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9 SUPERIOR COURT OF THE STATE OF CALIFORNIA
10 FOR THE COUNTY OF LOS ANGELES

11 VARIETY MEDIA, LLC, a Delaware limited
12 liability company,

13 Plaintiff,

14 v.

15 BEVERLY HILLS MEDIA GROUP, LLC, a
16 California limited liability company; BERT
17 BEDROSIAN, an individual; and DOES 1-50,
18 inclusive,

19 Defendants.

CASE NO.

COMPLAINT FOR:

- (1) **FRAUD;**
- (2) **DECLARATORY RELIEF;**
- (3) **INTERFERENCE WITH CONTRACTUAL RELATIONS;**
- (4) **INTERFERENCE WITH PROSPECTIVE ECONOMIC ADVANTAGE;**
- (5) **TRADEMARK INFRINGEMENT;**
- (6) **COMMON COUNTS; AND**
- (7) **UNFAIR COMPETITION**

INTRODUCTION

1
2 1. Plaintiff Variety Media, LLC brings this action for damages and declaratory relief as
3 a result of a blatant fraud and a scheme involving illegal kickbacks and stolen revenues it recently
4 uncovered being perpetuated by Defendants Beverly Hills Media Group, LLC ("BHMG") and its
5 principal Bert Bedrosian along with an executive officer (the "Officer") of Variety, Inc. (sometimes
6 referred to as "Variety") prior to Plaintiff's acquisition of the well-known *Variety*® publications and
7 related intellectual property and other assets. In particular, Plaintiff is informed and believes that
8 Defendants conspired with the Officer of Variety -- the Officer and Variety are both non-parties to
9 this action -- to engage in a fraudulent, self-dealing transaction while the assets of Variety were
10 being marketed for sale for the purpose of diverting substantial revenues generated by *Variety*® to
11 Defendants and the Officer for their personal enrichment.

12 2. To carry out their plot, Bedrosian and the Officer -- entered into a fraudulent and
13 self-dealing agreement purportedly granting Defendant BHMG broad rights to the revenue stream
14 generated by *Variety*® and to make use of Variety's intellectual property. The Officer is a business
15 associate of Defendants and is identified as a member of BHMG's "Advisory Board" on BHMG's
16 website.

17 3. When Plaintiff subsequently entered into an asset purchase agreement with Variety,
18 Inc. and assumed various contracts in connection therewith, Defendants set about to lead Plaintiff to
19 believe wrongfully that it was bound by the terms of the fraudulent agreement even though it was
20 never disclosed to Plaintiff as part of Plaintiff's due diligence and was not assumed by Plaintiff as
21 part of the Variety transaction or otherwise.

22 4. Plaintiff therefore seeks damages to compensate it for the harm it has suffered, a
23 declaration that it is not a party to and not bound by the fraudulent agreement to which it was never
24 a party, as well as injunctive and other ancillary relief as a result of Defendants' fraud and
25 misconduct as alleged below.

PARTIES

26
27 5. Plaintiff Variety Media, LLC ("Plaintiff") is, and at all times mentioned herein was, a
28 limited liability company duly organized under the laws of the State of Delaware, with its principal

1 place of business in the City and County of Los Angeles.

2 6. Plaintiff is informed and believes and on that basis alleges that Defendant Beverly
3 Hills Media Group, LLC ("BHMG") is, and at all times mentioned herein was, a limited liability
4 company organized and existing under the laws of the State of California, with its principal place of
5 business in Los Angeles County, California.

6 7. Plaintiff is informed and believes and on that basis alleges that Defendant Bert
7 Bedrosian is an individual residing in Los Angeles County, California. Bedrosian holds himself out
8 to be the Chief Executive Officer of Defendant BHMG.

9 8. The true names or capacities, whether individual, corporate, associate, or otherwise
10 of defendants DOES 1 through 50, inclusive, and each of them, are unknown to Plaintiff at this
11 time, and Plaintiff therefore sues said defendants by such fictitious names. Plaintiffs will amend
12 this Complaint to show their true names or capacities when the same have been ascertained.

