

NO.: 19-CI-_____

JEFFERSON CIRCUIT COURT
DIVISION ____ ()

(Electronically Filed)

JOHN H. SCHNATTER,

PLAINTIFF

v.

COMPLAINT

**247 GROUP, LLC d/b/a LAUNDRY
SERVICE
55 Water Street, 5th Floor
Brooklyn, New York 11201**

DEFENDANTS

**Serve: Harvard Business Svs, Inc.
16192 Coastal Highway
Wilmington, Delaware 19958**

-and-

**WASSERMAN MEDIA GROUP, LLC
55 Water Street, 5th Floor
Brooklyn, New York 11201**

**Serve: Corporation Service Company
251 Little Falls Drive
Lewes, Delaware 19808**

* * * * *

Plaintiff John H. Schnatter, by and through counsel, brings this action against Defendants 247 Group, LLC d/b/a Laundry Service (“Laundry Service”) and Wasserman Media Group, LLC (“Wasserman”) and alleges as follows:

NATURE OF ACTION

1. This is a case about breach of contract and malicious interference with business relationships. John Schnatter is the founder and visionary behind Papa John's International, Inc. ("Papa John's"), one of the largest pizza delivery restaurants in the world. Mr. Schnatter started the company from humble beginnings in a backroom closet in his father's tavern in Jeffersonville, Indiana in 1984. In 1993, Mr. Schnatter took the company public and over the following year opened his 500th store. By 2017, Papa John's had more than 5,100 locations in the United States and 44 countries around the world.

2. Mr. Schnatter was not merely the founder and leader of Papa John's during the period of its meteoric growth. He was also the company's primary spokesman, appearing in numerous successful national advertising campaigns. He was, quite literally, the face of the company.

3. In January 2018, Defendant Laundry Service began work as an advertising agency for Papa John's. Prior to beginning this work, Laundry Service signed a Master Services Agreement which required, among other items, that Laundry Service abide by certain nondisclosure and confidentiality provisions (the "Services Agreement").

4. On May 22, 2018, Mr. Schnatter was asked to attend a call with Laundry Service from his office in Jeffersontown, Kentucky. He was led to believe the call would concern new marketing initiatives for Papa John's, but Laundry Service instead used the call to ask him questions regarding his views on race. Throughout this call—which Laundry Service recorded without his knowledge—Mr. Schnatter spoke out against the insidious effects of racism in society and relayed some of his own experiences from growing up in Indiana.

5. At the end of the call, Mr. Schnatter criticized a well-known public figure for using a racial slur against African Americans and stated that he himself had “*never used that word.*” He was thus both criticizing the use of the epithet and contrasting that it was something he himself had *never done*.

6. Shortly after the call, in June 2018, Laundry Service was in a commercial dispute with Papa John’s over payments under the Services Agreement. Casey Wasserman, the CEO of Laundry Service’s parent company, told Papa John’s then-CEO Steve Ritchie that he would “bury the founder” (*i.e.*, Mr. Schnatter) if Laundry Service was not paid \$6 million dollars.

7. Following this threat to “bury the founder”—and in apparent retaliation for Papa John’s refusing to pay Laundry Service \$6 million—Defendants leaked to Forbes magazine excerpts of their May 22, 2018, call with Mr. Schnatter. But rather than provide the true context of what Mr. Schnatter actually said, Defendants provided information out of context, suggesting he had used a racial slur against African Americans. In short, they created an impression that Mr. Schnatter had communicated something opposite to what he said.

8. On July 11, 2018, Forbes reported that “Papa John’s Founder Used N-Word on Conference Call.” This press report—which was quickly picked up by other media outlets—that Mr. Schnatter had used a racial slur *against* African Americans led to a virtual firestorm around him and the company, ultimately leading to Mr. Schnatter resigning as Chairman of Papa John’s and to his being disassociated from the company he had built and managed for over thirty years.

9. By disclosing information related to the May 22 call to Forbes and/or other third parties, Defendants breached the terms of the Services Agreement. And by providing this information maliciously and out of context, Defendants interfered with Mr. Schnatter’s valid

business relationships and prospective economic advantages. They are liable for the damages that followed from their actions.

THE PARTIES

10. Plaintiff John Schnatter is the founder and former Chief Executive Officer and Chairman of Papa John's. Mr. Schnatter resides in Naples, Florida. A substantial part of the events or omissions giving rise to Mr. Schnatter's claims occurred in Jefferson County.

11. Defendant Laundry Service is a public relations company headquartered in Brooklyn, New York, with offices in Portland, Oregon, Los Angeles, California, and London, England.

