |  |         |
| 22 |  |         |
| 23 |  |         |
| 24 |  |         |
| 25 |  |         |
| 26 |  |         |
| 27 |  |         |
| 28 |  |         |

1     **I. INTRODUCTION**

2             In its moving papers, WSC<sup>1</sup> established that the Court should dismiss the  
3 Complaint’s First and Third through Seventh Causes of Action because those causes  
4 of action failed to state claims upon which relief can be granted. Plaintiffs’  
5 opposition does nothing to change that result.

6             Plaintiffs concede that WSC is not a party to the Confidentiality Agreement.  
7 Accordingly, Plaintiffs cannot state a claim against WSC for breach of that  
8 agreement. As to the balance of Plaintiffs’ contract claims, Plaintiffs ask the Court  
9 to ignore the plain terms of those contracts and instead accept self-serving legal and  
10 factual conclusions that are not *at all* supported by the allegations in the Complaint  
11 and/or *are directly contradicted by the terms of the contracts themselves*. Thus,  
12 Plaintiffs’ arguments and the allegations upon which they rely fail to state any  
13 claims for breach of those contracts as a matter of law.

14             Plaintiffs’ opposition similarly fails to resuscitate Plaintiffs’ tort claims. The  
15 claims for Intentional Interference with Contractual Relations and Intentional  
16 Interference with Prospective Economic advantage fail because the Complaint does  
17 not identify the third parties with whom Plaintiffs contend they had contracts or a  
18 prospective economic advantage with the high standard of legal sufficiency required  
19 by federal and California law. Further, the claim for Breach of the Covenant of  
20 Good Faith and Fair Dealing fails because Plaintiffs have failed to properly allege a  
21 benefit that the contracts provided to Plaintiffs with which WSC interfered.

22             For these reasons, and as set forth more fully below, the Court should grant  
23 WSC’s Motion to Dismiss.

24     ///

25     ///

26

---

27     <sup>1</sup> For the sake of brevity and consistency, WSC uses the same defined terms herein  
28 as set forth in its moving papers.

1 **II. LEGAL ANALYSIS**

2 Tellingly, Plaintiffs’ opposition does not set forth any standards for ruling on  
3 a motion to dismiss under FRCP 12(b)(6). However, from the arguments raised in  
4 the opposition, it appears that Plaintiffs rely on the standards that existed prior to the  
5 *Bell Atl. v. Twombly*, 550 U.S. 544, 570 (2007) and *Ashcroft v. Iqbal*, 556 U.S. 662,  
6 678 (2009) decisions. Following these decisions, the standards on a motion to  
7 dismiss became far more stringent for pleaders. Applying the standards set forth by  
8 the Supreme Court in those cases, and as set forth in WSC’s moving papers and  
9 below, it is clear that Plaintiffs have failed to state claims as a matter of law.

10 **A. All of Plaintiffs’ Breach of Contract Claims Fail to State a Claim**  
11 **Against WSC**

12 Plaintiffs’ breach of contract claims are based on Plaintiffs’ contention that  
13 WSC did not provide a quality of services that Plaintiffs wanted.<sup>2</sup> However, there is  
14 *nothing* in any of the parties’ agreements that required WSC to provide a certain  
15 quality of services. Rather, the parties’ agreements explained the nature of the  
16 parties’ relationships and generally outlined certain services that would be provided  
17 by *all* parties - WSC and Plaintiffs – under the agreements governing the parties’  
18 relationships. Plaintiffs themselves concede these services were, in fact, provided  
19 by WSC. Thus, even accepting Plaintiffs’ allegations as true, Plaintiffs’ complaint  
20 that the *quality* of those services did not satisfy Plaintiffs does not equate to a claim  
21 for breach of contract as a matter of law.

22 ///

23 ///

24 ///

25 \_\_\_\_\_  
26 <sup>2</sup> As Plaintiffs point out, the parties worked together for 15 years during which time  
27 WSC’s “quality of services” apparently satisfied Plaintiffs. It is only now,  
28 following the disintegration of the parties’ long relationship and when loans are  
coming due and Plaintiffs’ owe WSC over \$1.2 million in franchise-related fees that  
WSC’s “quality of services” has suddenly become an issue for Plaintiffs.

