UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION

NESTLÉ PURINA PETCARE COMPANY, Plaintiff/Counterclaim Defendant, v. BLUE BUFFALO COMPANY, LTD., Defendant/Counterclaim Plaintiff.	Case No. 4:14-cv-00859-RWS
AND RELATED ACTIONS	

BLUE BUFFALO'S OPPOSITION TO NESTLÉ PURINA'S MOTION
<u>TO DISMISS AFFIRMATIVE DEFENSES OF UNCLEAN HANDS AND LACHES</u>

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

PRELIMINARY STATEMENT 1

ARGUMENT 2

I. THE INSTANT MOTION IS ACTUALLY A HIGHLY DISFAVORED MOTION TO STRIKE, NOT A "MOTION TO DISMISS" 2

II. BLUE BUFFALO HAS GIVEN NESTLÉ PURINA ALL THE "NOTICE" THAT THE FEDERAL RULES REQUIRE 3

III. NESTLÉ PURINA'S ATTACKS ON THE MERITS OF BLUE BUFFALO'S AFFIRMATIVE DEFENSES ARE PREMATURE AND INACCURATE 4

A. Unclean Hands 5

1. Nestlé Purina's "Substantive Relation" Argument Fails 6

2. Nestlé Purina's "Temporal Relation" Argument Fails 9

3. Nestlé Purina's Arguments Based On The State Of The Factual Record Are Premature And Improper 12

B. Laches 12

IV. THE COURT CANNOT "DISCRETIONARILY" DISMISS BLUE BUFFALO'S PROPERLY PLED AFFIRMATIVE DEFENSES 14

V. QUESTIONS REGARDING THE RESPECTIVE ROLES OF THE JUDGE AND JURY AT TRIAL ARE PREMATURE 15

CONCLUSION 15

TABLE OF AUTHORITIES

Page(s)

Cases

Ashcroft v. Iqbal,
556 U.S. 662 (2009) 3, 4

B. Chem. Co. v. Ellis,
314 U.S. 495 (1942) 11

Bank of Beaver City v. Sw. Feeders, L.L.C.,
2011 U.S. Dist. LEXIS 114724 (D. Neb. Oct. 4, 2011) 3

Baustian v. Fifth Third Bank,
2013 U.S. Dist. LEXIS 170124 (E.D. Mo. Dec. 3, 2013) 3, 4

Bloomer v. Wallace,
2016 U.S. Dist. LEXIS 45090 (E.D. Mo. Apr. 4, 2016) 3

Campagnolo S.R.L. v. Full Speed Ahead, Inc.,
258 F.R.D. 663 (W.D. Wash. 2009) 8, 9

CitiMortgage, Inc. v. Draper & Kramer Mortg. Corp.,
2012 U.S. Dist. LEXIS 128755 (E.D. Mo. Sept. 11, 2012) 12

CitiMortgage, Inc. v. Just Mortg., Inc.,
2013 U.S. Dist. LEXIS 174962 (E.D. Mo. Dec. 13, 2013) 3

CitiMortgage, Inc. v. Reunion Mortg., Inc.,
2012 U.S. Dist. LEXIS 160915 (E.D. Mo. Nov. 9, 2012) 13

Coca-Cola Co. v. Koke Co. of Am.,
254 U.S. 143 (1920) 10

Dahhane v. Stanton,
2015 U.S. Dist. LEXIS 112306 (D. Minn. Aug. 4, 2015) 15

Desperado Motor Racing & Motorcycles, Inc. v. Robinson,
2010 U.S. Dist. LEXIS 69711 (S.D. Tex. July 13, 2010) 2

Dream Team Collectibles, Inc. v. NBA Props., Inc.,
958 F. Supp. 1401 (E.D. Mo. 1997) 6

Drobnak v. Andersen Corp.,
561 F.3d 778 (8th Cir. 2009) 12

Emco, Inc. v. Obst,
2004 U.S. Dist. LEXIS 12118 (C.D. Cal. May 7, 2004) 8

FLIR Sys. v. Sierra Media,
965 F. Supp. 2d 1184 (D. Ore. 2013)........14

Haagen-Dazs, Inc. v. Frusen Gladje, Ltd.,
493 F. Supp. 73 (S.D.N.Y. 1980) 8

Hayden v. United States,
2013 U.S. Dist. LEXIS 134047 (E.D Mo. Sept. 19, 2013)........3, 4

Healthpoint, Ltd. v. Stratus Pharms.,
273 F. Supp. 2d 769 (W.D. Tex. 2001)........10

Hicks v. Gilbert,
762 A.2d 986 (Md. App. 2000)........12

Highmark, Inc. v. UPMC Health Plan,
276 F.3d 160 (3d Cir. 2001)........10

JDR Indus. v. McDowell,
121 F. Supp. 3d 872, 889 (D. Neb. Aug. 4, 2015) 12, 13

Maier Brewing Co. v. Fleischmann Distilling Corp.,
390 F.2d 117 (9th Cir. 1968) 5

Mfrs'. Fin. Co. v. McKey,
294 U.S. 442 (1935) 6

Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.,
41 F.3d 1242 (8th Cir. 1994) 4, 5

Missouri ex rel. Koster v. Charter Commc'ns, Inc.,
2016 U.S. Dist. LEXIS 53347 (E.D. Mo. Apr. 21, 2016)........3

Liguria Foods, Inc. v. Griffith Labs., Inc.,
2014 U.S. Dist. LEXIS 160239 (N.D. Iowa Nov. 13, 2014) 3

