

**SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK**

COMBS WINES AND SPIRITS LLC,

Plaintiff,

v.

DIAGEO NORTH AMERICA, INC.

Defendant.

Index No.

**COMPLAINT FOR INJUNCTIVE
RELIEF**

Plaintiff Combs Wines and Spirits LLC (“**Combs Wines**”) files this complaint against Diageo North America, Inc. (“**Diageo**”), and alleges as follows:

NATURE OF THE ACTION

1. In public, Diageo—a multi-billion dollar, publicly-traded spirits company—proclaims itself a leader in diversity and inclusion. Diageo’s public statements tout that it supposedly “believe[s] the most inclusive and diverse culture makes for better business and a better world,” and that “diversity fuels growth and innovation and ensures we can authentically sell our brands to our consumers.”¹

2. Cloaking itself in the language of diversity and equality is good for Diageo’s business, but it is a lie. While Diageo may conspicuously include images of its Black partners in advertising materials and press releases, its words only provide the illusion of inclusion. As Combs Wines and Sean Combs have experienced firsthand, Diageo, by and through its parent company’s Chief Executive Officer Ivan Menezes, has proven unwilling to treat its Black partners equally—even when explicitly required by contract to do so.

¹ See <https://www.diageo.com/en/news-and-media/press-releases/2021/being-a-champion-of-inclusion-and-diversity-is-central-to-diageo-s-spirit-of-progress>.

3. Sean “Diddy” Combs is the owner of Combs Wines and has a longstanding business relationship with Diageo for two spirits brands: Ciroc Vodka and DeLeon Tequila. Based on Diageo’s false promises about investing in diverse-owned and diverse-backed brands, Mr. Combs has put the full force of his marketing, business, and personal resources into his Diageo partnership. But because he knows that contracts matter more than press releases, Mr. Combs insisted that Diageo agree to certain terms to ensure his brands were not ignored or relegated to second-class status, but instead treated equally. Specifically, his agreement with Diageo contains [REDACTED]

[REDACTED]

[REDACTED]

4. Rather than equal treatment, Diageo has treated Mr. Combs and his brands worse than others because he is Black. Diageo has typecasted Ciroc and DeLeon, apparently deciding they are “Black brands” that should be targeted only to “urban” consumers. Diageo’s President of Reserve and New Business, Stephen Rust, directly acknowledged the company’s racist undertones in 2019, telling Mr. Combs that some within Diageo’s leadership resented him for making too much money. He also admitted that Mr. Combs’ race was part of the reason Diageo limited the neighborhoods where the Combs brands were distributed. If Mr. Combs were “Martha Stewart,” Mr. Rust said, things would be different.

5. Diageo, Mr. Menezes, and Mr. Rust have put their feet on the neck of Mr. Combs’ brands. In a business where production, distribution, and sales are the pillars of success, Ciroc and DeLeon have been starved of resources for all three. While Diageo invested in and expanded its other brands—many of which were acquired *after* Ciroc and DeLeon—Mr. Combs’ brands were allowed to wither, getting increased attention only if Combs Wines demanded it under threat of legal action. In a proceeding not before this Court, Mr. Combs intends to seek billions of dollars in damages due to Diageo’s neglect and breaches.

6. Diageo cannot even reasonably dispute that DeLeon has been treated less favorably than brands like Casamigos or Don Julio. Instead, Diageo claims that it is required only to provide DeLeon proportionally equal treatment. But it was Diageo that kneecapped DeLeon's sales growth for nearly a decade and now says that, because DeLeon has not yet reached the same sales levels as competing brands Casamigos and Don Julio, Diageo need not provide it with the same scale support. Diageo's self-fulfilling prophecy not only ignores Diageo's legal obligations, but also ignores the growth that Mr. Combs and Combs Wine have recently won for DeLeon in the marketplace. Diageo will squander that hard-fought growth if it continues to treat DeLeon as a mere proportional priority.

7. Unfortunately, this is not the first time Diageo has had to answer for its unequal treatment of its Black "partners." Through the present lawsuit, Combs Wines seeks to finally put an end to Diageo's longstanding misconduct. Combs Wines demands nothing more than what Diageo has promised to consumers, shareholders, business partners, and Combs Wines itself. Diageo must be ordered by a court to give Combs Wines the same treatment it gives its other, successful tequila brands. It is time that Diageo's actions match its words.

INTRODUCTION

8. Mr. Combs is a powerful force in both entertainment and business. Internationally renowned as a musician, music producer, entrepreneur, actor, film and television producer, and philanthropist, Mr. Combs has established a vast following among his fans and the general population. Mr. Combs has used this acclaim to grow his businesses and those of his partners in a wide variety of industries, including media, health and wellness, fragrances, and fashion.

9. Diageo first approached Mr. Combs more than 15 years ago. In 2007, Diageo contacted Mr. Combs to help grow its then-struggling vodka brand "Ciroc." Mr. Combs agreed to use his widely known name and influence to help promote and market Ciroc.

