

BEFORE THE
FEDERAL MARITIME COMMISSION

DOCKET NO. 22-18

COLOR BRANDS, LLC.

COMPLAINANT,

v.

AAF LOGISTICS, INC.

RESPONDENT.



COMPLAINT

Complainant Color Brands, LLC. (“Complainant” or “Color Brands”), by its undersigned attorney, files this Complaint against Respondent herein, alleging violations of the Shipping Act of 1984, 46 U.S.C. §§ 41102, 41104, 41305, *et. seq.* (the “Shipping Act”) as follows:

I. COMPLAINANT

1. Complainant Color Brands is a corporation organized and existing under the laws of the State of Michigan, with a principal place of business at 406 North Sangamon Street, Suite 300, Chicago, Illinois 60642.

II. RESPONDENT

2. AAF Logistics, Inc. (“Respondent” or “AAF”) is a corporation organized and existing under the laws of the State of California with a principal place of business at 1770 Castleton St. #363, Industry, CA 91748. AAF was pertinent to this Complaint as a marine

common carrier within the meaning of the Shipping Act, 46 U.S.C. § 40102(7), subject to regulation by the Federal Maritime Commission (“FMC”).

III. JURISDICTION

3. The FMC has subject-matter jurisdiction over this Complaint pursuant to the Shipping Act of 1984, as amended.

4. This Complaint is being filed pursuant to Section (a) of the Shipping Act, 46 U.S.C. § 41301. Color Brands is seeking reparations pursuant to 46 U.S.C. § 41305 for injuries caused to it by Respondent due to its violation of 46 U.S.C. § 41102 (a)(c), 46 U.S.C. § 41104(a)(4)(e) and 46 U.S.C. § 41104(a)(14).

5. The FMC has personal jurisdiction over AAF as a common carrier as defined in 46 U.S.C. § 40102(7), (17)

6. Respondent’s actions alleged herein constitute failure by Respondent to establish, observe, and enforce just and reasonable practices relating to adjustment and settlement of claims related to Color Brands cargo shipments, in violation of 46 U.S.C. § 41104(a)(4)(e) and 46 C.F.R. §§545.4. AAF also improperly assessed Color Brands for multiple charges that are inconsistent or does not comply with all applicable provisions and regulations. This is evident in the charges to Color Brands from AAF for insurance premiums which were never bound and is in violation of 46 U.S.C. § 41104(a)(14).

IV. FACTUAL ALLEGATIONS

7. By way of example, Color Brands order 5434 was an export shipment with container DFSU7281114 moving under AAF bill of lading COSU6301553970 dated June 1, 2021. The shipment was originally slated to move from Long Beach, California to Karachi, Pakistan. That shipment would not route direct to Karachi but rather, would have transshipped from various foreign ports on the way to destination. AAF billed Color Brands for first party insurance coverage demonstrating Color Brands desire for insurance coverage.

8. Color Brands changed the consignee and paid AAF for the associated costs for changing the vessel and final foreign destination from Karachi to Rotterdam. The container arrived with substantial cargo damage.

9. On December 17, 2021, Color Brands requested evidence of insurance on orders through AAF that had received damages in transit. AAF provided no documentation and gave no indication that there was an insurance plan in place.

10. On January 13, 2022, Color Brands advised AAF of a claim with a request for attendance of a surveyor for insurance purposes. AAF re-directed Color Brands to the ocean carrier, COSCO Shipping Lines Co., LTD. (COSCO), and advised that insurance coverage was not available for the leg between Jebel Ali to Rotterdam.

11. AAF never advised Color Brands that the insurance had not been affected. Nor did AAF advise Color Brands, when AAF charged Color Brands an additional \$10,087, that cargo insurance coverage was limited.

12. On February 8, 2022, AAF offered 30% settlement after the goods were destroyed, with AAF maintaining all claims must have a survey report. In addition to the purported partial insurance coverage for this shipment, AAF had otherwise said insurance coverage was not obtained for Color Brands' shipments. thus, it appears AAF has been charging and been paid for cargo insurance coverage but not, in fact, obtaining such coverage.