Lindy Pen Co. v. Bic Pen Corp.,
982 F.2d 1400 (9th Cir. 1993) 5

Lunsford v. United States,
570 F.2d 221 (8th Cir. 1977) 2

McIntosh v. Weinberger,
810 F.2d 1411 (8th Cir. 1987) 15

Moore v. City of Ferguson,
2015 U.S. Dist. LEXIS 97399 (E.D. Mo. July 27, 2015) 3

P&G v. Ultreo, Inc.,
574 F. Supp. 2d 339 (S.D.N.Y. 2008) 7, 8, 10

Petrella v. Metro-Goldwyn-Mayer, Inc.,
134 S. Ct. 1962 (2014)..13, 14

POM Wonderful LLC v. Coca Cola Co.,
2016 U.S. Dist. LEXIS 59951 (C.D. Cal. Feb. 19, 2016)...7, 9

Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.,
324 U.S. 806 (1945)..5

Preformed Line Prods. Co. v. Fanner Mfg. Co.,
328 F.2d 265 (6th Cir. 1964) 11

Quest Integrity USA, LLC v. Clean Harbors Indus. Servs., Inc.,
2015 U.S. Dist. LEXIS 95148 (D. Del. July 22, 2015) 2

Rainbow Play Sys. v. Backyard Adventure, Inc.,
2009 U.S. Dist. LEXIS 93623 (D.S.D. Sept. 28, 2009)..7

Republic Molding Corp. v. B.W. Photo Utils.,
319 F.2d 347 (9th Cir. 1963) 14

Romeo & Juliette Laser Hair Removal, Inc. v. Assara I LLC,
2016 U.S. Dist. LEXIS 24850 (S.D.N.Y. Feb. 29, 2016)...8, 9

Ruyle v. Fid. Natl'l Title Ins. Co.,
2010 U.S. Dist. LEXIS 94437 (E.D. Mo. Sept. 10, 2010)...2, 4

Stokely-Van Camp, Inc. v. Coca-Cola Co.,
646 F. Supp. 2d 510 (S.D.N.Y. 2009)..7

Trafficschool.com Inc. v. Edriver, Inc.,
633 F. Supp. 2d 1063 (C.D. Cal. 2008) 14

U.S. Gypsum Co. v. Nat'l Gypsum Co.,
352 U.S. 457 (1957)..10, 11

U.S. Jaycees v. Cedar Rapids Jaycees,
794 F.2d 379 (8th Cir. 1986) 5

Wells Fargo & Co. v. United States,
750 F. Supp. 2d 1049 (D. Minn. 2010)..3, 4

Worden v. Cal. Fig Syrup Co.,
187 U.S. 516 (1903) 5

Zotos v. Lindbergh Sch. Dist.,
121 F.3d 356 (8th Cir. 1997) 3

Statutes

15 U.S.C. § 1117 ....2, 4, 5

Other Authorities

Fed. R. Civ. P. 8 ....3, 4

Fed. R. Civ. P. 12 2

1-5 FALSE ADVERTISING AND THE LANHAM ACT (2016) 6, 7

6 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION (2015) 6, 14

RESTATEMENT (THIRD) UNFAIR COMPETITION 5, 10, 13

PRELIMINARY STATEMENT

After years of concealment, Nestlé Purina's Vice President of Purchasing has admitted under oath that his company procured and used the same Wilbur-Ellis "chicken meal" that Blue Buffalo purchased—and, thus, that Nestlé Purina's own products were mislabeled for the same reason that Blue Buffalo's were. Blue Buffalo has already acknowledged its inadvertently inaccurate statements and agreed to make restitution to affected consumers. Nestlé Purina, however, will apparently stop at nothing to avoid taking responsibility.

First, Nestlé Purina categorically refused to produce any documents on the subject of its unclean hands, even though Blue Buffalo has asserted that defense from the outset. Blue Buffalo moved to compel production, and that motion is pending. (Dkt. Nos. 721-22, 734, 737, 750.) Next, Nestlé Purina opposed Blue Buffalo's motion for leave to amend its affirmative defenses to add relevant factual detail (Dkt. No. 822)—even though, when the shoe was on the other foot, Nestlé Purina took the opposite position with respect to amendment (Dkt. No. 469). Now, Nestlé Purina moves to "dismiss" Blue Buffalo's defenses of laches and unclean hands or, in the alternative, to withhold the facts supporting those defenses from the jury.

Nestlé Purina's motion is meritless. Its lead argument—that Blue Buffalo has not pled enough factual detail—ignores binding Eighth Circuit law. It is also moot, because Blue Buffalo has already sought leave to add further detail. Nestlé Purina asserts a grab-bag of other reasons why Blue Buffalo's defenses supposedly cannot succeed. These arguments misstate the governing law and prematurely argue the *merits* of the defenses. Finally, Nestlé Purina's "alternative" request—that the Court "order [Blue Buffalo's] defenses [to] be tried to the Court" instead of the jury—is also premature, as the triable issues are still in flux.

As detailed in Blue Buffalo's proposed pleading, Nestlé Purina is guilty of precisely the same misconduct it alleges against Blue Buffalo. *Both* companies unwittingly purchased misla-

beled "chicken meal" from the same supplier. *Both* unknowingly included that material in products labeled and advertised as free of poultry by-product meal. Yet while Blue Buffalo has admitted these unfortunate facts, Nestlé Purina seeks to continue to conceal them—from affected consumers and from the jury—so it can falsely blame Blue Buffalo for falling victim to an industrywide fraud. Allowing this asymmetry would be fundamentally unfair, and inconsistent with both the letter and spirit of the Lanham Act. *See* 15 U.S.C. § 1117 (all relief under Lanham Act "subject to the principles of equity"). Nestlé Purina's motion must be denied.