10. To show his commitment to Diageo and Ciroc, Mr. Combs agreed to [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] But in return, Diageo promised [REDACTED]

11. The years following the signing of the Ciroc agreement were filled with consistent supply issues and a lack of meaningful distribution. Despite Mr. Combs' repeated pleas, Diageo failed time and time again to devote the proper attention, resources, and support to Ciroc. But even in the shadow of Diageo's neglect, Mr. Combs sparked spectacular growth for the once-fledgling brand.

12. Mr. Combs' impact is proven by the numbers. In 2007, Ciroc sold only about 75,000 cases per year. In just two years after Mr. Combs began promoting Ciroc, annual sales grew to about 400,000 cases. And, by 2014, sales of Ciroc had grown by over 3,000% since Mr. Combs began marketing it, to approximately 2.6 million cases sold per year. Due to the power, reach, and efforts of Mr. Combs, Ciroc went from "just another vodka" to a billion-dollar spirit brand known by millions.

13. In 2013, Combs Wines and Diageo formed "DeLeon Holdco LLC," a joint venture, to buy, market, and sell DeLeon Tequila, a boutique tequila brand then distributed in just 18 states and Washington, D.C.

14. Despite Mr. Combs' efforts and optimism, and Diageo's promises, the parties' marriage suffered almost immediately due to Diageo's neglect. The parties had formal and informal agreements about distribution, investment, and brand positioning for DeLeon Tequila.

Yet Diageo consistently fell short of its commitments. It instead began investing more heavily in *other* brands, including the competing Don Julio tequila that it acquired in 2015 and Casamigos tequila that it acquired in 2017. Enamored with its new shiny toys, Diageo’s commitment to and focus on DeLeon inevitably suffered.

15. Left alone to save DeLeon while Diageo invested more than a billion dollars to acquire competing brands, Mr. Combs, [REDACTED]

[REDACTED] But Diageo again left Mr. Combs out to dry. Diageo insisted on an inferior design using inferior materials and, even worse, launched those redesigned bottles *without any marketing support*. The public was understandably confused, and the product continued to flail.

16. Diageo’s refusal to abide by its obligations and promises escalated in the late 2010s to the detriment of DeLeon Tequila. For example, Diageo [REDACTED] discontinued DeLeon’s 375 milliliter SKUs (the popular “half bottle” option offered by nearly all major spirits brands) [REDACTED] [REDACTED], creating sharp sales declines in key markets. [REDACTED]

17. In 2020, Diageo’s unfair treatment of DeLeon reached new heights. Amidst a growing shortage of agave (the key ingredient in tequila), Diageo brazenly snubbed DeLeon by [REDACTED]

18. The result of this systematized neglect: widespread and years-long shortages and “out of stocks” of DeLeon Tequila in major markets, including California, Texas, and Florida. Adding insult to injury, Mr. Combs learned of these varied inventory issues *from retailers*, not

Diageo. Diageo's failure to provide even this basic courtesy confirmed the worst: this was not a good faith partnership, let alone the trusting marriage Mr. Combs had hoped for.

19. While Diageo has undoubtedly violated its contractual obligations and unfairly lined its own pockets, this case is not an ordinary contract dispute in which a party chooses to disregard its contractual promises due to greed and profit. Rather, and similar to the realities experienced by many people of color in the United States, Diageo's treatment of its business relationship with Mr. Combs was tainted by racial prejudices.

20. For example, after Mr. Combs grew Ciroc into a billion-dollar brand that had widespread appeal, [REDACTED]

21. Diageo's unequal treatment of Mr. Combs is at times even less subtle. Mr. Rust, for example, told Mr. Combs that things would be different if he were a white, not Black, celebrity. Diageo, in other words, openly admitted that it viewed Mr. Combs merely as a Black man that might prove useful in marketing to Black consumers. Nothing more.

22. Predictably, DeLeon and Mr. Combs bore the brunt of Diageo's conduct. It soon became clear that Diageo had stopped even going through the motions that are to be expected in any good faith partnership. Multiple retailers—each responsible for millions in spirits sales—have reported that, despite their interest in carrying DeLeon Tequila and/or Ciroc, Diageo *never contacted them* for potential sale and distribution of those brands.

23. In 2020, Mr. Combs confronted Diageo and demanded that Diageo commit to change its ways [REDACTED] At least on paper, Diageo agreed.

24. But Diageo's paper promises turned out to be little more than a way to make Mr. Combs sit down and shut up. Despite committing to be transparent about the production and sale of DeLeon Tequila, Diageo deceived Mr. Combs when he asked about such issues. For example, in 2021, Diageo told Combs Wines that its glass supplier had unexpected disruptions due to COVID and therefore could not produce as many bottles of DeLeon Tequila as expected. But when Combs Wines spoke with representatives of that supplier, they said the shortages were due to planned maintenance that occurs every seven years—maintenance that Diageo surely knew about, but never told Combs Wines. The breach of promises and disrespect still had not ceased.