12. Defendant Wasserman is a talent management company founded by Casey Wasserman in 1998 and based in Los Angeles, California. It acquired Laundry Service in 2015.

JURISDICTION AND VENUE

13. The Court has subject matter jurisdiction pursuant to Ky. Rev. Stat. § 23A.010 and because the amount in controversy exceeds the jurisdictional prerequisite for circuit courts in Kentucky.

14. Venue properly lies in this Court because the actions and conduct of Defendants at issue occurred in whole or in part in Jefferson County, Kentucky, and the injuries complained of herein occurred in whole or in part in Jefferson County, Kentucky, and pursuant to Ky. Rev. Stat. § 452.450.

15. This Court has personal jurisdiction over Defendants under Ky. Rev. Stat. § 454.210(2)(a) because they have conducted business in the Commonwealth of Kentucky and caused tortious injury herein. Defendants traveled to the Commonwealth of Kentucky for

business related to the Services Agreement on numerous occasions and derived substantial revenue from their business activities in this state.

FACTUAL ALLEGATIONS

The Anthem Protests

16. In August 2016, Colin Kaepernick, a player for the San Francisco 49ers of the National Football League (“NFL”), began sitting or kneeling during the playing of the national anthem before NFL games. Mr. Kaepernick expressed that he did this as a statement against racial injustice and police treatment of minorities. This practice of kneeling during the anthem was quickly picked up by several other players around the NFL. Before long, at least some players on virtually every NFL team were kneeling during the anthem before every NFL game.

17. What became known as the “anthem protests” drew an extraordinary amount of media coverage and generated controversy around the NFL. Some groups criticized the act of kneeling, even as a political act, as disrespectful of the American flag and the veterans who had served in the military. These groups also criticized the NFL for allowing the players to continue to protest in this manner each week.

18. Other groups criticized the NFL for not supporting the players who chose to kneel during the anthem and for at least one team threatening to cut any players who did so. The NFL thus faced heavy criticism both from groups who supported the players’ actions in protesting during the anthem and those who strongly opposed them.

19. The controversy surrounding the anthem protests had immediate effects on NFL viewership. There was a measurable decline in television viewership of NFL games, with ratings across the league declining by 8% from 2015 to 2016 and again by 9.7% from 2016 to 2017.

20. During the time of the anthem protests, the NFL was the largest media partner of Papa John's, with over 25% of the company's entire annual advertising budget spent on NFL-related marketing and advertising. Papa John's was the brand consumers most closely associated with the league and was the "official pizza" of the NFL.

21. The steep decline in NFL television viewership meant there was a corresponding decrease in the number of consumers who were seeing Papa John's commercials, thereby negatively impacting sales.

November 2017 Earnings Call

22. Papa John's held a quarterly earnings call with analysts on November 1, 2017. Mr. Schnatter was the CEO and Chairman of the company at that time and addressed the impact of the anthem protests on the company's sales. He said:

Now to the NFL, the NFL is hurting, and more importantly by not resolving the current debacle to the player and owners' satisfaction, NFL leadership has hurt Papa John's shareholders. Let me explain. The NFL has been a long and valued partner over the years, but we are certainly disappointed that [the] NFL and its leadership did not resolve the ongoing situation to the satisfaction of all parties long ago. This should have been nipped in the bud a year and a half ago. Like many sponsors, we are in contact with [the] NFL, and once the issues [are] resolved between the players and the owners, we are optimistic that [the] NFL's best years are ahead, but good or bad, leadership starts at the top. And this is an example of poor leadership.

23. In his comments, Mr. Schnatter did not take a side in the anthem protests and, in fact, twice stated the league should find a resolution that was *to the players' satisfaction*. If anything, these comments should be seen as an endorsement of the players' right to continue to protest.

24. Nonetheless, media reports following the earnings call stated that Mr. Schnatter was against the players protesting during the anthem. The Associated Press reported on

November 15, 2017, that Mr. Schnatter opposed the players “kneeling during the national anthem.” A later UPI article went as far as to say that Mr. Schnatter was against the players protesting police brutality. These press reports were not merely unsupported by the facts. They were blatantly wrong. Yet they formed the public narrative of Mr. Schnatter’s views on these issues and set in motion many of the events leading to this action.

25. It cannot be overstated how polarizing the issue of the Anthem Protests had become by 2017, with large numbers of people feeling very strongly—and very emotionally—either in support or against the movement. The incorrect reporting that Mr. Schnatter had spoken out against NFL players protesting thus drew swift denunciations from those supporting the protests.

Relationship with Laundry Service

26. On October 31, 2017, the company announced that Laundry Service had been hired as its creative agency of record with work under the Services Agreement scheduled to begin on January 1, 2018.