ARGUMENT

I. THE INSTANT MOTION IS ACTUALLY A HIGHLY DISFAVORED MOTION TO STRIKE, NOT A "MOTION TO DISMISS"

Nestlé Purina has styled this motion a "Motion to Dismiss." But "[Rule] 12(b)(6) does not offer a mechanism for dismissing affirmative defenses because [its text] refers only to 'claim[s].'" *Quest Integrity USA, LLC v. Clean Harbors Indus. Servs., Inc.*, 2015 U.S. Dist. LEXIS 95148, at *6 (D. Del. July 22, 2015). "[I]nsufficient defense[s]" are addressed in Rule 12(f), which concerns "Motion[s] to Strike." *See Desperado Motor Racing & Motorcycles, Inc. v. Robinson*, 2010 U.S. Dist. LEXIS 69711, at *6-7 (S.D. Tex. July 13, 2010) ("proper remedy for an insufficient affirmative defense is a motion to strike under Rule 12(f)," not to dismiss).

As Nestlé Purina recently observed, "motions to strike are 'an extreme and disfavored measure.'" (NP Opp. to BB Mot. to Strike [Dkt. No. 715] at 1, 5-6.) *See also Lunsford v. United States*, 570 F.2d 221, 229 (8th Cir. 1977). The moving party must show that, "as a matter of law, the defense ***cannot succeed under any circumstances***." *Ruyle v. Fid. Natl'l Title Ins. Co.*, 2010 U.S. Dist. LEXIS 94437, at *1-2 (E.D. Mo. Sept. 10, 2010) (emphasis added). Such a motion will not be granted "if the insufficiency of the defense is not ***clearly apparent***, or if it raises factual issues that should be determined on a hearing on the merits." *Id.* (emphasis added).

II. BLUE BUFFALO HAS GIVEN NESTLÉ PURINA ALL THE "NOTICE" THAT THE FEDERAL RULES REQUIRE

Nestlé Purina's first argument is that Blue Buffalo's laches and unclean hands defenses are pled in too "conclusory" a manner—and that, as a result, Nestlé Purina lacks "fair notice of the basis for the defense[s]." (Mot. at 1, 3.) This argument must be rejected.

The Eighth Circuit has held that "***an affirmative defense … is sufficiently raised for purposes of Rule 8 by its bare assertion***." *Koster v. Charter Commc'ns, Inc.*, 2016 U.S. Dist. LEXIS 53347, at *14-15 (E.D. Mo. Apr. 21, 2016) (quoting *Zotos v. Lindbergh Sch. Dist.*, 121 F.3d 356, 361 (8th Cir. 1997)) (brackets omitted) (underlined emphasis in original). Even "boilerplate language" naming the defense "satisfies the requirement[s] of [Rule] 8(c)." *Zotos*, 121 F.3d at 361. "[T]he appropriate procedure for clarification of the factual bases for affirmative defenses is discovery, and the appropriate procedure for challenging the factual sufficiency of affirmative defenses is ordinarily a motion for summary judgment." *Liguria Foods, Inc. v. Griffith Labs., Inc.*, 2014 U.S. Dist. LEXIS 160239, at *7 n.1 (N.D. Iowa Nov. 13, 2014).[1]

This is apparent from the face of the Federal Rules. Rule 8 separately addresses "claim[s] for relief" and "affirmative defenses"—and "[t]here is a great distinction between the language" of the two respective sections. *Bank of Beaver City v. Sw. Feeders, L.L.C.*, 2011 U.S. Dist. LEXIS 114724, at *15-17 (D. Neb. Oct. 4, 2011). As *Iqbal* emphasized, a plaintiff must provide a "*statement … showing* that [it] is entitled to relief." Fed. R. Civ. P. 8(a) (emphasis added); *see Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009) (complaint "ha[d] alleged—but … not

[1] Nestlé Purina may argue that *Iqbal* tacitly overruled Eighth Circuit decisions such as *Zotos*. That is not the case, as many courts in this Circuit have held. *See, e.g.*, *Bloomer v. Wallace*, 2016 U.S. Dist. LEXIS 45090, at *4-5 (E.D. Mo. Apr. 4, 2016); *Moore v. City of Ferguson*, 2015 U.S. Dist. LEXIS 97399, at *3-4 (E.D. Mo. July 27, 2015); *CitiMortgage, Inc. v. Just Mortg., Inc.*, 2013 U.S. Dist. LEXIS 174962, at *23 (E.D. Mo. Dec. 13, 2013); *Baustian v. Fifth Third Bank*, 2013 U.S. Dist. LEXIS 170124, at *4-5 (E.D. Mo. Dec. 3, 2013); *Hayden v. United States*, 2013 U.S. Dist. LEXIS 134047, at *7-8 (E.D Mo. Sept. 19, 2013); *Bank of Beaver City v. Sw. Feeders, L.L.C.*, 2011 U.S. Dist. LEXIS 114724, at *18-19 (D. Neb. Oct. 4, 2011); *Wells Fargo & Co. v. United States*, 750 F. Supp. 2d 1049, 1051 (D. Minn. 2010).