25. This time, with understandably little trust left in the Diageo team, Mr. Combs took action immediately. [REDACTED]

26. Diageo's retort to these follow-up inquiries spoke volumes about its backwards treatment of Mr. Combs. While refusing to honor its own promises, Diageo demanded that [REDACTED] In short, Diageo didn't care about respecting its obligations to Combs Wines. All it cared about was avoiding public accountability for its own discriminatory conduct.

27. In November 2021, Combs Wines agreed to try diplomacy one more time to make the partnership work. [REDACTED]

28. Combs entered into this agreement based on what turned out to be false promises: that Diageo would correct its course, commit to meaningfully support the DeLeon brand, and finally live up to its diversity promises. But as explained below, those promises have not been kept and appear to have never been sincerely made. [REDACTED]

[REDACTED]

[REDACTED]

29 But whatever Diageo’s intentions were, its actions violate both the spirit and letter of the parties’ agreement. [REDACTED]

[REDACTED]

[REDACTED]

30. Yet again, Diageo’s seemingly strong commitment turned out to be a paper lion. Despite a booming tequila market and [REDACTED]

[REDACTED] Diageo has continued to produce underwhelming and disproportionately low quantities of DeLeon Tequila.

31. Most recently, Diageo has crippled DeLeon’s growth by failing to keep up with consumer demand for DeLeon’s Reposado tequila. As reposado tequilas surged in popularity, Diageo did not adequately ramp DeLeon production, causing DeLeon Reposado to be consistently out of stock and forcing interested DeLeon consumers to look elsewhere. Adding salt to the wound, the Combs team had for *years* foreseen this trend and had pushed reposado as the would-be (or should-be) “hero” of the DeLeon portfolio. Had Diageo not discarded the Combs team’s guidance back then, the DeLeon brand would never have been caught flat-footed in 2022 and 2023.

32. [REDACTED]

[REDACTED] Even the *bare minimum* equal positioning efforts have proven too much for Diageo: unlike other tequilas, DeLeon doesn’t even have a dedicated brand page on Diageo’s website.

33. This unequal treatment extends to sales and distribution. [REDACTED]

[REDACTED]

This lack of attention has become clear in the marketplace. Multiple distributors have told Combs

Wines that Diageo has not spoken to them about DeLeon or Ciroc. Other distributors lack even the basic information about the brands needed to decide whether to carry the brands—the sort of information that any good-faith distribution effort would ensure was widely circulated.

34. Numerous market participants—both inside Diageo and independent of it—have correctly diagnosed this problem as one of racial stereotyping. A Ciroc brand executive, for instance, [REDACTED]. Major retailers and potential business partners have likewise confirmed to Mr. Combs that Ciroc and DeLeon are positioned by Diageo as “ethnic brands.”

35. The predictable result of Diageo intentionally restricting DeLeon’s sales footprint is that DeLeon’s sales footprint has remained restricted. Third-party data confirms that DeLeon distribution has hovered at miniscule levels, while Casamigos and Don Julio distribution rates continue to increase year after year. And even in retail locations that sell DeLeon, its products are only in a few facings. Compare that to Don Julio and Casamigos, who not only have many multiples more retail facings than DeLeon but also have *increased* those retail facings almost every year. Likewise, while Don Julio and Casamigos have more than doubled their sales velocity in recent years, DeLeon lingers behind. As of 2022, DeLeon Tequila is distributed in just 3.3% of all possible outlets, as compared to 36% for Don Julio and 34.4% for Casamigos—a disparity that is all the more egregious given that the parties’ DeLeon partnership *predates* Diageo’s acquisition of these other brands.

36. Under the joint venture agreement, these types of violations cause [REDACTED]
[REDACTED]
[REDACTED]

37. Combs Wines is now left with no option but to seek injunctive relief from this Court to enforce [REDACTED]. The growth of the DeLeon Tequila brand has

suffered significant headwinds and damage due to Diageo’s intentional and willful conduct. At this point, only a binding, enforceable court order will finally put Diageo on the path to compliance and force Diageo to end its deceptive, discriminatory, and damaging behavior.

PARTIES, JURISDICTION, AND VENUE

38. Plaintiff Combs Wine and Spirits, LLC (“Combs Wines”) is a New York limited liability company headquartered at 9200 Sunset Boulevard, West Hollywood, California, 90069. Combs Wines is wholly owned by Mr. Combs.

39. Defendant Diageo North America, Inc. (“Diageo”) is a Connecticut corporation headquartered at 3 World Trade Center, New York, New York, 10007.

40. DeLeon Holdco LLC is a Delaware limited liability company. Combs Wines and Diageo are Members of DeLeon Holdco LLC.

41. New York has personal jurisdiction over Diageo because it is headquartered in New York.

42. Venue is proper under section 503 of the Civil Practice Law and Rules “in the county in which one of the parties resided when it was commenced.” Diageo is headquartered in the County of New York. Combs Wines is also a New York limited liability company with its registration in the County of New York.

43. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] This is a court of competent jurisdiction.

44. Assignment to the Commercial Division is proper because Combs Wines seeks equitable relief, and this action principally involves Diageo’s breach of contract. 22 NYCRR § 202.70(b).

[REDACTED]

[REDACTED]

BACKGROUND

I. Diageo Recruits Mr. Combs to Save Its Fledging Ciroc Vodka Brand

46. Diageo Plc is a British multinational, multi-billion dollar, publicly-traded company that owns leading alcohol and spirits brands. Diageo is a New York-based subsidiary of Diageo Plc. In 2007, Diageo had a diversity problem. It had no prominent Black partners.

47. One of Diageo’s vodka brands in 2007 was branded “Ciroc.” Ciroc was a struggling brand at that time, selling a meager 75,000 cases per year. Diageo was understandably desperate to get a known spokesperson to promote and sell Ciroc.

48. In 2007, Diageo reached out to Mr. Combs. At that time, Mr. Combs was already a Grammy award-winning rapper, actor, record producer, and executive. As an entrepreneur, he had already launched numerous successful businesses and brands, including Bad Boy Records and the Sean John clothing line. Mr. Combs was also the Menswear Designer of the Year in 2004, and would go on to receive a lifetime achievement award at the Black Entertainment Television (BET) Awards.

49. Diageo approached Mr. Combs hoping that a popular Black celebrity would both boost sales and help address a troubling diversity problem within the company. Mr. Combs then identified Ciroc as a product that he could help grow. Diageo promised Mr. Combs that if the Ciroc ambassadorship was successful, [REDACTED]

[REDACTED]

[REDACTED]

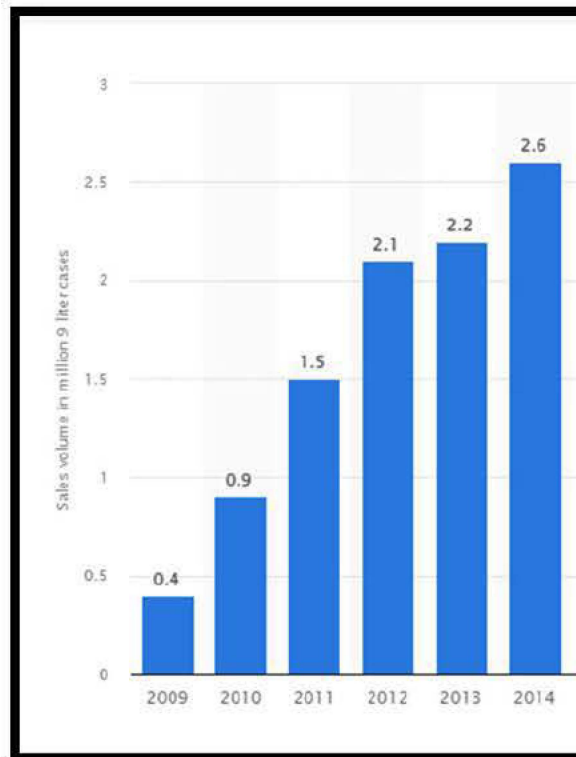
50. [REDACTED]

[REDACTED]



51. In the first several years of Mr. Combs’ ambassadorship for Ciroc, Diageo consistently ran out of popular Ciroc flavors and underdelivered distribution. In 2008, Ciroc Blue Dot ran out. In 2010, Ciroc Coconut ran out. And in 2011, both Ciroc Coconut and Redberry were out of stock in numerous key markets, including New York City, Washington, D.C., New Jersey, Delaware, Georgia, Maryland, Nevada, and California.

52. Despite Diageo’s oversights, the brand began to grow based on Mr. Combs’ substantial efforts, and, by 2014, Ciroc was a powerhouse in the alcohol business with annual sales as high as 2.6 million cases. Indeed, public data shows how Mr. Combs used his worldwide reach to help grow Ciroc’s global sales volume by many multiples:²



² See <https://www.statista.com/statistics/308809/ciroc-vodka-global-sales-volume/>.

II. Diageo and Combs Wines Enter Into an Agreement to Sell DeLeon Tequila, but Diageo Begins Investing in Competing Brands to the Detriment of DeLeon

53. Due to the success of Ciroc, on September 9, 2013, Combs Wines and Diageo formed DeLeon Holdco LLC (formerly D/CE Holdings LLC), to purchase boutique tequila brand DeLeon. Diageo promised to be “passionate” about this joint venture and agreed that it would invest to grow the brand, even promoting the acquisition in a Forbes interview:³



54. Unfortunately, Diageo was only interested in the “PR” benefits of partnering with a Black businessman. From the very beginning of the partnership, Diageo’s actions showed a clear intent to sideline and stereotype the DeLeon brand, resulting in ineffective brand management. Combs Wines repeatedly lacked any meaningful say in critical aspects of DeLeon’s pricing, finance, and supply. These failures resulted in DeLeon failing to meet expectations, and Combs Wines was consequently constrained in its ability to grow the business on its own.