13 9. Plaintiff is informed and believe that DOES 1-50 aided and abetted and conspired
14 with Defendants BHMG and Bedrosian to perform the illicit acts alleged herein.

15 10. Defendants, and each of them, were each the agents of the other in all the acts and
16 transactions hereinafter alleged, acting within the scope and course of said agency.

17 **VENUE**

18 11. Venue is appropriate in the county of Los Angeles in that (1) Plaintiff is informed
19 and believes that the headquarters of BHMG is located in Los Angeles County; and (2) a substantial
20 portion of the events that give rise to the causes of action asserted in this case either took place in
21 Los Angeles County or had a substantial effect in Los Angeles County.

22 **FACTUAL ALLEGATIONS**

23 **A. Reed Elsevier and *Variety***

24 12. Reed Elsevier PLC ("Reed"), headquartered in London and Amsterdam, is a global
25 publisher and information provider operating in the science, medical, legal, risk and business
26 sectors. Reed Business Information ("RBI") is Reed's business division and produces industry
27 specific data services and tools, online community and job sites and business magazines. Among
28 the titles owned by Reed and RBI was *Variety*®, the famous American entertainment-trade

1 magazine, which it acquired in 1987.

2 13. In 2008, Reed sought to divest itself of the entire RBI division but was unable to do
3 so given the burgeoning financial crisis. Following those aborted sales efforts, Reed shifted the
4 focus of its RBI division away from print trade magazines and to paid content, data services and
5 online marketing solutions. Thus, in July 2009, RBI announced its intention to sell most of its
6 North American trade publications. By April 2010, Reed had sold 21 US trade magazines and
7 announced that an additional 23 would cease publication due to the weak economy including an
8 advertising slump.

9 14. The *Variety*® publication remained with RBI until 2012. In March 2012, Reed
10 announced that, as part of RBI's efforts to shed U.S. print-magazine holdings and focus more on
11 data services, it would sell *Variety*. That announcement was reported by various news outlets
12 including the *Los Angeles Times* and the *Wall Street Journal*.

13 15. Plaintiff is informed and believes and on that basis alleges that *Variety, Inc.* is a
14 subsidiary of Reed.

15 **B. The Fraudulent Agreement**

16 16. Plaintiff is informed and believes and on that basis alleges that, with *Variety*® on the
17 auction block, the Officer hatched a plan with Defendant Bedrosian to divert revenues generated by
18 *Variety*® for their personal enrichment.

19 17. On or about March 14, 2012, the Officer executed a letter agreement (the "Letter
20 Agreement") with Defendant BHMG establishing a joint venture between the contracting parties
21 related to a contemplated "Beverly Hills Entertainment Week" -- a planned week-long festival
22 focusing on film, television, new media and finance (the "Festival"). The Letter Agreement was
23 executed on behalf of BHMG by Defendant Bedrosian.

24 18. The Letter Agreement provided that it would terminate on the earlier of (a) 60 days
25 following the agreement's effective date; or (2) the entry by the parties of a definitive agreement
26 related to the operation of the Festival.

27 19. Sometime thereafter, the Officer and Bedrosian executed an undated agreement
28 entitled Limited Liability Company Agreement of BHEN Enterprises LLC (the "Operating

1 Agreement"). According to the Operating Agreement, the parties to it are Variety, Inc. and BHMG.
2 The signatures on the Operating Agreement are not dated though the agreement itself states that it
3 was "adopted and agreed to" on March 30, 2012 -- sixteen days after RBI announced its intention to
4 sell *Variety*®.

5 20. BHMG did not even exist as an entity in March 2012. According to Secretary of
6 State records, BHMG was formed on April 26, 2012. BHEN Enterprises was formed in July 2012.

7 21. The Operating Agreement purports to grant BHMG a 50% share of gross revenues
8 achieved from sponsorships acquired in connection with the planned Festival. However, the
9 Operating Agreement was also structured to allow BHMG to claim rights -- and to revenue streams
10 -- that are much broader than just the Festival.

11 22. The Operating Agreement contains no indication that Variety was represented by
12 counsel in connection with the agreement. According to BHMG, Variety was represented in the
13 agreement by the Officer's personal attorney and not Reed's counsel.