'show[n]'—'that the pleader [was] entitled to relief'"). In answering a complaint, however, defendants need only "affirmatively state any … affirmative defense." Fed. R. Civ. P. 8(c). Rule 8(c) does not "require[] a defendant to plead facts 'showing'" that its defenses are meritorious. *Wells Fargo*, 750 F. Supp. 2d at 1051.[2]

In any event, Blue Buffalo has already laid out the specific grounds for its affirmative defenses in its proposed amended pleading (Dkt. No. 786-1), as well as in other court filings dating back to January 2016 (*see, e.g.*, Dkt. No. 603 at 1, 4-6; Dkt. No. 683 at 2-5). There is thus no basis to credit Nestlé Purina's argument that it somehow "lacks notice" of the factual basis for Blue Buffalo's defenses.

III. NESTLÉ PURINA'S ATTACKS ON THE MERITS OF BLUE BUFFALO'S AFFIRMATIVE DEFENSES ARE PREMATURE AND INACCURATE

Aware that its lack-of-detail argument is both meritless and moot, Nestlé Purina spends much of its motion attacking Blue Buffalo's proposed amended pleading. As Blue Buffalo has explained elsewhere, these arguments miss the mark.[3] They certainly do not establish, "as a matter of law, that [Blue Buffalo's] affirmative defenses ***cannot succeed under any circumstances***." *Ruyle*, 2010 U.S. Dist. LEXIS 94437, at *1-2 (emphasis added).

At the outset, it bears emphasis that equitable defenses play a crucial role in cases like this one. The Lanham Act codifies the common law of unfair competition, which evolved in the equity courts. *See Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc.*, 41 F.3d 1242, 1247 (8th Cir. 1994) (noting that "the [Lanham] Act is grounded in equity"). The statute expressly declares that all relief—*including monetary relief*—is "subject to the principles of equity." 15

[2] Many courts have also noted that applying *Iqbal* to defendants would be unfair and unreasonable given the disparity between the months or years a plaintiff enjoys to investigate and draft its complaint, and the mere 21 days a defendant is permitted for its response. *See Wells Fargo*, 750 F. Supp. 2d at 1051-52; *Baustian*, 2013 U.S. Dist. LEXIS 170124, at *4-5; *Hayden*, 2013 U.S. Dist. LEXIS 134047, at *7-8.

[3] *See* BB Reply in Support of Mot. for Leave to Amend [Dkt. No. 835] at 10-13; BB Reply in Support of Mot. to Compel [Dkt. No. 750] at 2-12.

U.S.C. § 1117(a); *see Minn. Pet Breeders*, 41 F.3d at 1247 (noting that "all Lanham Act remedies are equitable in nature").[4]

It follows that "monetary awards … should not be granted as a matter of right" in Lanham Act and unfair competition cases. *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 120 (9th Cir. 1968). Rather, the "determination of damages … is to be pursued in light of equitable considerations." *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1404-05 (9th Cir. 1993). "[H]owever strong the [plaintiff's] legal rights asserted may be," the court "***has a duty to consider***" the countervailing equities, including "the conduct of the plaintiff in seeking to enforce [its] right[s]," and whether a grant of relief would "promote inequitable ends." *U.S. Jaycees v. Cedar Rapids Jaycees*, 794 F.2d 379, 382 (8th Cir. 1986) (emphasis added).

A. Unclean Hands

It is well-established that a person who "wishes … to be protected by a court of equity[] … must come into court with clean hands." *Worden v. Cal. Fig Syrup Co.*, 187 U.S. 516, 535 (1903). "Th[e] doctrine is rooted in the historical concept of [the] court of equity as a vehicle for affirmatively enforcing the requirements of conscience and good faith." *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814-15 (1945). It "closes the doors of a court of equity to one tainted with inequitableness or bad faith …, however improper may have been the behavior of the defendant." *Id.*

Today, of course, law and equity have merged—but, as discussed above, Lanham Act and unfair competition claims remain governed by equitable principles. *Jaycees*, 794 F.2d at 382. Courts are thus unanimous in the view that unclean hands is a defense to Lanham Act

[4] Nestlé Purina argues that equitable principles "cannot bar or limit recovery of 'damages'" (as opposed to "profits"), since damages are a "legal" remedy. (Opp. at 13-14.) This is contrary to Eighth Circuit law, which holds that *all* Lanham Act remedies are "equitable." *Minn. Pet Breeders*, 41 F.3d at 1247; *see also* RESTATEMENT (THIRD) UNFAIR COMPETITION § 32, cmt. e ("The law of unfair competition has not maintained a sharp distinction between 'equitable' and 'legal' remedies.").

claims. *See Dream Team Collectibles, Inc. v. NBA Props., Inc.*, 958 F. Supp. 1401, 1404, 1417-18 (E.D. Mo. 1997) (recognizing defense under both Lanham Act and Missouri unfair competition law); *see also* 6 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 31:44 (2015).

The equitable doctrine of unclean hands is distinct from the legal principle of setoff. Setoff reduces a plaintiff's damages to reflect his own counter-liability to the defendant; unclean hands "require[s] the district court to halt petitioner at the threshold and *refuse it any relief whatsoever*." *Mfrs'. Fin. Co. v. McKey*, 294 U.S. 442, 451 (1935) (emphasis added); *see also Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240, 245 (1933) ("[W]hatever may be the rights he possesses and whatever use he may make of them in a court of law, [an unclean plaintiff] will be held remediless in a court of equity.").

1. Nestlé Purina's "Substantive Relation" Argument Fails

Nestlé Purina argues that the unclean hands defense is unavailable because there is no "substantive connection" between its unclean conduct and the claims it asserts. (Mot. at 7-10.) This is incorrect. In fact, the paradigmatic unclean hands scenario lies where—as alleged here—"***both plaintiff and defendant … have engaged in the same type of allegedly false advertising***." 6 MCCARTHY, *supra*, § 31:54 (emphasis added).