1           1.     Plaintiffs Fail to State a Claim for Breach of the Confidentiality  
2                     Agreement

3           Plaintiffs admit in their opposition that WSC is not a party to the  
4 Confidentiality Agreement. (Opposition, pp. 13-14.) However, Plaintiffs argue that  
5 WSC nevertheless is liable under the Agreement because John Jacobi signed it  
6 instead of WSC only because the parties intended that he and his accountant would  
7 view the purportedly sensitive information. (*Id.*) However, none of these self-  
8 serving contentions are set forth in the Complaint. And even if they *were* set forth  
9 in the Complaint, they still would not make WSC a party to the Agreement. As set  
10 forth in WSC’s moving papers, the Confidentiality Agreement clearly states that it is  
11 between Plaintiffs and Bennion and Deville, on the one hand, and John Jacobi on the  
12 other hand. Accordingly, the Court can and should disregard Plaintiffs allegations  
13 and argument to the contrary. *See Sprewell v. Golden State Warriors*, 266 F.3d 979,  
14 988 (9th Cir. 2001) (“The court need not, however, accept as true allegations that  
15 contradict matters properly subject to judicial notice or by exhibit.”); *United States*  
16 *ex rel. Riley v. St. Luke’s Episcopal Hosp.*, 355 F.3d 370, 377 (5th Cir. 2004) (“If  
17 such an allegation is contradicted by the contents of an exhibit attached to the  
18 pleading, then indeed the exhibit and not the allegation controls.”). As such, the  
19 Court should dismiss Plaintiffs’ claim for breach of the Confidentiality Agreement.<sup>3</sup>

20           2.     Plaintiffs Fail to State a Claim for Breach of the Coachella  
21                     Valley Franchise Agreement

22           As set forth in WSC’s moving papers, Plaintiffs cite four provisions of the  
23 Coachella Valley Franchise Agreement that they contend were breached. Plaintiffs  
24 appear to concede that they have not asserted a breach of Section 4 of that  
25 Agreement or the Affiliate Fee Schedule Attachment, and they do not address those

26 \_\_\_\_\_  
27 <sup>3</sup> Plaintiffs claim that they could amend this claim to add Mr. Jacobi as a defendant.  
28 Plaintiffs likely did not sue Mr. Jacobi at the outset due to (legitimate) concerns with  
personal jurisdiction.

1 provisions in their opposition. That leaves Plaintiffs to argue that WSC breached  
2 Section 1 and Recital A of the Agreement. However, neither of these provisions  
3 supports a breach of contract claim against WSC.

4 First, Plaintiffs claim that WSC breached Section 1 of the agreement by  
5 “failing to provide the promised ‘services’ to enhance Plaintiffs’ ‘profitability.’”  
6 (Complaint, ¶ 116(a).) Section 1 provides, *in its entirety*:

7 WSC will provide a variety of services to Licensee for the benefit of  
8 Licensee and other licensees, designed to complement the real estate  
9 brokerage business activities of Licensee and to enhance its  
10 profitability. Except where notified in advance that a specific charge  
will be assessed to Licensee, all services provided by WSC shall be  
without additional cost and shall be included in the fee provided for in  
Section 5.

11 From this language, Plaintiffs argue that Section 1 obligated WSC to provide  
12 “Technology Services,” “Franchise Support Services,” and “Marketing Services and  
13 Support.” Plaintiffs rely on various allegations in the Complaint to assert that WSC  
14 was obligated to provide these services. However, *there is nothing in this*  
15 *Agreement that imposed these obligations*. Rather, these are alleged contractual  
16 obligations that Plaintiffs have, quite literally, made up. They do not exist in fact.  
17 Simply because they have been alleged is irrelevant as the terms of the Agreement  
18 trump Plaintiffs’ fictions. *Ex. re. Riley*, 355 F.3d at 377; *Sprewell*, 266 F.3d at 988.  
19 Thus, Plaintiffs are left with the terms of Section 1, which are not “definite enough  
20 that a court can determine the scope of the duty and the limits of performance must  
21 be sufficiently defined to provide a rational basis for assessment of damages.”  
22 *Ladas v. California State Auto. Assn.*, 19 Cal.App.4th 761, 770 (1993).