55. Diageo’s disinterest in developing DeLeon into a sustainable long-term partnership became transparent when it began acquiring tequila brands that competed directly with DeLeon. For example, in 2014, only a year after entering into the DeLeon joint venture, Diageo agreed to acquire the competing tequila brand Don Julio and then committed to spending \$400 million to

³ See <https://www.forbes.com/sites/zackomalleygreenburg/2014/01/08/diddy-explains-new-diageo-joint-venture-deleon-tequila/?sh=becd11c4ab03>.

grow it. In 2017, Diageo spent a whopping \$1 billion to acquire another competing tequila brand, Casamigos.

56. Following its acquisition of these competing brands, Diageo effectively abandoned DeLeon. Diageo instead focused its market positioning efforts on brands like Casamigos (with its founders George Clooney, Randy Gerber, and Mike Meldman), Aviation Gin (with its owner Ryan Reynolds), and Ketel One (with the Nolet family) as its preferred choices for the broader market.

III. After [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Diageo also [REDACTED] discontinued the production of the popular 375 milliliter bottles, causing a sharp decline of DeLeon sales in key markets. [REDACTED]

61. Diageo’s neglect of DeLeon also resulted in the sort of careless mistakes and unforced errors that comparable Diageo brands were not subjected to. [REDACTED]

[REDACTED] This resulted in serious supply issues, as distributors in California, Texas, Florida, Washington D.C., and other markets suffered from extended shortages of DeLeon products. Some distributors were out of stock for months. To make things worse, Diageo failed to notify Combs Wines about these shortages.

62. When Mr. Combs tried to implement strategies to mitigate the impacts of Diageo’s mistreatment, he was ignored. [REDACTED]

63. Both Diageo’s design and rollout of the new bottle were disastrous. For starters, Diageo launched the new bottles into the market without any marketing support, resulting in confusion within the marketplace. [REDACTED]

[REDACTED] Equally damaging was the defect in Diageo’s slapdash design. The sticker on the new bottles was prone to bubbling, making the product look cheap. Given these blunders, the rebranded DeLeon product, unsurprisingly, did not take off.

64. DeLeon's poor sales were all but guaranteed by Diageo's failure to keep DeLeon on shelves. Throughout 2019, DeLeon suffered material "out of stocks" nationwide, causing major damage to the brand and costing DeLeon millions of dollars. [REDACTED]

[REDACTED]

[REDACTED]

65. Put simply, Diageo actively harmed and continues to harm DeLeon by investing in competing brands and recklessly managing DeLeon's marketing, distribution, and sales strategies. Brand awareness continues to struggle, harming DeLeon sales which are fully dependent on Diageo's support to position the brand and efforts to increase distribution.

IV. Diageo's Neglect Is Influenced By Its Regrettable Racial Animus

66. Throughout his partnership with Diageo, Mr. Combs emphasized his commitment to increasing diversity and helping Black entrepreneurs. He repeatedly discussed issues facing the Black community with Diageo leadership, imploring them to do more. While Diageo took steps to muster favorable "PR," Diageo's treatment of Mr. Combs behind closed doors demonstrated its glaring hypocrisy.

67. For instance, on June 12, 2020, Diageo announced a \$20 million community fund to support social justice and help Black communities and businesses recover from the pandemic. Ivan Menezes, Diageo Plc's CEO, declared that Diageo has no tolerance for racism, injustice, or unequal treatment, and that Diageo was committed to taking "every step necessary to champion equality everywhere."

68. Despite these lofty public pronouncements, Diageo refused to address its discriminatory treatment of Mr. Combs. Mr. Combs stressed that DeLeon and Ciroc need to be marketed to the public at large, not just as Black brands or brands that do well in certain accounts or zip codes. Despite Mr. Combs' advocacy, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

69 And even when Mr. Combs identified *specific examples* of matters that were racially insensitive, Diageo ignored him and, worse, repeated the same racially-charged action. For example, in advance of the launch of Ciroc’s watermelon flavor, Mr. Combs and his team explained that Diageo needed [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

70. Steve Rust, President of Reserve and New Business at Diageo, eventually revealed Diageo’s true attitude towards Mr. Combs and the Black community. At a meeting on or about October 10, 2019, Mr. Rust told Mr. Combs that some within the company’s leadership resented him for making too much money and admitted that his race was probably part of the reason Diageo [REDACTED]. Mr. Rust told Mr. Combs that if he were “Martha Stewart,” his brands would be more widespread.