14 23. Plaintiff is informed and believes and on that basis alleges that the existence of the
15 Operating Agreement was hidden from Reed and RBI.

16 24. Moreover, Plaintiff is informed and believes and on that basis alleges that
17 Defendants structured the Operating Agreement in a manner to help them conceal their fraud.
18 Customary provisions are noticeably absent. A typical integration clause is missing, which Plaintiff
19 is informed and believes, was a purposeful omission by Defendants to allow them to contend their
20 rights vis-à-vis Variety extend even beyond the overly-broad language of the Operating Agreement.

21 25. The Operating Agreement contains dispute resolution provisions requiring, among
22 other things, binding arbitration of all disputes arising thereunder within 2 days of a demand
23 therefor. Plaintiff is informed and believes and on that basis alleges that this highly-unusual and
24 extremely accelerated dispute resolution provision was part and parcel of Defendants' fraud,
25 designed to purportedly mandate an immediate arbitration without rights to conduct discovery into
26 the bona fides of the Operating Agreement. Nevertheless, as alleged below, Plaintiff is not bound
27 by the dispute resolution provisions because it is not and never was a party to the Operating
28 Agreement.

1 **C. The Asset Purchase Agreement**

2 26. Reed's efforts to sell *Variety*® eventually culminated in an agreement with Penske
3 Media Corporation ("PMC") to purchase the assets of Variety, Inc. for an undisclosed amount.
4 PMC formed Plaintiff for the purposes of the acquisition.

5 27. On or about October 9, 2012, Plaintiff entered into an Asset Purchase Agreement
6 (the "APA") with, among others, Reed Elsevier Inc. ("REI") and Variety, Inc. (collectively with
7 "REI", the "Sellers") in which Plaintiff purchased certain assets owned by the Sellers -- namely, the
8 *Variety*® publications and related intellectual property and other tangible assets (the "Transaction").

9 28. As part of the APA, the Sellers assigned, and Plaintiff accepted the assignment of,
10 various contracts to which the Sellers were parties in connection with their ownership of the
11 *Variety*® publications and the related intellectual property and other assets. The contracts assigned
12 to Plaintiff were identified in a Sellers Disclosure Schedule and were provided to Plaintiff for its
13 review and consideration as part of Plaintiff's due diligence efforts prior to the close of the
14 transaction.

15 29. The Sellers Disclosure Schedule discloses the existence of the Letter Agreement,
16 which by that time had expired pursuant to its terms. The Operating Agreement was not disclosed
17 to Plaintiff as part of Plaintiff's due diligence by Sellers or otherwise and is not listed on the Sellers
18 Disclosure Schedule.

19 30. No other agreement or contract with Defendant BHMG apart from the Letter
20 Agreement was assigned to Plaintiff as part of the APA with the Sellers or otherwise. The Letter
21 Agreement has expired under its own terms. Plaintiff is not a party to the Operating Agreement.

22 31. Following the close of the Transaction, Defendant Bedrosian forwarded to Plaintiff a
23 copy of the Operating Agreement, which up to that point in time Plaintiff had never before seen.
24 Bedrosian claimed the Operating Agreement was entered into at the end of March 2012. Well
25 beyond the Festival, Bedrosian further claimed that the Operating Agreement and certain other
26 undisclosed "actions" gave BHMG the "exclusive right to activate multi-event, year-round
27 sponsorships for Variety". Bedrosian further claimed that BHMG's rights extend beyond the
28 proposed Festival in Beverly Hills in that the Festival "became a platform to activate existing

1 Variety events year round". Bedrosian asserted that as a result of the APA and Transaction,
2 Plaintiff became a party to the Operating Agreement, an agreement he claimed "has no expiration
3 date and can only be canceled by both parties." He further claimed that the Operating Agreement
4 "is a general template, but the actual written correspondence, and Variety approved decks further
5 clarify our relationship."