23 Plaintiffs rely on a number of authorities to argue that a court interpreting a  
24 contract should give effect to every provision of an agreement. However, the  
25 California Civil Code provision setting forth this rule of interpretation makes it clear  
26 that this is only so “if reasonably practicable.” Cal. Civ. Code § 1641. In this case,  
27 there is no practicable way to give effect to Section 1. Plaintiffs *concede* this fact in  
28 the subsequent argument in their opposition, where they admit that “Section 1 does

1 not expressly identify those ‘varied services’ that WSC is obligated to provide.”  
2 (Opposition, p. 6, ll. 1-2.) In fact, there is nothing in Section 1, or anywhere else in  
3 the Coachella Valley Franchise Agreement for that matter, that would impose upon  
4 WSC the obligations Plaintiffs now contend WSC owed to them.

5 Plaintiffs next argue that since Section 1 does not expressly identify the  
6 “varied services” that WSC was to provide, the Court should use parole evidence in  
7 the form of Plaintiffs’ unsupported conclusory allegations in the Complaint that  
8 WSC was required to provide technology services, franchise support services, and  
9 marketing services. (Opposition, p. 6, ll. 14-16.) However, such improper  
10 conclusory allegations cannot save this claim from dismissal, particularly in light of  
11 the fact that these allegations are contradicted by the terms of the Agreement itself.

12 Plaintiffs further contend that any ambiguities in Section 1 should be  
13 construed against WSC as the drafter of the agreement. But Plaintiffs miss the  
14 point. Section 1 is *not ambiguous*. Rather, it is not definite enough to be  
15 enforceable – an important legal distinction Plaintiffs fail to make. Moreover,  
16 nowhere have Plaintiffs ever alleged that WSC was the drafter of the Coachella  
17 Valley Franchise Agreement. Therefore, there is no basis whatsoever for the Court  
18 to construe anything in Section 1 against WSC.

19 Finally, Plaintiffs contend that they properly alleged a claim for breach of  
20 Recital A of the Coachella Valley Franchise Agreement. In so doing, Plaintiffs  
21 disingenuously and unfortunately claim that WSC intentionally misled the Court by  
22 ignoring Section 2 of the Agreement. WSC did not address Section 2 of the  
23 Coachella Valley Franchise Agreement in its motion ***because Plaintiffs did not***  
24 ***allege that WSC breached that provision of the Agreement.*** (See Complaint, ¶ 116  
25 [alleging *only* that WSC breached Section 1, Section 4, Recital A, and the Affiliate  
26 Fee Schedule Attachment].) And even if Plaintiffs *had* alleged that WSC breached  
27 Section 2 (they did not), the Agreement does not support this contention in any way  
28 shape or form.



1 Specifically, Section 2 only granted Bennion & Deville Fine Homes, Inc. a  
2 license to use the “Windermere System,” which is defined in Recital A as:

3 the standards, methods, procedures, techniques, specifications and  
4 programs developed by WSC for the establishment, operation and  
5 promotion of independently owned real estate brokerage offices, ***as***  
6 ***those standards, methods, procedures, techniques, specifications and***  
7 ***programs may be added to, changed, modified, withdrawn or***  
8 ***otherwise revised by WSC.***

9 (Emphasis added.) Plaintiffs contend that WSC breached Section 2 by failing to  
10 provide a “viable” Windermere System. Viability is an issue of quality. However,  
11 as set forth in the emphasized language above, the parties’ definition of  
12 “Windermere System” grants WSC the *absolute discretion* over quality.  
13 Importantly, Plaintiffs did not, and cannot, allege that WSC did not allow the  
14 licensee to utilize the Windermere System as developed by WSC. As a result,  
15 Plaintiffs have not stated cannot state a claim that WSC breached Section 2 of the  
16 Coachella Valley Franchise Agreement.