27. Later that year, on May 14, 2018, Mr. Schnatter attended a meeting at the Laundry Service office in Brooklyn, New York, to discuss a new advertising campaign for the company. At the meeting, the CEO of Laundry Service strongly advocated for Papa John’s using Kanye West in its new campaign. Mr. Schnatter considered this option for a few days but then expressed discomfort with partnering with Mr. West because of his controversial nature and use of the “n-word” in his lyrics.

28. Based on its work for Papa John’s, Laundry Service understood that Mr. Schnatter’s image and persona played a substantial role in the company’s brand recognition, advertising, and overall success. Laundry Service conducted extensive “perception research” on

Mr. Schnatter and one of its “key findings” was that any “negative sentiment [toward Mr. Schnatter] bleeds into Papa John’s brand perception.”

29. On May 22, 2018, Mr. Schnatter was on a call with Laundry Service from his office in Jeffersontown, Kentucky. Laundry Service had recently recommended that Mr. Schnatter again appear in Papa John’s commercials, and Mr. Schnatter believed the call was about new marketing and creative initiatives. Laundry Service, however, used the call to ask Mr. Schnatter questions related to his views on race. Throughout the call, Mr. Schnatter expressed his wholesale rejection of racism and how he saw its inherent, insidious effects as a young person in Indiana. Unbeknownst to Mr. Schnatter, Laundry Service was recording the call.

30. At the end of the call, Mr. Schnatter expressed how his comments regarding the NFL were improperly reported and used to paint him as someone he was not. He then said:

“[W]hat bothers me is Colonel Sanders called blacks n-----s. I’m like, I never used that word. And they get away with it. And we used the word ‘debacle’ and we get framed in the same genre.”

31. Mr. Schnatter thus did not use a racial slur against African Americans in the call. On the contrary, he clarified—in this impromptu discussion of race—that it was a term he had *never used*. And, moreover, that it was absurd to draw a moral equivalency between his describing NFL management’s handling of the Anthem Protests as a “debacle” and statements by a public figure openly disparaging minorities.

32. In June 2018, Laundry Service claimed Papa John’s should pay for work Laundry Service had intended to provide as the company’s media buyer. When a dispute arose over whether Laundry Service was entitled to these payments, Casey Wasserman, the CEO of

Wasserman Media Group, told Papa John's then-CEO Steve Ritchie that he would "bury the founder" (*i.e.*, Mr. Schnatter) if Laundry Service was not paid \$6 million dollars.

Laundry Service Breaches the Services Agreement

33. On the evening of July 10, 2018, Mr. Schnatter received a call from the General Counsel of Papa John's and was told "[someone] at Laundry Service has been talking to Forbes."

34. The next morning, on July 11, 2018, Forbes published an article titled, "Papa John's Founder Used N-Word on Conference Call." The article characterized Mr. Schnatter's statement as a way of "downplaying the significance of his NFL statement" without providing the context of his comments. The article also stated, incorrectly, that Wasserman had moved to terminate the Services Agreement with the company as a result of Mr. Schnatter's statements during the call. In truth, Papa John's had terminated Laundry Service as the company's media buyer.

35. On July 11, 2018, Mr. Schnatter resigned his position as Chairman of Papa John's.

36. On July 13, 2018—only two days after the Forbes article initially appeared—Papa John's announced that Mr. Schnatter would no longer appear in any advertising or marketing materials for the company. The University of Louisville removed Mr. Schnatter's name from a center at its business school and also removed the "Papa John's" name from Cardinal Stadium. Purdue University, the University of Kentucky, and even Ball State University—Mr. Schnatter's own alma mater—severed ties with him. In addition, the Board of Directors asked Mr. Schnatter to resign as a director and took actions to remove him. Mr. Schnatter was denied access to Papa John's headquarters (despite being a director and the company's largest shareholder) and was prohibited from speaking on behalf of the company.

37. On July 15, 2018, Papa John's terminated its Agreement for Service as Founder ("Founder Agreement") with Mr. Schnatter.

38. On July 23, 2018, Papa John's, Laundry Service, and Wasserman signed a Termination Letter ending the Services Agreement. Among other things, the Termination Letter stipulates that the confidentiality provisions in the Services Agreement survived termination of that agreement.

39. On September 11, 2019, Papa John's canceled its Licensing Agreement with Mr. Schnatter.

CLAIMS FOR RELIEF

Count 1 **(Breach of Contract)**

40. Plaintiff incorporates by reference paragraphs 1 through 39 above as though fully set forth herein.

41. Mr. Schnatter was an intended third-party beneficiary of the Services Agreement and the Termination Letter because the relationship with Laundry Service and Wasserman was part of an effort to improve Mr. Schnatter's reputation among consumers.