The "unclean hands" doctrine does not condition a plaintiff's right to relief on his general moral rectitude. It does, however, proscribe equitable relief where the plaintiff's wrongdoing "in some measure affect[s] the equitable relations between the parties in respect of something brought before the court for adjudication." *Keystone Driller*, 290 U.S. at 245. In other words, the "[p]laintiff's inequitable conduct … [must] relate[] in some way to the subject matter in litigation." 6 MCCARTHY, *supra*, § 31:48. What constitutes a sufficiently close relationship depends on the circumstances and is "not bound by formula." *Keystone Driller*, 290 U.S. at 245.

However, "[c]ourts have routinely found that a plaintiff's misconduct 'relates to the sub-

ject matter of its claims' where the plaintiff has 'engaged in the same kind of behavior it challenges.'" 1-5 Thomas M. Williams, FALSE ADVERTISING AND THE LANHAM ACT § 5.04[2] (2016) (quoting *Stokely-Van Camp Inc. v. Coca-Cola Co.*, 646 F. Supp. 2d 510, 532-33 (S.D.N.Y. 2009)). Thus, in a false-advertising case, a plaintiff cannot recover where he himself "has ***engaged in virtually identical [false] advertising in the past***." *P&G v. Ultreo, Inc.*, 574 F. Supp. 2d 339, 355 (S.D.N.Y. 2008) (emphasis added).

For example, in one case in the Eighth Circuit, a manufacturer of children's playsets sued its competitor for advertising that the competitor's playsets were made from cedar, when they were actually made from cheaper wood. The court held that "unclean hands bars [the plaintiff's] claims," because the plaintiff had "likewise market[ed] something as cedar that [was] not cedar." That mirror-image false advertising, the Court held, "clearly has a material relation to the equitable relief that the plaintiff seeks." *Rainbow Play Sys. v. Backyard Adventure, Inc.*, 2009 U.S. Dist. LEXIS 93623, at *17-22 (D.S.D. Sept. 28, 2009).

A plethora of other cases have likewise found the "relation" test satisfied where both parties had made similar misstatements about their respective wares. To describe just a few:

- A beverage company sued its competitor, alleging that the defendant had misrepresented the health benefits of its juice. The court held that the defendant was entitled to proceed on its unclean hands defense, since the plaintiff had similarly made false health claims about its own juice. The court found the issue "an easy call."[5]

- A beverage company sued its competitor, alleging that the defendant had misstated the benefits of calcium and magnesium in its sports drinks. The court denied relief, noting that "[plaintiff] too has marketed the advantage of adding calcium and magnesium," and had therefore "engaged in the same kind of behavior that it challenges."[6]

- A toothbrush manufacturer sued its competitor, alleging that its efficacy claims were false and misleading because they were supported only by *in vitro* laboratory studies. The court denied relief, observing that plaintiff "ha[d] made comparable claims" and

---

[5] *POM Wonderful v. Coca Cola Co.*, 2016 U.S. Dist. LEXIS 59951, at *11-26 (C.D. Cal. Feb. 19, 2016).

[6] *Stokely-Van Camp*, 646 F. Supp. 2d at 532-34.

thus "engaged in conduct identical to that which it now decries."[7]

- A manufacturer of cutting tools sued its competitor for "mislead[ing] customers into believing that [its] blades are manufactured in the United States, when in fact they are not." The court denied relief, noting that the plaintiff itself employed stars-and-stripes imagery in connection with its blades when they, too, were imported.[8]

- Häagen-Dazs sued its competitor, Frusen Glädjé, alleging that the defendant's trade dress "deceive[d] the public into believing that [its ice cream] is made … in Sweden." The court denied relief, observing that "[Häagen-Dazs] itself has attempted to … give the [false] impression that it is of Scandinavian origin."[9]

Nestlé Purina does not—and cannot—distinguish any of these cases. Instead, it relies on two unpublished, out-of-circuit decisions which it claims require the opposite result. (*See* Mot. at 8-9 (discussing *Campagnolo S.R.L. v. Full Speed Ahead, Inc.*, 258 F.R.D. 663 (W.D. Wash. 2009) and *Romeo & Juliette Laser Hair Removal, Inc. v. Assara I LLC*, 2016 U.S. Dist. LEXIS 24850 (S.D.N.Y. Feb. 29, 2016)).)

In *Campagnolo*, the plaintiff alleged that the defendant had made false and disparaging statements about the "stiffness-to-weight ratio of [the plaintiff's] crankset." 258 F.R.D. at 666. In response, the defendant claimed that the plaintiff had made false statements about the *weight* (but not the stiffness-to-weight ratio) of *the plaintiff's own* crankset. *Id.* The court held that the plaintiff's false boast about the weight of its own crankset was not sufficiently related to the defendant's disparagement of the stiffness-to-weight ratio of the plaintiff's crankset. The court recognized, however, that if both parties had disparaged the other's crankset (*i.e.*, committed the very same offense, as has been alleged here), the outcome would have been different. *See id.*

Romeo & Juliette is much like *Campagnolo*. There, the plaintiff alleged that the defendant made malicious statements about the plaintiff's business. 2016 U.S. Dist. LEXIS 24850, at *4-11. In response, the defendant alleged that the plaintiff had posted *positive* online statements

[7] *P&G*, 574 F. Supp. 2d at 354-56.

[8] *Emco, Inc. v. Obst*, 2004 U.S. Dist. LEXIS 12118, at *4-5, *12-18 (C.D. Cal. May 7, 2004).