17 For all of these reasons, and for those set forth in WSC’s moving papers,  
18 Plaintiffs have failed to state a claim that WSC breached the Coachella Valley  
19 Franchise Agreement. As a result, the Court should grant WSC’s motion and  
20 dismiss Plaintiffs’ claim for Breach of the Coachella Valley Franchise Agreement  
21 with prejudice and without leave to amend.

### 22 3. Plaintiffs Fail to State a Claim for Breach of the SoCal Franchise 23 Agreement

24 As set forth in WSC’s moving papers, the Complaint alleges that WSC  
25 breached four specific provisions of the SoCal Franchise Agreement. As with the  
26 Coachella Valley Franchise Agreement, Plaintiffs appear to concede that two of  
27 those provisions do not support a claim – Section 6 and the Affiliate Fee Schedule  
28 Attachment – and they do not address those provisions in their opposition. As a  
29 result, Plaintiffs only argue that WSC breached Section 3 and Recital A of the

///

1 Agreement. Although not alleged in their Complaint, Plaintiffs now argue that  
2 WSC breached Section 1 of the Agreement as well.

3 With regard to Section 3, Plaintiffs concede that WSC had the discretion to  
4 choose the form of guidance it provided under the SoCal Franchise Agreement.  
5 (Opposition, p. 9, ll. 6-9.) Thus, Plaintiffs now argue that WSC breached this  
6 provision by failing to provide *any* guidance. However, emblematic of Plaintiffs’  
7 opposition, this argument *directly contradicts* the Complaint, which alleges that  
8 WSC *did* provide a “little” guidance. (Complaint, ¶ 45.) Again, to the extent  
9 Plaintiffs supposedly did not like the quality of guidance provided, that was left to  
10 WSC’s sole discretion as a matter of law. Moreover, Plaintiffs themselves concede  
11 that this provision is “nebulous.” (Complaint, ¶ 45.) It certainly is not definite  
12 enough that the Court “can determine the scope of the duty and the limits of  
13 performance must be sufficiently defined to provide a rational basis for assessment  
14 of damages.” *Ladas*, 19 Cal.App.4th at 770.

15 With regard to Recital A of the SoCal Franchise Agreement, like Recital A to  
16 the Coachella Valley Franchise Agreement, that provision simply defined certain  
17 terms, including the “Windermere System.” In fact, the definitions are the same.  
18 Plaintiffs again artfully criticize WSC for not addressing another provision of the  
19 Agreement that Plaintiffs *failed to include* in the Complaint as having allegedly been  
20 breached – Section 1. However, Like Section 2 of the Coachella Valley Franchise  
21 Agreement, Section 1 of the SoCal Franchise Agreement merely granted the right to  
22 use the Windermere System. Thus, for the same reasons that Plaintiffs cannot state  
23 a claim for breach of Section 2 of the Coachella Valley Franchise Agreement, they  
24 also cannot state a claim for breach of Section 1 of the SoCal Franchise Agreement.

25 Accordingly, the Complaint fails to set forth any proper factual allegations  
26 establishing that WSC owed the obligations Plaintiffs contend or that WSC  
27 breached any contractual obligations allegedly owed to Plaintiffs. As a result, the  
28 Court should grant WSC’s motion and dismiss the Complaint’s Third Cause of

1 Action for Breach of the SoCal Franchise Agreement with prejudice and without  
2 leave to amend.

3 4. Plaintiffs Failed to State a Claim for Breach of the  
4 Modification Agreement

5 As noted in the moving papers, Plaintiffs asserted two breaches of the  
6 Modification Agreement - Section 3(A) and Section 15. Plaintiffs appear to  
7 concede that the Complaint does not assert a claim for breach of Section 15 and do  
8 not address that provision in their opposition.