71. Unfortunately, other Black businesspeople besides Mr. Combs have felt the ill effects of Diageo’s racial typecasting. Groundbreaking Black artist Pharrell Williams alleged in a lawsuit filed in 2013 that despite entering a three-year contract to produce and distribute his alcoholic beverage “Q Qream,” Diageo shut down the partnership in breach of the parties’ agreement after just two years.

72. Even more recently, Eboni Major—the first Black blender at a major whiskey distillery—filed suit against Diageo for discrimination.⁴ After she created a bourbon called Blenders’ Select, Diageo sent Ms. Major on a publicity tour to promote it. Yet Ms. Major left just a few months later, alleging “persistent racial hostility, including pay discrepancies and demeaning treatment by co-workers.” For example, Diageo sent her on a podcast with a host who was known to be hostile, who asked her: “What would happen if [she] got pulled over by the cops?” One colleague allegedly asked her, “Hey poufy head, what happened to the dreads?” Another told her that “Blacks should get over statues.”

73. Ms. Major’s experience paralleled Mr. Combs’ own unfortunate experience with Diageo. Accordingly, on April 25, 2022, Mr. Combs expressed his frustration about Diageo’s discriminatory conduct to Diageo North America’s then-President Deborah Crew via email: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

V. Mr. Combs Tries Again to Diplomatically Resolve Business Issues

74. Mr. Combs has given Diageo every opportunity to correct its conduct. Among other things, Mr. Combs sent Diageo a timeline of their key failures, including those described above, along with proposed paths forward. Mr. Combs also repeatedly raised with Diageo

⁴ See <https://www.nytimes.com/2022/04/12/dining/eboni-major-diageo-discrimination.html>.

executives his significant concerns about [REDACTED]

75. None of these efforts worked. On May 20, 2020, Mr. Combs reached his breaking point and contacted Mr. Menezes about the issues he had faced throughout the partnership. He stressed: "I will not continue to be treated this way and if Diageo is truly committed to diversity, you can never treat another person of color this way again." He stated the joint venture had failed due to Diageo's mismanagement and neglect, including [REDACTED]

76. Mr. Combs also explained that "DeLeon continues to be sabotaged by Diageo management and neglect." Mr. Combs made clear that (i) DeLeon was not a priority for Diageo, (ii) he was not treated as a partner the way he was promised, (iii) Don Julio and Casamigos were prioritized over DeLeon, and (iv) Diageo repeatedly made unilateral decisions that materially damaged the brand.

77. In response, Mr. Menezes claimed to be committed to re-setting the relationship and thanked Mr. Combs for being the "key driver of the success of Ciroc" by being "a champion of the African American people."

[REDACTED]

VI. Diageo Again Breaks its Promises to Combs Wines

79. In February of 2021, Mr. Combs’ team traveled to visit the Morales distillery and the location of Diageo’s agave plants. It was there that they learned that despite [REDACTED] agave plants in the ground, none were allocated for DeLeon.

80. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Diageo had clearly failed to take any steps to improve DeLeon’s long-term profitability, despite Mr. Menezes’ promises.

81. Combs Wines also discovered that a DeLeon glass supplier was experiencing disruptions in supply due to planned maintenance. Diageo told the Combs team that the disruption was an unforeseen impact of the COVID-19 pandemic. Representatives of the supplier put the lie to Diageo’s excuse, stating that Diageo certainly would have received notice of this regularly scheduled maintenance.

82. After these years of broken promises, Mr. Combs decided to take action. On March 3, 2021, Combs Wines, through its attorneys, sent a letter [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

83. Additionally, on March 11, 2021, a representative for Mr. Combs sent an email to Ms. Crew about the trip to Mexico, stating: “Based on this this and other disturbing facts [REDACTED]
[REDACTED]
[REDACTED], it’s become clear that the Diageo teams treat DeLeon as a batch brand,

[REDACTED]” He stressed that the joint venture agreement had to be amended to remedy these kinds of problems.

VII. Combs Wines Tries One Last Time to Resolve the Parties’ Disagreements

84. On November 3, 2021, Combs Wines tried one last time to resolve the parties’ issues. As a result, [REDACTED]

[REDACTED]

87 Given Diageo’s track record, Combs Wines insisted that [REDACTED]

[REDACTED]

91. This year in January, Mr. Combs emailed Mr. Menezes concerned about Ciroc's [REDACTED] due to Diageo's "lapses in focus and intensity." He recommended the parties establish [REDACTED]