6 32. Plaintiff is informed and believes and on that basis alleges that Bedrosian's
7 representations were knowingly false and that the Operating Agreement was fraudulently created by
8 Bedrosian and the Officer without the authority or approval of Reed or RBI and without disclosing
9 the existence of the Operating Agreement to Reed and RBI. Bedrosian and the Officer either
10 conspired to conceal the existence of the Operating Agreement from Reed and RBI or else
11 backdated the Operating Agreement after the close of the Transaction for the purpose of committing
12 a fraud upon Plaintiff by leading it to wrongfully believe it had assumed the Operating Agreement
13 as one of scores of agreements assumed by Plaintiff as part of the Transaction.

14 33. The Operating Agreement was not among the contracts disclosed to Plaintiff as part
15 of the APA and was not assigned to Plaintiff. Plaintiff is not a party to the Operating Agreement.
16 To the extent it is a validly-existing agreement at all, which is dubious in that it is the product of
17 fraudulent self-dealing on the part of Bedrosian and the Officer, Variety, Inc., and not Plaintiff, is
18 BHMG's counter-party.

19 34. BHMG continues to market and hold itself out as a partner of Plaintiff and an
20 authorized user of the *Variety*® marks, which are owned by Plaintiff. BHMG prominently displays
21 Plaintiff's trademarks on its website even though it is not authorized to do so. BHMG continues to
22 disparage Plaintiff in the marketplace and interfere with Plaintiff's business by making false
23 representations to potential sponsors that BHMG is exclusively authorized to activate sponsorships
24 on Plaintiff's behalf. BHMG has also sought to register certain trademarks containing the phrase
25 "Power of", which are confusingly similar to trademarks owned by Plaintiff as a result of the
26 Transaction.

27 35. As part of its agreement with Variety, Inc., Defendants obtained a single sponsor for
28 the planned Festival. Plaintiff is informed and believes that such sponsor paid Variety, Inc.

1 \$500,000 in sponsorship money.

2 36. Plaintiff is further informed and believes and on that basis alleges that Variety, Inc.
3 retained \$162,500 of that money and paid to Defendants the same amount -- \$162,500. Variety,
4 Inc. paid the remaining \$175,000 to BHEN Enterprises, LLC to offset the costs of activation of the
5 sponsorship. Of that \$175,000, \$50,000 was paid to Defendants or an affiliate of Defendants as a
6 commission for obtaining the sponsor. The remaining \$125,000 remains in a bank account owned
7 and controlled by Defendants.

8 37. Being that Defendants elected not to pursue the Festival, Plaintiff has been forced to
9 accommodate the sponsor by providing alternative sponsorship opportunities and activations at
10 Plaintiff's sole cost and expense. Defendants have represented that the \$125,000 currently
11 maintained by them would be paid to Plaintiff to reimburse it for the expense of accommodating the
12 sponsor, but to date has refused to remit the money to Plaintiff. Plaintiff has incurred well more
13 than \$125,000 in expenses in connection with said sponsor.

14 **FIRST CAUSE OF ACTION**

15 (For Fraud

16 Against All Defendants)

17 38. Plaintiff realleges and incorporates herein by this reference each and every foregoing
18 paragraph as though fully set forth herein.

19 39. As alleged herein, Defendants made certain fraudulent misrepresentations designed
20 to induce Plaintiff to believe that it is bound by and subject to the Operating Agreement and other
21 purported oral agreements related thereto.

22 40. Among other things, in October 2012, BHMG, through Defendant Bedrosian
23 forwarded to Plaintiff the secret Operating Agreement, which Bedrosian claimed was entered into at
24 the end of March 2012. Bedrosian further claimed that the Operating Agreement and certain other
25 undisclosed "actions" gave BHMG the "exclusive right to activate multi-event, year-round
26 sponsorships for Variety". Bedrosian further claimed that its rights extend beyond the proposed
27 Festival in Beverly Hills in that the Festival "became a platform to activate existing Variety events
28 year round". Bedrosian asserted that as a result of the APA and Transaction, Plaintiff became a

1 party to the Operating Agreement, an agreement he claimed "has no expiration date and can only be
2 canceled by both parties." He further claimed that the Operating Agreement "is a general template,
3 but the actual written correspondence, and Variety approved decks further clarify our relationship."

