

## A.G. Layne vs. Accent Furniture



Dennis Boyd founded Accent Furniture in 1994. Most of its furniture was finished with a golden oak stain made by a company called Western Ecotec. Mr. Boyd wanted to change stain vendors to get a better price and to obtain a warmer, richer finish, so Accent Furniture began a search for a new furniture stain supplier. Lilly Industries and A.G. Layne jointly began soliciting Accent Furniture's business for wood furniture stains, sealers and waxes manufactured by Lilly. Other suppliers were also competing for Accent's business.

Mr. Boyd finally settled on and approved the golden oak color of one of the Lilly stains. A wood sample had been coated with the stain and Mr. Boyd had signed off on the panel. At that point Accent decided to buy all of its stains, including the crucial golden oak stain, from Lilly and Layne.

The original golden oak stain approved by Mr. Boyd was a "pigment" type stain. This stain contained neocryl. When the bidding war heated up, however, Lilly switched to a "dye" type golden oak stain and deleted the neocryl. Lilly did not inform Accent Furniture of the switch and did not seek or obtain an Accent sign-off on the new golden oak stain. Lilly concurrently lowered its price from about \$9 dollars a gallon to about \$6 dollars a gallon. The internal documents of Lilly, however, indicated that the new dye stain had a surface "coverage" that was only one-third as good as the pigment stain. In other words, by switching from the pigment to the dye stain Accent Furniture would have to buy three times as much stain to coat the same amount of wood.

Accent Furniture began using the Lilly golden oak stain the first of June. The stain seemed to perform well for two weeks. But by the middle of June, when the temperature in San Bernardino spiked to over 100 degrees, the stain began to turn the furniture shades of red and pink while it was still on the assembly line.

Accent Furniture complained to Lilly and Layne. Representatives of both companies investigated and advised the problems were not with the stain but with the manufacturing processes used by Accent Furniture. Lilly and Layne implemented new operating procedures at the plant, and the problem seemed to be solved. Within weeks, however, customers of Accent Furniture began complaining that the furniture they were receiving was unacceptable shades of red and pink. Accent Furniture learned that some of the furniture that appeared to be the right color while on the assembly line would turn red and pink after it had been shipped or even after the furniture arrived at the customers' sites. Many of the customers stopped buying from Accent Furniture. Accent Furniture stopped buying stain from Lilly and Layne at the end of July.

Lilly and Layne denied the stain was unstable. The defendants claimed the stain was based upon a proven, reliable formula. Representatives of Lilly and Layne testified they had investigated the complaints by going to Accent's plant in San Bernardino and inspecting the furniture. The representatives uniformly testified they never saw any furniture with red or pink colors. As a matter of fact, they claimed that Accent Furniture had asked for a stain with a redder tone in any event, and Accent was complaining about receiving the very color that it had requested. Lilly and Layne also claimed that Accent Furniture could have switched back to the original Western Ecotec stain within 48 hours after the alleged problem began instead of waiting almost two months, and avoided any claimed losses.

In October, which was shortly after Accent ceased using the Lilly stain, Dennis Boyd made a written offer to settle for \$600,000.00. Neither Layne nor Lilly offered a single penny at that time. Instead, Layne filed suit claiming it was entitled to payment on a \$20,360.90 unpaid invoice. Accent Furniture cross-complained, claiming it suffered approximately \$8,100,000.00 in combined past and future lost profits, damaged inventory and loss of goodwill.

Lilly and Layne began joint settlement discussions with Accent on the first day of a scheduled six-week jury trial. The case settled for \$3,000,000.00. Layne dropped its demand for payment of the \$20,360.90 unpaid invoice and agreed to dismiss its complaint with prejudice.