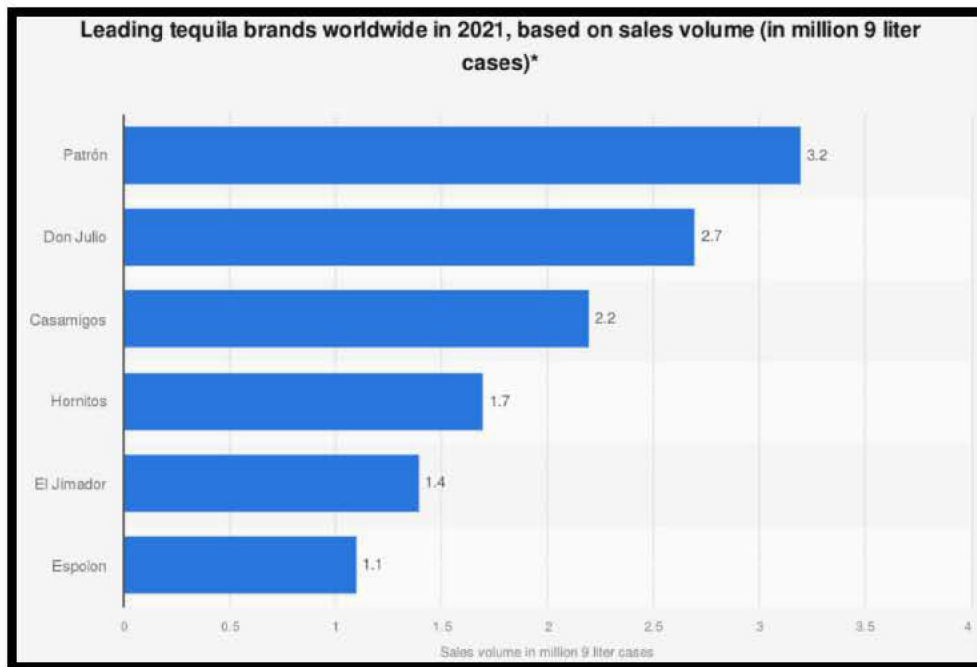
[REDACTED] Mr. Menezes responded that [REDACTED] He did not provide any further detail and did not respond to Mr. Combs' recommendations.

92. Over the past year, Diageo's operational mismanagement has continued. [REDACTED] Moreover, Combs Wines has uncovered facts that raise serious questions about Diageo's purported commitment to equality in the production process. On one occasion, after being told by Diageo that it couldn't find a lower-priced vendor for a critical component of the DeLeon bottle, Combs Wines was able to locate one on its own. The kicker: that vendor had a years-long relationship with Diageo, so should have been included by Diageo in any half-diligent search.

93. Diageo has even stood in the way of Combs Wines helping itself. Combs Wines has repeatedly asked Diageo to provide a "chain action report" for its brands—a standard-type document in the spirits industry that provides information about a brand's pricing and promotions with different retailers. Despite the value that this information would have in assisting Combs Wines' marketing efforts, Diageo has never provided it.

94. Tequila's popularity in the United States has been on the rise for years. In 2021, it surpassed whiskey in retail sales, making it the second best-selling spirit behind vodka. But due to Diageo's actions, DeLeon continues to be underdeveloped compared to other Diageo brands and premium tequilas. A review of DeLeon's performance in comparison to other brands clearly indicates how Diageo placed DeLeon on the back burner.

95. Over approximately four years, Diageo grew Casamigos sales from about 100,000 cases to 2.2 million cases in 2021. Over approximately six years, Diageo grew Don Julio from about 500,000 cases to 2.7 million cases in 2021.⁵



96. Although Diageo acquired DeLeon years before both Casamigos and Don Julio, Diageo currently plans that DeLeon [REDACTED]

97. Not surprisingly, Diageo's financial statements⁶ tout the growth of Casamigos and Don Julio, with deafening silence about DeLeon's performance:

⁵ See <https://www.statista.com/statistics/259746/leading-tequila-brands-worldwide-based-on-sales-volume/>.

⁶ See <https://media.diageo.com/diageo-corporate-media/media/5qrm5zru/diageo-annual-report-2022.pdf>.

Market highlights

US Spirits

- Tequila net sales increased 57%, with Casamigos growing 89% and Don Julio growing 36%, and both brands gained share of the spirits market and the tequila category. This primarily reflects strong volume growth, and there was also a benefit from price increases and innovation.

98. Sales of DeLeon have floundered in part because of its sparse distribution and relegation to “urban” communities. As of last year, DeLeon was distributed in approximately 3.3% of all possible outlets, as compared to 34.4%, 36%, and 14.4% for Diageo-owned Casamigos, Don Julio, and 21 Seeds, respectively.

99. Third-party data indicates that DeLeon’s overall distribution percentage—calculated by dividing the volume in individual stores where the production is available by the total volume for all stores in the market—remains at roughly 1% through today. Meanwhile, Don Julio’s has grown from 9% in 2017 to 18% currently. Likewise, Casamigos has grown from 4% in 2017 to 15% today.

100. The story unfortunately stays consistent for the average number of *facings* in stores. DeLeon’s *facings* have remained about the same for the past 7 years, while Don Julio’s average *facings* have grown by 108% and Casamigos’ average *facings* have grown by over 111%.