4 41. Defendants' fraudulent misrepresentations as alleged hereinabove induced Plaintiff to
5 take certain actions in furtherance of its purported obligations under the Operating Agreement,
6 including engaging in certain negotiations and dealings with a sponsor that BHMGM had supposedly
7 obtained in connection with the Festival. Plaintiff would not have undertaken such actions had it
8 known that Defendants' representations were false. Plaintiff's reliance upon Defendants'
9 representations was reasonable.

10 42. At the time Defendants made the representations alleged herein, they knew that the
11 representations and promises were false, or made the representations and promises recklessly and/or
12 with conscious disregard for their truth and materiality to Plaintiff. Defendants' representations
13 were made with the intent to induce Plaintiff to continue in a contractual relationship with
14 Defendants pursuant to a secret contract to which Plaintiff is not a party.

15 43. Plaintiff, at the time that Defendants made the representations to induce Plaintiff's
16 reliance thereon, was unaware of the falsity of Defendants' representations, and under the
17 circumstances, Plaintiff could not, in the exercise of reasonable diligence, have discovered such
18 falsity.

19 44. As a direct and proximate result of the fraudulent conduct of Defendants, Plaintiff
20 has been harmed and damaged in an amount in accordance with proof at trial.

21 45. The aforementioned conduct of Defendants was intentional, deliberate and in
22 conscious disregard of Plaintiff's rights. Defendants acted in bad faith and with malice.
23 Accordingly, Plaintiff seeks an award of exemplary and punitive damages.

24 **SECOND CAUSE OF ACTION**

25 (For Declaratory Relief
26 Against All Defendants)

27 46. Plaintiff realleges and incorporates herein by this reference each and every foregoing
28 paragraph as though fully set forth herein.

1 suffer irreparable injury and loss.

2 55. In interfering with Plaintiff's contracts, Defendants' conduct was willful and was
3 intended to cause injury to Plaintiff. Defendants acted with oppression, fraud and malice in
4 interfering with Plaintiff's business relationships to deprive Plaintiff of substantial ongoing business.
5 Plaintiff is therefore entitled to an award of exemplary or punitive damages in an amount according
6 to proof at trial.

7 **FOURTH CAUSE OF ACTION**

8 **(Interference with Prospective Economic Advantage**
9 **Against All Defendants)**

10 56. Plaintiff realleges and incorporates herein by this reference each and every foregoing
11 paragraph as though fully set forth herein.

12 57. Defendants knew of the existence of the advantageous economic relationship
13 between Plaintiff and its customers, including sponsors and advertisers. Plaintiff is informed and
14 believes that Defendants intentionally interfered with and caused the disruption of said relationships
15 with Plaintiff's customers by engaging in wrongful and unfair conduct, as described above.

16 58. Defendants continue to market and hold themselves out as a partner of Plaintiff and
17 an authorized user of the *Variety*® marks, which are owned by Plaintiff. BHMGM prominently
18 displays Plaintiff's trademarks on its website even though it is not authorized to do so. BHMGM
19 continues to disparage Plaintiff in the marketplace interfere with Plaintiff's business by making false
20 representations to potential sponsors that BHMGM is exclusively authorized to activate sponsorships
21 on Plaintiff's behalf.

22 59. But for Defendants' wrongful and intentional interference, Plaintiff would have
23 maintained and expanded these valuable customer and employee relationships to its economic
24 advantage and benefit.

25 60. As a direct and proximate result of the Defendants' interfering conduct, Plaintiff has
26 suffered and will continue to suffer irreparable injury and loss.

27 61. In interfering with Plaintiff's business relationships, Defendants' conduct was willful
28 and was intended to cause injury to Plaintiff. Defendants acted with oppression, fraud and malice in

1 pilfering Plaintiff's business and interfering with its business relationships to deprive Plaintiff of
2 substantial ongoing business. Plaintiff is therefore entitled to an award of exemplary or punitive
3 damages in an amount according to proof at trial.