[9] *Haagen-Dazs, Inc. v. Frusen Gladje, Ltd.*, 493 F. Supp. 73, 74-76 (S.D.N.Y. 1980).

about *the plaintiff's own* business, disguised as reviews by disinterested third parties. The court held that the plaintiff's "'astroturfing' in praise of [its own] business" was insufficiently similar to the defendant's slander of a competitor. *Id.* at *36-39.

It is questionable whether *Campagnolo* and *Romeo & Juliette* were correctly decided. Most courts recognize that "'precise similarity' between the plaintiff's inequitable conduct and the plaintiff's claims is not required." *POM Wonderful*, 2016 U.S. Dist. LEXIS 59951, at *12. But even accepting these decisions at face value, they do not help Nestlé Purina here. Unlike those cases, this case involves allegations of true mirror-image false advertising: both parties sourced mislabeled "chicken meal" from the same supplier, and both parties included it in products labeled and advertised as free of poultry by-product meals. (*See* Proposed Am. Answer [Dkt. No. 786-1], Fifth Affirmative Defense.) The only difference is that Nestlé Purina happened to stumble upon the fraud before Blue Buffalo did. Having secreted its own false advertising from the world, Nestlé Purina now seeks to use its awareness of Wilbur-Ellis's mislabeling scheme to cripple a competitor, by extracting from it a massive monetary award and by unfairly destroying its credibility with consumers. It is difficult to imagine a case more suited to application of the defense of unclean hands.

2. Nestlé Purina's "Temporal Relation" Argument Fails

Nestlé Purina argues that Blue Buffalo cannot assert unclean hands because Nestlé Purina's wrongful conduct "began as long as 16 years ago" and had already been "discontinued … prior to [its commencement of] suit." (Mot. at 5-7.) This argument fails.

The fact that Nestlé Purina's misconduct *began* long ago is not helpful to its cause—quite the opposite. Nestlé Purina does not dispute that it started purchasing Wilbur-Ellis's mislabeled meal in approximately [REDACTED], and that it stopped no sooner than [REDACTED]. As a result, mislabeled and falsely advertised Nestlé Purina products were present on store shelves well into

[redacted], if not beyond. This is not "ancient conduct," as Nestlé Purina calls it. (Mot. at 5.) It is conduct that continued until shortly before this lawsuit began, and that was ongoing during much of the period for which Nestlé Purina seeks damages from Blue Buffalo. The sheer length of time during which Nestlé Purina purchased and used Wilbur-Ellis's mislabeled meal—a much longer time than Blue Buffalo did—makes Nestlé Purina's attack on Blue Buffalo *more* inequitable, not *less* so.

In addition, as Blue Buffalo has explained, courts do not ignore prior wrongdoing as long as it has ceased by the time the plaintiff reaches the courthouse door. *See, e.g.*, *P&G*, 574 F. Supp. 2d at 355 (finding unclean hands where plaintiff "engaged in virtually identical [false] advertising *in the past*" (emphasis added)). Crucially, all of the cases that Nestlé Purina cites in support of this supposed "temporal relation" requirement addressed ***injunctive*** relief.[10] When it comes to forward-looking remedies such as injunctions, it makes sense to ignore past wrongdoing and consider whether the plaintiff's hands are clean today.

A different rule applies in suits for ***monetary*** relief: a plaintiff whose hands were previously unclean cannot recover damages that "accru[ed] during the period" of its unclean conduct "or thereafter until the effects of such [conduct] ha[d] been dissipated, or 'purged.'" *U.S. Gypsum Co. v. Nat'l Gypsum Co.*, 352 U.S. 457, 465 (1957); *see also* RESTATEMENT (THIRD) UNFAIR COMPETITION § 32 cmt. e (2016) (where "plaintiff has already ceased the misconduct … unclean hands will not ordinarily limit injunctive relief," but it "remain[s] relevant to an award of damages or profits accruing during the period of the misconduct"). In other words, the fact that the plaintiff's misconduct has ceased as of the filing of the complaint does not bar the application of

[10] *See, e.g.*, *Coca-Cola Co. v. Koke Co. of Am.*, 254 U.S. 143 (1920) (appeal of grant of permanent injunction); *Highmark, Inc. v. UPMC Health Plan*, 276 F.3d 160 (3d Cir. 2001) (appeal of grant of preliminary injunction); *Healthpoint, Ltd. v. Stratus Pharms.*, 273 F. Supp. 2d 769, 795 (W.D. Tex. 2001) (deciding cross-motions for preliminary injunction).

unclean hands—at least insofar as monetary relief is concerned.

Even if Nestlé Purina were correct that the analysis keys on the plaintiff's cleanliness on the date the complaint was filed, its argument would still fail for at least three reasons.

First, Blue Buffalo's proposed pleading expressly alleges false advertising that took place *after* this lawsuit was filed. In May 2014, as a part of anti-Blue Buffalo media campaign, Nestlé Purina falsely advertised that "[a]t Purina"—in supposed contrast to Blue Buffalo—"what goes on the bag goes on the label," and that "our first ingredient is honesty." (Proposed Am. Answer [Dkt. No. 786-1], Second Affirmative Defense, ¶ 3; Proposed Am. Counterclaim [Dkt. No. 786-1] ¶ 99 (noting that these statements were made post-lawsuit).) The fact that Nestlé Purina was also a victim of Wilbur-Ellis is directly relevant to the veracity of these statements.