9 Plaintiffs argue that Section 3(A) is enforceable because the Court should  
10 construe all portions of the Agreement, including the vague language “commercially  
11 reasonable efforts.” However, as set forth above, the Court has an obligation and  
12 ability to give every portion of an agreement force and effect *only* where it is  
13 “reasonably practicable” to do so. *See* Cal. Civ. Code § 1641. Here, “commercially  
14 reasonable efforts” is not definite enough that the Court “can determine the scope of  
15 the duty and the limits of performance must be sufficiently defined to provide a  
16 rational basis for assessment of damages.” *Ladas*, 19 Cal.App.4th at 770.  
17 Therefore, that provision is not enforceable against WSC.

18 Plaintiffs next argue that any ambiguities in the contract should be construed  
19 against WSC. However, as with the Coachella Valley Franchise Agreement,  
20 nowhere is it alleged that WSC drafted the Modification Agreement. Nor will the  
21 Court ever see that allegation because, as a matter of fact, *Plaintiffs drafted the*  
22 *Modification Agreement*.

23 For all of these reasons, and for those set forth in WSC’s moving papers,  
24 Plaintiffs have failed to state a claim for breach of the Modification Agreement. As  
25 a result, the Court should grant WSC’s motion and dismiss Plaintiffs’ claim for  
26 breach of the Modification Agreement with prejudice and without leave to amend.

27 ///

28 ///

1            **B. Plaintiffs Fail to State a Claim for Intentional Interference with**  
2            **Contractual Relations**

3            As established in WSC’s moving papers, under *Iqbal* and *Twombly*, a plaintiff  
4 asserting a claim for intentional interference with contractual relations “must  
5 identify the third party or parties with whom they contracted, and the nature and  
6 extent of their relationship with that party or parties.” *UMG Recordings, Inc. v.*  
7 *Global Eagle Entertainment, Inc.*, No. 14-CV-3466 MMM (JPRX), 2015 WL  
8 4606077 at \*15 (C.D. Cal. June 22, 2015). Because the counterclaim in  
9 *UMG Recordings* failed to do this, Judge Morrow held that the claim for intentional  
10 interference with contractual relations “must be dismissed.” *Id.* Here, Plaintiffs  
11 concede that they could not meet this burden with regard to their allegations of  
12 interference with their franchisee contracts.

13            Plaintiffs nevertheless contend that Paragraph 61 of the Complaint satisfies  
14 their burden because it alleges that WSC recruited their employees and sales agents.  
15 Plaintiffs are wrong. Paragraph 61 of the Complaint comes nowhere near satisfying  
16 the stringent pleading requirements to which Plaintiffs are bound. WSC’s alleged  
17 recruitment of unarticulated “employees” is a far cry from identifying the  
18 contractual relations with which WSC supposedly interfered – a significantly  
19 important pleading requirement that Plaintiffs’ should not be permitted to  
20 circumvent by lazily pointing to anonymous and unrelated allegations. Plaintiffs  
21 also rely on Paragraph 62 of the Complaint which alleges that WSC solicited  
22 Plaintiffs’ IT personnel. However, Plaintiffs do not allege that any of these  
23 employees left their employ with Plaintiffs as a result of WSC’s alleged solicitation.  
24 Rather, Plaintiffs generally allege that their “sales associates and other employees”  
25 joined WSC. These allegations do not meet Plaintiffs’ pleading obligations under  
26 *Iqbal* and *Twombly*.

27            Finally, Plaintiffs argue that WSC’s argument is “much ado about nothing”  
28 because WSC allegedly knows the agents it has improperly solicited. If this

1 argument were even remotely plausible, there would be no need for a heightened  
2 pleading standard for fraud claims since the defendants would “know” what  
3 misrepresentations they made and Judge Morrow would not have reached the  
4 decision she did in *UMG Recordings* because the defendants in that case would have  
5 “known” the parties to the contracts with which it was alleged they had interfered.  
6 Thus, even if WSC “knew” of the existence of contracts between Plaintiffs and their  
7 employees, this general allegation does not assist in saving Plaintiffs’ deficient  
8 pleadings.

9 As held by Judge Morrow, *Iqbal* and *Twombly* require a plaintiff to identify  
10 *by name* the parties with whom they had contracts with which they contend the  
11 defendant interfered. Plaintiffs have patently failed to do so. Therefore, the Court  
12 should grant WSC’s motion to dismiss the Complaint’s Seventh Cause of Action for  
13 Intentional Interference with Contractual Relations with prejudice and without leave  
14 to amend.