13. On January 4, 2022, Color Brands reached out to AAF via email regarding the damages that had occurred during transit for a total of eighteen orders. Color Brands had stated that there has been no support of cargo claims, despite paying for cargo insurance through AAF. On the same date, Color Brands requested AAF to share the insurance documentation pertaining to each order that was previously submitted as a cargo claim, yet the response from AAF include no insurance documentation, and statements claiming, "no matter if insurance in place, your cargo has covered 100%". At this time, Color Brands had been given no information on the who the cargo was covered by, or who the insurer was.

14. Over the past three years since the filing of this Complaint, Color Brands has shipped with AAF freight with a stated value of \$37,057,209.14. AAF charged an average rate of .32% of value for the requested insurance coverage. Color Brands paid AAF's invoices for cargo insurance coverage. This converts to Color Brands paying AAF \$118,583.07 for such coverage. Since August 1, 2019, over 1,250 shipments took place with Color Brands repeated requests that AAF provide proof of insurance coverage, AAF has provided proof of insurance coverage only three times which is when so required under letter of credit terms.

15. In addition, AAF, issued bills of lading for several Color Brands' shipments which were received in good order and condition and delivered with physical damage and delay occurring within the one-year statute of limitation provided under the Carriage of Goods by Sea Act ("COGSA").

16. AAF has engaged in a pattern of improper practices, including requesting Color Brands provide surveys reports of the damages under the backdrop of having received premiums for insurance coverage which routinely includes surveys obtained by vendors engaged by AAF. AAF has failed in doing so and instead, requested Color Brands do so.

17. In addition, AAF has repeated demanded that Color Brands repeatedly produce claim documentation that has already been provided to AAF by Color Brands.

18. Further, after receiving documentation of loss, AAF has engaged in a practice of simply denying receipt of Color Brands' documentation and then simply denying claims as not supported by any evidence.

19. Further AAF has requested "legitimate proof of loss" without addressing the submitted proof of loss or providing any reasonable information on what is considers "legitimate proof of loss."

20. As a result of AAF's improper practices, Color Brands has been damaged in the principal amount of \$204,041.10.

V. VIOLATIONS OF THE SHIPPING ACT

21. In addition to charges for services (insurance premium) not provided which induced Color Brands to use AAF's transportation services, AAF has engaged in a pattern of unfair practices in adjustment and settlement of claims, all in violation of Sections 41102(c) and 41104(a)(1) and (4)(E).

VI. CAUSATION AND INJURY TO COMPLAINANT

22. As a result of Respondent's violations of the Shipping Act, the Complainant has sustained injuries and damages in the amount of \$322,624.17.

VII. REQUEST FOR ORAL HEARING

23. Complainant does not request an oral hearing on this matter.

VIII. ALTERNATIVE DISPUTE RESOLUTION

24. Color Brands made multiple attempts to resolve this matter with AAF prior to filing this Verified Complaint. These attempts have been rebuffed by AAF.

IX. PRAYER FOR RELIEF

WHEREFORE, Complainant respectfully requests that Respondent be required to answer the charges in this Complaint, and that after the Commission's investigation, the Commission issue an order:

- 1) Requiring Respondent to pay Complainant reparations for the unlawful conduct described herein, pursuant to 46 U.S.C. 41305.
- 2) Requiring the payment of any other amounts that the Commission deems appropriate; and
- 3) Providing such other and further relief that the Commission deems just and proper.

DATE: August 11, 2022

Respectfully submitted,

Daniel Lutz

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RESPONDENT'S CONTACT INFORMATION

AAF LOGISTICS, INC. is represented by counsel as follows:

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Verification

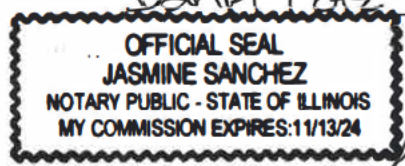
I declare (or certify, verify, or state) under penalty of perjury that the foregoing is true and correct.



Daniel Lutz

State of Illinois
County of cook

Subscribed and sworn before me on this 11 day of August, 2022 by
Daniel Lutz (name)



Notary Public 