Second, even if Nestlé Purina had stopped actively deceiving consumers before it filed this suit, cessation of active wrongdoing "is only a part of the requirement for a purge." *Pre-formed Line Prods. Co. v. Fanner Mfg. Co.*, 328 F.2d 265, 279 (6th Cir. 1964). The plaintiff must "show [both] that it has fully abandoned [the unclean conduct] *and* that the consequences of that practice have been fully dissipated." *B. Chem. Co. v. Ellis*, 314 U.S. 495, 498 (1942) (emphasis added); *see also U.S. Gypsum*, 352 U.S. at 465. It is by no means evident that Nestlé Purina had dissipated or purged all of the lingering effects of its unclean conduct by the time this lawsuit was filed. In particular, Nestlé Purina never informed consumers of its own mislabeling, let alone compensated them as Blue Buffalo has done. Whether Nestlé Purina can show that it has "purged" the effects of its misconduct "involves … a question of fact" for discovery. *Id.*

Third, as Blue Buffalo has explained, this lawsuit *itself* is part and parcel of an ongoing course of inequitable conduct. Nestlé Purina invoked this Court's authority to propagate the known falsehood that Blue Buffalo deliberately "lied" about by-product meals in its pet foods. Nestlé Purina cannot possibly "purge" *that* unclean conduct, as it infects the proceeding itself.

See Hicks v. Gilbert, 762 A.2d 986, 990-91 (Md. App. 2000) (plaintiff could not "purge" his unclean conduct where that very conduct "formed the basis of [his] claim").

3. Nestlé Purina's Arguments Based On The State Of The Factual Record Are Premature And Improper

Nestlé Purina asserts that there are "no facts in the record" showing that tainted Wilbur-Ellis chicken meal "w[as] ever placed in any Purina products advertised as containing no by-product meal." (Mot. at 5.) But this is not a motion for summary judgment; what "the record" presently shows is beside the point. *See CitiMortgage, Inc. v. Draper & Kramer Mortg. Corp.*, 2012 U.S. Dist. LEXIS 128755, at *5-6 (E.D. Mo. Sept. 11, 2012) (when a defense is challenged on the pleadings, courts may not "engage in a substantive determination of the merits").

What is relevant are the allegations in Blue Buffalo's proposed pleading. Those allegations clearly state that "Nestlé Purina used some or all" of the many "million[s] [of] pounds" of mislabeled meal that it purchased from Wilbur-Ellis in "products labeled and advertised as by-product free" (as well as "'natural' or containing 'no artificial preservatives'"). (Dkt. No. 786-1 ¶¶ 90, 92.) In fact, as Blue Buffalo has explained, it is extremely "unlikely that Nestlé Purina was paying th[e] premium price" for what it believed to be chicken meal unless that meal was intended for use in a "premium" product that made claims of this sort. (*Id.* ¶ 94.)[11]

B. Laches

As Nestlé Purina recognizes, the equitable defense of laches bars or limits the relief available to a plaintiff who delays unreasonably in filing suit, thereby causing prejudice to the defendant. (Mot at 4.) The reasonableness of the plaintiff's delay and the severity of the resulting prejudice are "inherently fact-intensive" questions incapable of resolution without discovery.

[11] The facts needed to confirm these allegations are "in the exclusive possession of Nestlé Purina," and to date, Nestlé Purina has "refused to respond to [Blue Buffalo's] discovery demands" seeking this information. (*Id.* ¶ 93.) Thus, contrary to Nestlé Purina's suggestion, pleading "on information and belief" is appropriate. *See Drobnak v. Andersen Corp.*, 561 F.3d 778, 783-84 (8th Cir. 2009).

JDR Indus. v. McDowell, 121 F. Supp. 3d 872, 889 (D. Neb. Aug. 4, 2015).

Blue Buffalo's proposed pleading clearly sets forth the elements of delay and prejudice. Nestlé Purina knew for years that Wilbur-Ellis was selling mislabeled chicken meal, yet it "remained silent." (Dkt. No. 786-1, 5th Aff. Defense.) At some point, Nestlé Purina "learned … that Blue Buffalo was being defrauded by Wilbur-Ellis … and that, as a result, Blue Buffalo's labeling and advertising were inadvertently inaccurate." (*Id.*) Instead of filing suit, however, "Nestlé Purina spent a year or more plotting an elaborate litigation and media 'exposé' … to maximize the harm to Blue Buffalo's reputation." (*Id.*) The damages that accrued in the interim "would have been averted" if Nestlé Purina had sued promptly. (*Id.*) *Cf.* RESTATEMENT (THIRD) UNFAIR COMPETITION § 31, cmt. a (laches may be found when plaintiff's postponement of suit "increas[es] the amount of [its own] loss").

Nestlé Purina maintains that laches requires an allegation that "the applicable statute of limitations" has "expired." (Mot. at 4.) This is wrong. As the Supreme Court recently explained, "[i]f Congress explicitly puts a limit upon the time for enforcing a right," laches is ordinarily unavailable where the plaintiff complies with that specified limit. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1973-74 (2014). However, as the *Petrella* Court took pains to note, "***the Lanham Act … contains no statute of limitations***, and ***expressly provides for*** defensive use of" equitable principles, including "laches." *Id.* at 1974 n.15 (emphasis added); *see also* RESTATEMENT (THIRD) UNFAIR COMPETITION § 31, cmt. a (in unfair competition cases, "all courts recognize that … even a short delay" may permit a laches defense).