15 **C. Plaintiffs Failed to State a Claim for Intentional Interference with**  
16 **Prospective Economic Advantage**

17 As with Plaintiffs’ contractual interference claim, Plaintiffs concede that a  
18 number of the allegations set forth in support of its claim for Intentional Interference  
19 with Prospective Economic Advantage do not support that claim – specifically,  
20 Paragraphs 164-168 of the Complaint. (Opposition, p. 19, ll. 3-7.) Plaintiffs have  
21 withdrawn those allegations.

22 But Plaintiffs’ concessions and withdrawals do absolutely nothing to cure or  
23 save their utterly deficient claim for Intentional Interference with Prospective  
24 Economic Advantage. Plaintiffs failed, and continue to fail, to allege the specific  
25 relationship and “particular individual” with whom WSC supposedly interfered. *See*  
26 *UMG Recordings*, 2015 WL 4606077 at \*17 quoting *Damabeh v. 7-Eleven, Inc.*,  
27 No. 12–CV–01739 LHK, 2013 WL 1915867 at \*10 (N.D. Cal. May 8, 2013)  
28 (“[c]ourts have held that, in order to state a claim for intentional interference with

1 prospective business advantage, it is *essential* that the [claimant] allege facts  
2 showing that [d]efendant interfered with [a] relationship with a particular  
3 individual.” [Emphasis added.]. Plaintiffs again argue that the Court should deny  
4 WSC’s motion to dismiss this claim because Plaintiffs are alleging that WSC  
5 interfered with its own franchisees and that WSC is aware of, or should be aware of,  
6 the identity of those franchisees. Nonsense. As with Plaintiffs’ contractual  
7 interference claim, even *if* WSC “knew” the identity of the specific franchisees at  
8 issue, such speculated knowledge has nothing to do with Plaintiffs’ absolute  
9 obligation to sufficiently plead this claim in accordance with *Iqbal* and *Twombly*.

10 Therefore, the Court should grant WSC’s motion to dismiss Plaintiffs’  
11 Eighth Cause of Action for Intentional Interference with Prospective Economic  
12 Advantage with prejudice and without leave to amend.

13 **D. Plaintiffs Failed to State a Claim for Breach of the Covenant of**  
14 **Good Faith and Fair Dealing**

15 As set forth in WSC’s moving papers, the conduct Plaintiffs have alleged  
16 breached the covenant of good faith and fair dealing (Complaint, ¶ 146(a)-(j)) fails  
17 to state a claim against WSC because it (1) is improper conclusory allegations; (2) is  
18 duplicative of Plaintiffs’ alleged breaches of contract; or (3) imposes obligations on  
19 WSC beyond those imposed by the parties’ agreements. Plaintiffs’ opposition does  
20 not address WSC’s first argument, which disposed of the improper allegations  
21 regarding WSC’s alleged solicitation of Plaintiffs’ employees and WSC’s alleged  
22 failure to act in good faith. (*See* Complaint, ¶ 146(e), (j).) Plaintiffs’ arguments  
23 regarding WSC’s other points do not change the fact that the Court should dismiss  
24 this claim.

25 First, the fact that WSC established that Plaintiffs’ allegations fail to support  
26 their breach of contract claims does not mean that those same allegations must  
27 support a claim for breach of the covenant. To the contrary; the two are not  
28 mutually exclusive. Thus, the fact that Plaintiffs’ allegations of breaches of the

1 various contracts are not supported by the terms of those contracts does not mean  
2 that those same allegations establish a claim for breach of the covenant. Plaintiffs  
3 must still establish that those allegations are not duplicative and that they do not  
4 impose obligations on WSC beyond those imposed by the contracts themselves.  
5 Plaintiffs have failed to do so.

