

On April 1, 2010, Plaintiffs filed an amended complaint, which Defendants now move to dismiss, except for Count II, pursuant to Rule 12(b)(6) of the Federal Rules of Civil Procedure. Prior to the present motion to dismiss, the Court granted in part, and denied in part, Plaintiffs' motion to dismiss Houbigant's various counterclaims arising out of the alleged breach of the Licensing Agreement. *See IMG Fragrance Brands, LLC v. Houbigant, Inc.*, 679 F.Supp.2d 395 (S.D.N.Y.2009).

For the reasons discussed herein, Defendants' motion to dismiss is granted in part and denied in part.

## 2. Background

### a. The Parties

Defendants Houbigant, Inc. and Etablissement Houbigant (collectively, "Houbigant") are engaged in the business of licensing fragrance product trademarks. *See id.* at 399. Defendant Michael J. Sherman ("Sherman," and together with Houbigant, "Defendants") is an officer of Houbigant. (Compl. ¶ 6.) Houbigant licensed to Plaintiff IMG Fragrance Brands, LLC ("IMG Brands"), a wholly owned subsidiary of Plaintiff IMG Holdings, Inc. ("IMG Holdings" together with IMG Brands, "IMG"), certain fragrance product trademarks pursuant to the License Agreement dated December 19, 2003. *IMG*, 679 F.Supp.2d at 400. Plaintiff Dana Classic Fragrances, Inc. ("Dana"), a subsidiary of IMG Holdings that manufactures and promotes various fragrance products, is a sub-licensee of IMG Brands. (First Amended Complaint ("FAC") ¶ 2.) Plaintiff Zohar CDO 2003-1 Limited ("Zohar I"), Zohar II 2005-1 Limited ("Zohar II"), and Zohar III Limited ("Zohar III," and together with Zohar I and Zohar II, the "Zohar Funds," and collectively with IMG and Dana, "Plaintiffs") are private equity funds with each holding the following percentage of IMG Holdings' stock:

Zohar I-13%; Zohar II-51%; and Zohar III-11%. *IMG*, 679 F.Supp.2d at 400.

### b. The License Agreement

On December 19, 2003, Houbigant entered into the License Agreement with IMG Brands whereby IMG Brands, as Licensee, was given an exclusive license to various trademarks. (*See* FAC ¶ 1; Declaration of Todd Harrison "Harrison Decl." Ex. L.) IMG sublicensed the License Agreement to Dana. (FAC ¶ 11.) In the License Agreement, IMG had the right to purchase the licensed trademarks at the end of the five-year license term, for \$1,000 plus any unpaid royalties. (*See id.*; Harrison Decl. Ex. L § 9(e).)

At the expiration of the License Agreement, IMG had not paid all royalties contemplated under the License Agreement. (FAC ¶ 1.) IMG and its secured lenders twice attempted to purchase the trademarks by tendering to Houbigant the outstanding royalties, plus \$1000, but Houbigant did not accept payment, (*Id.*; Pl. Opp'n Mem. at 1.)

### c. Loan and Assignment History

After the parties entered into the License Agreement, in September 2004, IMG, Dana, and affiliates entered into a secured loan agreement with Congress Financial Corporation ("Congress") and two other lenders (the "2004 Loan Agreement"). (PAC ¶ 12; Pl. Opp'n Mem. at 3.) Congress was the designated "Agent" for the "Lenders" under the 2004 Loan Agreement. (FAC ¶ 13.) The 2004 Loan Agreement defined "Lenders" as the three signatory lenders and "their respective successors and assigns." (Harrison Decl. Ex. G § 1.81.) Under that agreement, IMG and Dana were prohibited from cancelling, surrendering, modifying, amending, waiving, or releasing any term, provision, or right under any "License Agreement," including the Houbigant license. (*Id.*