Nestlé Purina relies entirely on this Court's decision in *CitiMortgage, Inc. v. Reunion Mortgage, Inc.*, 2012 U.S. Dist. LEXIS 160915 (E.D. Mo. Nov. 9, 2012)—but *CitiMortgage* did not involve a claim under the Lanham Act or for unfair competition. It concerned a straightforward claim for breach of contract. *Id.* at *1. In any event, *CitiMortgage* predates the Supreme

Court's binding decision in *Petrella*, which expressly stated that laches is available under the Lanham Act without pleading or proving that any fixed time period has expired.

IV. THE COURT CANNOT "DISCRETIONARILY" DISMISS BLUE BUFFALO'S PROPERLY PLED AFFIRMATIVE DEFENSES

"Even if [Blue Buffalo's] laches and unclean hands defenses are adequately pled and legally sufficient," Nestlé Purina asks the Court "to dismiss them in the interests of justice." (Mot. at 2, 10-11.) There is absolutely no support in the law for such a request.

Nestlé Purina cites various authorities holding that, in the exercise of their equitable discretion, courts may ***enjoin*** ongoing false advertising even though the plaintiff's hands are unclean. (Opp. at 10-11.) The rationale of these decisions is that refusing to grant injunctive relief would disadvantage not only the unclean plaintiff, but also the innocent public, since it would "permit [consumer] confusion to continue unabated." *Republic Molding Corp. v. B.W. Photo Utils.*, 319 F.2d 347, 350-51 (9th Cir. 1963).[12]

Unlike an injunction, the denial of ***monetary*** relief to an unclean competitor would affect only the competitor. Courts, therefore, will bar monetary relief even where the public interest requires an injunction. *See FLIR Sys. v. Sierra Media*, 965 F. Supp. 2d 1184, 1197-98 (D. Ore. 2013) (finding that plaintiff "is not entitled to any damages" due to unclean hands, but granting injunction to prevent further "dece[ption] [of] the … public"); *Trafficschool.com Inc. v. Edriver, Inc.*, 633 F. Supp. 2d 1063, 1085 (C.D. Cal. 2008) ("While injunctive relief may be necessary to vindicate the public interest, even when a plaintiff's claim would otherwise be barred under the doctrines of unclean hands or laches, *the same is not necessarily the case for damages*." (emphasis added)), *rev'd in part on other grounds*, 653 F.3d 820 (9th Cir. 2011).

---

[12] Nestlé Purina also quotes a passage from McCarthy's treatise that makes a similar observation—although Nestlé Purina has used a conveniently placed ellipsis to disguise the fact that the passage expressly relates to injunctive relief. *See* 6 MCCARTHY, *supra*, § 31:53.

V. QUESTIONS REGARDING THE RESPECTIVE ROLES OF THE JUDGE AND JURY AT TRIAL ARE PREMATURE

Finally, Nestlé Purina argues that if Blue Buffalo's affirmative defenses are not dismissed, "they should be tried to the Court rather than the jury." (Opp. at 11-15.) However, it is grossly premature to discuss the respective roles of judge and jury at trial. The proper time to address which issues will be submitted to the jury is after dispositive motions have been decided, once it is clear which issues will be tried. *See Dahhane v. Stanton*, 2015 U.S. Dist. LEXIS 112306, at *9-10 (D. Minn. Aug. 4, 2015) (concluding that "[a] decision as to the nature and scope of any trial … is premature" because "[a] final determination on the right to a jury trial … may be contingent upon which claims and defenses survive discovery and summary judgment").

Importantly, Nestlé Purina overlooks the rule that, "when a case involves both" legal and equitable aspects, "any essential factual issues which are central to both must be tried to the jury." *McIntosh v. Weinberger*, 810 F.2d 1411, 1429 (8th Cir. 1987), *vacated on other grounds*, 487 U.S. 1212 (1988). Here, the factual basis of Blue Buffalo's equitable defenses overlaps extensively with the parties' legal claims and defenses. For example, the fact that Nestlé Purina was also deceived by Wilbur-Ellis is powerful circumstantial evidence rebutting Nestlé Purina's claim that Blue Buffalo engaged in *willful* false advertising. Similarly, the fact that Nestlé Purina knew about Wilbur-Ellis's scheme (and that Blue Buffalo was an innocent victim of that scheme) is evidence of the *scienter* element of Blue Buffalo's defamation claim.

This extensive overlap between "legal" and "equitable" issues likely precludes Nestlé Purina's request to split the trial into jury and non-jury phases. At minimum, however, it militates against reaching the allocation of issues between judge and jury at this time.

CONCLUSION

For the foregoing reasons, Nestlé Purina's Motion to Dismiss should be denied.

Dated: June 17, 2016

By: /s/ Steven A. Zalesin

Steven A. Zalesin, Lead Counsel (pro hac vice)
Adeel A. Mangi (pro hac vice)
Jonah M. Knobler (pro hac vice)
PATTERSON BELKNAP WEBB & TYLER LLP
1133 Avenue of the Americas
New York, NY 10036-6710
Telephone: 212-336-2000
Facsimile: 212-336-2222

Gerard T. Carmody, # 24769
Sarah J. Klebolt, # 60849
CARMODY MACDONALD P.C.
120 S. Central Avenue
Suite 1800
St. Louis, MO 63105
Telephone: 314-854-8600
Fax: 314-854-8660

Larry Miller, Esq. (*of counsel*)
Blue Buffalo Company, Ltd.
11 River Road
Wilton, CT 06897

Attorneys for Blue Buffalo Company, Ltd.

CERTIFICATE OF SERVICE

I hereby certify that on June 17, 2016, I caused the foregoing to be served on all counsel of record via email.

By: /s/ Steven A. Zalesin
Steven A. Zalesin