6 Plaintiffs next contend that the implied covenant in the parties' contracts  
7 precluded WSC from granting licenses to others in Plaintiffs' non-exclusive  
8 territories. However, the cases upon which Plaintiffs' rely do not support its  
9 argument. First, in *In re Vylene Enters.*, 90 F.3d 1472 (9th Cir. 1996), the parties'  
10 agreement did not contain a non-exclusivity provision. Instead, the court interpreted  
11 the contract and determined it was non-exclusive. *Id.* at 1477. Here, on the other  
12 hand, the parties' agreements all contain express language that they are non-  
13 exclusive. (Complaint, Ex. A, ¶ 2; Ex. B, ¶ 2; Ex. D, ¶ 1.) This is important  
14 because there is a marked distinction between a contract that is silent on this issue of  
15 exclusivity and one in which the parties have expressly agreed that it was non-  
16 exclusive. In the latter case, the parties have expressly permitted WSC to allow  
17 additional parties into Plaintiffs' territories.

18 Plaintiffs' next rely on *Scheck v. Burger King Corp.*, 756 F.Supp. 543 (S.D.  
19 Fla. 1991). However, that case was subsequently *overruled* by *Burger King Corp.*  
20 *v. Weaver*, 169 F.3d 1310, 1317 (11th Cir. 1999), in which the Eleventh Circuit  
21 stated:

22 The rights and duties of the parties to a franchise agreement are created  
23 by the agreement. In the absence of an agreement, neither party has a  
24 duty to perform and neither has a right against the other. ***Thus, in this***  
25 ***case, if Weaver's franchise agreement did not grant him a right to an***  
26 ***exclusive territory, BKC incurred no duty to refrain from licensing***  
27 ***new franchises in the area.*** It is undisputed that Weaver's franchise  
28 agreements did not grant Weaver the right to an exclusive territory.  
Therefore, BKC had no duty to refrain from licensing new franchises in  
Great Falls. The *Scheck* court's attempt to separate the franchisee's right  
from the franchisor's duty is logically unsound.

28 ///

1 (Emphasis added.)<sup>4</sup> A similar result is warranted here. The parties’ contracts  
2 expressly provide that they are non-exclusive. Therefore, the fact that WSC may  
3 have licensed third parties to use its intellectual property in areas in or around  
4 Plaintiffs’ territories cannot provide a basis for a claim of breach of the covenant  
5 against WSC.

6 Finally, Plaintiffs ask the Court to make certain inferences that the technology  
7 fees required WSC to provide state-of-the-art technology services. However, such  
8 inferences are not supported by Plaintiffs’ conclusory allegations. In fact, they are  
9 inconsistent with the terms of the parties’ agreements and would impermissibly  
10 impose obligations on WSC beyond those imposed by the parties’ contracts. *Guz v.*  
11 *Bechtel Nat. Inc.*, 24 Cal.4th 317, 352 (2000) (to the extent a plaintiff seeks to  
12 impose limitations “*beyond* those to which the parties actually agreed, the [implied  
13 covenant] claim is invalid.” [Emphasis in original.]). Accordingly, the inferences  
14 the Plaintiffs ask the Court to make are entirely improper.

15 For all of these reasons, and for those set forth in WSC’s moving papers, the  
16 Court should dismiss the Complaint’s Fifth Cause of Action for Breach of the  
17 Implied Covenant of Good Faith and Fair Dealing.

18 ///

19 ///

20 ///

21 ///

22 ///

23 ///

24 ///

25

---

26 <sup>4</sup> Importantly, the Ninth Circuit in *In re Vyulene Enters.* relied on Scheck in  
27 reaching its conclusion 1996. *In re Vyulene Enters.*, 90 F.3d at 1477. However, the  
28 Ninth Circuit did not have the benefit of *Weaver*, which did not come down until  
1999.



1 **III. CONCLUSION**

2 For all of the foregoing reasons, and for those set forth in WSC's moving  
3 papers, the Court should grant WSC's motion to dismiss in its entirety, with  
4 prejudice and without leave to amend.

5

6 DATED: November 2, 2015 PEREZ WILSON VAUGHN & FEASBY

7

8

By: /s/ John D. Vaughn  
John D. Vaughn  
Attorneys for  
Windermere Real Estate Services Company

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28