4 **FIFTH CAUSE OF ACTION**
5 **(Trademark Infringement**
6 **Against All Defendants)**

7 62. Plaintiff realleges and incorporates herein by this reference each and every foregoing
8 paragraph as though fully set forth herein.

9 63. Defendants' use of the *Variety*® marks in connection with their business activities,
10 including the prominent display of such marks on Defendants' website, is likely to cause confusion,
11 mistake or to deceive as to source, origin, affiliation, or sponsorship between Plaintiff and
12 Defendants and therefore constitutes infringement under 15 U.S.C. § 1114, California Business &
13 Professions Code § 14245 and common law.

14 64. Unless an injunction is issued enjoining any continuing or future use of the *Variety*®
15 marks by Defendants, or any mark confusingly similar thereto, such use is likely to continue to
16 cause confusion, mistake, or to deceive as to source, origin, affiliation, or sponsorship, thereby
17 irreparably injuring Plaintiff.

18 65. As a direct and proximate cause of Defendants' conduct, Plaintiff has been damaged
19 and will continue to be damaged. Pursuant to 15 U.S.C. § 1116(a), California Business &
20 Professions Code § 14245 and common law, Plaintiff is entitled to an order enjoining Defendants
21 from using the *Variety*® marks, and any other mark confusingly similar to the *Variety*® marks, in
22 connection with their business activities.

23 66. Defendants' conduct alleged herein was intentional and in conscious disregard of
24 Plaintiff's rights.

25 67. Defendants' acts make this an exceptional case under 15 U.S.C. § 1117(a) and
26 California Business & Professions Code § 14245 *et seq.*, and Plaintiff is entitled to an award of
27 attorneys' fees and costs.

28

1 **SIXTH CAUSE OF ACTION**

2 (For Common Counts

3 Against All Defendants)

4 68. Plaintiff realleges and incorporates herein by this reference each and every foregoing
5 paragraph as though fully set forth herein.

6 69. As a result of services performed and expenses incurred by Plaintiff in connection
7 with the sponsorship activation as alleged hereinabove, Defendants have become indebted to
8 Plaintiff in an amount to be proven at trial, but in no event less than the \$125,000 currently
9 maintained and controlled by Defendants for the purpose of reimbursing Plaintiff for expenses
10 incurred.

11 **SEVENTH CAUSE OF ACTION**

12 (For Unfair Competition

13 Against All Defendants)

14 70. Plaintiff realleges and incorporates herein by this reference each and every foregoing
15 paragraph as though fully set forth herein.

16 71. Defendants have committed various acts of unfair competition, as herein alleged,
17 including: (a) fraudulent acts designed to divert the revenues generated by *Variety*® for
18 Defendants' enrichment; (b) wrongful interference with Plaintiffs' contractual and business
19 expectancies as alleged above; and (c) trademark infringement.

20 72. Defendants' wrongful acts and conduct as alleged hereinabove constitute unfair and
21 unlawful competition under Business and Professions Code section 17200 et seq.

22 73. Said unfair competition threatens to and will cause great and irreparable injury to
23 Plaintiff in that such conduct will result in the diversion from Plaintiff of substantial amounts of
24 business and the loss of customers, sponsors and advertisers. The damages that have been and will
25 be sustained by Plaintiff by reason thereof cannot readily be ascertained or calculated, and unless
26 immediate injunctive relief as prayed for herein is granted, the unfair competition will have been
27 completed, rendering ineffective a final judgment. By reason thereof, Plaintiff has no adequate
28 remedy at law for such acts and threatened acts.

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PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment against Defendants, and each of them, as follows:

- 1. For compensatory damages in an amount according to proof;
- 2. For punitive damages in an amount according to proof;
- 3. For preliminary and permanent injunctive relief;
- 4. For reasonable attorneys fees;
- 5. For costs incurred herein; and
- 6. For such other, further or different relief as the Court may deem proper.

DATED: April 29, 2013

JEFFER MANGELS BUTLER & MITCHELL LLP
MATTHEW D. HINKS

By: _____
MATTHEW D. HINKS
Attorneys for Plaintiff VARIETY MEDIA, LLC