42. Mr. Schnatter complied with the Services Agreement and Termination Letter, which are valid and enforceable.

43. The Termination Letter cited the confidentiality provision in the Services Agreement and noted that, pursuant to the Services Agreement, the confidentiality provision would survive termination of the agreement.

44. The confidentiality provision in the Services Agreement covered communications between Mr. Schnatter and Laundry Service, including the May 22, 2018 call.

45. Between May 22, 2018 and July 11, 2018, Defendants leaked selected contents of the call to Forbes magazine.

46. The leak of the May 22 call breached the confidentiality provision of the Services Agreement and the Termination Letter.

47. As a direct result of Defendants' breach of the Services Agreement and Termination Letter, Mr. Schnatter was damaged in an amount to be determined at trial.

Count 2
(Tortious Interference with Prospective Economic Advantage)

48. Plaintiff incorporates by reference paragraphs 1 through 47 above as though fully set forth herein.

49. Papa John's and Mr. Schnatter had a valid Licensing Agreement pertaining to the company's use of intellectual property related to Mr. Schnatter's name, likeness, and image.

50. Papa John's and Mr. Schnatter also had a valid Founder Agreement related to Mr. Schnatter's duties and responsibilities, stock options, and reimbursable expenses related to his work for the company.

51. As the founder and public face of Papa John's, Mr. Schnatter had a valid business expectancy that his contractual relationship with the company would continue into the future.

52. Laundry Service was aware of the business relationship between Mr. Schnatter and Papa John's and understood that alleged "controversial comments" attributed to Mr. Schnatter would hurt Papa John's brand reputation.

53. Defendants surreptitiously recorded Mr. Schnatter's comments during the call on May 22, 2018, unbeknownst to Mr. Schnatter.

54. In June 2018, as Papa John's and Laundry Service sought to negotiate a settlement related to the end of their business relationship, Casey Wasserman, Chairman and

CEO of Laundry Service's parent company, threatened the then-CEO of Papa John's, Steve Ritchie, that he would "bury the founder" of Papa John's if the company did not pay Laundry Service \$6 million.

55. Between May 22, 2018 and July 11, 2018, Defendants leaked to Forbes portions of Mr. Schnatter's comments on the May 22 call, in violation of the confidentiality provisions of the Services Agreement.

56. Defendants' conduct was malicious, intentional, unfair, and unreasonable under the circumstances.

57. On July 15, 2018, Papa John's terminated its Founder Agreement with Mr. Schnatter.

58. On September 11, 2019, Papa John's notified Mr. Schnatter that the company intended to terminate its Licensing Agreement with Mr. Schnatter.

59. Defendants' intentional and improper interference in recording and leaking the call to Forbes prevented Mr. Schnatter from continuing his business relationship with Papa John's.

60. Mr. Schnatter suffered damages as a result of Defendants' tortious interference in an amount that will be determined at trial.

Count 3
(Intentional Infliction of Emotional Distress)

61. Mr. Schnatter incorporates by reference paragraphs 1 through 60 above as though fully set forth herein.

62. Defendants' intentional and/or reckless leak of information from the call, in violation of the confidentiality provisions of the Services Agreement and Termination Letter,

was intended to extract retribution from the company and Mr. Schnatter for Papa John's terminating Laundry Service as a media buyer.

63. Defendants' actions were intentionally calculated to cause Mr. Schnatter severe emotional distress, and were done with reckless disregard for Mr. Schnatter's health, welfare, and legally protected rights.

64. The Defendants' actions were outrageous, intentional, intolerable, and offended the generally accepted standards of decency and morality.

65. As a direct and proximate result of Defendants' intentional actions, Mr. Schnatter suffered extreme and severe humiliation and emotional distress.

PRAYER FOR RELIEF

Plaintiff John H. Schnatter respectfully requests that the Court enter a judgment in his favor and against 247 Group, LLC d/b/a Laundry Service and Wasserman Media Group, LLC, and award him the following relief:

- A. A judgment against Laundry Service and Wasserman, jointly and severally, for compensatory, expectation, punitive and all other damages available to him in amounts to be determined at trial;
- B. An award of attorneys' fees and costs, as allowed by law;
- C. An award of prejudgment and post-judgment interest, as provided by law; and
- D. Such other relief as may be appropriate under the circumstances.

DEMAND FOR JURY TRIAL

Plaintiff demands a jury trial as to all issues triable by a jury.

Dated: December 5, 2019

Respectfully submitted,

/s/ Elisabeth S. Gray

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**pro hac vice motion forthcoming*

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