101. Indeed, even a basic Google search reveals what is apparent to anyone familiar with the placement of Diageo’s tequila brands in the marketplace: Casamigos can be found in affluent neighborhoods (like the Westside of Los Angeles or Chicago’s Gold Coast), while DeLeon—when it can be found at all—is assigned to what Diageo likely believes are less desirable locations:

| City | Search for "DeLeon Tequila" | Search for "Casamigos Tequila" |
|-------------|-----------------------------|--------------------------------|
| Los Angeles | | |
| Chicago | | |

102. This was not due to a lack of demand in the market. In fact, multiple major retailers were forced to contact Combs Wines about its brands in 2022. Instead of fulfilling its duties, *Diageo appears to have never engaged or even contacted these brands* for potential sale and distribution of those brands. Senior salespeople at Diageo have admitted [REDACTED]

[REDACTED] And Diageo employees have acknowledged that [REDACTED]

[REDACTED] This operational neglect has cost DeLeon and Mr. Combs substantial lost sales and profits.

103. Even when Combs Wines successfully jumped through extra hoops thrown up by Diageo, Diageo still refused to treat DeLeon fairly. Diageo, for example, subjected DeLeon to a “test” in certain key markets before it would improve DeLeon’s distribution. The Combs team worked doggedly to ensure that DeLeon surpassed the targets and passed Diageo’s “test.” But even that wasn’t enough. Despite DeLeon’s strong results, there was no material change in the brand’s distribution.

104. As for the brand’s marketing, far from treating DeLeon equally, Diageo has been effectively hiding it. While Diageo highlights its other tequila products in its own marketing, it barely mentions DeLeon.⁷ For example, Don Julio and Casamigos receive prime real estate on Diageo’s webpage entitled “Our Brands.” DeLeon is nowhere to be found.



105. Diageo’s online brand portfolio also prominently features photos of Don Julio and Casamigos, describing Don Julio as “[t]he world’s first luxury tequila” and Casamigos as “[s]mall batch, ultra-premium tequila made from the finest hand-selected 100% Blue Weber agaves.”



⁷ See <https://www.diageo.com/en/our-brands/brand-portfolio>; <https://www.diageo.com/en/our-brands>.

106. DeLeon Tequila's brand page, however, is conspicuously missing from the same webpage. Indeed, as of early 2023, DeLeon received only about 2% of the number of references Don Julio and Casamigos received on Diageo's website (a paltry 37 references compared to 1,700 or more for both Casamigos and Don Julio).

107. Press releases discussing Diageo's tequila portfolio fail to even mention DeLeon.⁸ Consistent with Diageo's near total erasure of DeLeon, these press articles describe Diageo only as the "producer of Don Julio and Casamigos tequilas."⁹

108. These stark differences are not, and cannot be, accidental. Based on its misguided belief that DeLeon can only appeal to the so-called "urban" population, Diageo continues to unequally market DeLeon predominantly to Black consumers. And Diageo relies on its own neglect of DeLeon to perpetuate further neglect of DeLeon, under the guise of [REDACTED]

109. As experienced first-hand by Plaintiff Combs Wines, Diageo's reality is vastly different than Diageo's rhetoric. Enough is enough—Diageo must be ordered to provide the equal treatment that it has contractually promised.

⁸ See <https://www.diageo.com/en/news-and-media/press-releases/2017/diageo-to-acquire-super-premium-tequila-casamigos>; <https://www.diageo.com/en/news-and-media/press-releases/2015/diageo-cements-commitment-to-mexico-with-400-million-investment>.

⁹ See <https://www.diageo.com/en/news-and-media/press-releases/2023/diageo-introduces-drones-to-drive-farming-efficiency-and-environmental-benefits-across-tequila-farming-in-mexico>.

CAUSE OF ACTION

(Injunctive Relief to Enforce Article IX of the Third JV Agreement)

110. Combs Wines realleges and incorporates all allegations in this Complaint, as if set forth fully herein.

111. To obtain a permanent injunction under Delaware law, a plaintiff needs to show: (1) success on the merits; (2) irreparable harm if injunctive relief is not granted; and (3) that the balance of harms favors the plaintiff.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- a. Producing lower quantities of DeLeon Tequila as compared to its other tequila brands, including Casamigos and Don Julio;
- b. Distributing DeLeon Tequila in far fewer outlets than its other tequila brands, including Casamigos, Don Julio, and 21 Seeds;
- c. Failing to provide sufficient and substantially consistent support for the DeLeon Tequila brand—including failing to provide distribution targets and delivering product at the planned times—unlike its other tequila brands, including Casamigos, Don Julio, and 21 Seeds;
- d. Limiting its marketing and promotion of DeLeon Tequila to “urban” communities unlike its other tequila brands, including Casamigos, Don Julio, and 21 Seeds; and
- e. Failing to include DeLeon Tequila in non-brand specific pages and promotions that its other tequila brands are promoted on, including at the following links:
 - i. <https://www.diageo.com/en/our-brands>; and
 - ii. <https://www.diageo.com/en/our-brands/brand-portfolio>.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

