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**UNITED STATES DISTRICT COURT**  
EASTERN DISTRICT OF CALIFORNIA

E & J GALLO WINERY,

Plaintiff,

v.

GRENADE BEVERAGE LLC,

Defendant.

Case No. 1:13-cv-00770-AWI-SAB

ORDER GRANTING PLAINTIFF’S  
MOTION TO STRIKE DEFENDANT’S  
AFFIRMATIVE DEFENSES

ECF NO. 44

On March 27, 2014, Plaintiff E & J Gallo Winery (“Plaintiff”) filed a motion to strike the affirmative defenses plead by Defendant Grenade Beverage LLC (“Defendant”). (ECF No. 44.)

The Court finds it appropriate for Plaintiff’s motion to be submitted upon the record and briefs on file without need for oral argument. See Local Rule 230(g). For the reasons set forth below, the Court partially grants Plaintiff’s motion to strike.

**I.**

**BACKGROUND**

Plaintiff filed this action on May 22, 2013. (ECF No. 1.) Plaintiff asserts trademark infringement and other related claims against Defendant arising from Defendant’s marketing of an energy drink called “El Gallo.” Plaintiff claims Defendant’s “El Gallo” drink violates Plaintiff’s “Gallo” trademark for wines.

Defendant filed their answer to Plaintiff’s complaint on January 3, 2014. (ECF No. 29.)

1 Defendant raised ten affirmative defenses in their answer.

2 On January 22, 2014, Plaintiff filed a motion to strike the affirmative defenses asserted  
3 by Defendant. (ECF No. 35.) The Court partially granted Plaintiff's first motion to strike. (ECF  
4 No. 41.) On March 4, 2014, Defendant filed an amended answer. (ECF No. 42.) Defendant  
5 filed a second amended answer on March 7, 2014. (ECF No. 43.) On March 27, 2014, Plaintiff  
6 filed the present motion to strike. (ECF No. 44.)

## 7 II.

### 8 LEGAL STANDARDS FOR MOTIONS TO STRIKE

9 Under Federal Rule of Civil Procedure 12(f), "[t]he Court may strike from a pleading an  
10 insufficient defense or any redundant, immaterial, impertinent, or scandalous matter." With  
11 respect to pleading defenses, Federal Rule of Civil Procedure 8(b) states that a party must "state  
12 in short and plain terms its defenses to each claim asserted against it." "The key to determining  
13 the sufficiency of pleading an affirmative defense is whether it gives plaintiff fair notice of the  
14 defense." Wyshak v. City Nat. Bank, 607 F.2d 824, 827 (9th Cir. 1979).

15 "Motions to strike a defense as insufficient are not favored by the federal courts because  
16 of their somewhat dilatory and often harassing character." Wright & Miller, Federal Practice and  
17 Procedure: Civil 3d § 1381, pp. 421-425; see also Quintana v. Baca, 233 F.R.D. 562, 564 (C.D.  
18 Cal. 2005) ("Motions to strike are generally regarded with disfavor because of the limited  
19 importance of pleading in federal practice, and because they are often used as a delaying  
20 tactic.") U.S. v. Iron Mountain Mines, Inc., 812 F. Supp. 1528, 1535 (E.D. Cal. 1992).  
21 "Accordingly, once an affirmative defense has been properly pled, a motion to strike which  
22 alleges the legal insufficiency of an affirmative defense will not be granted 'unless it appears to a  
23 certainty that plaintiffs would succeed despite any state of facts which could be proved in  
24 support of the defense.'" Barnes v. AT&T Pension Ben. Plan-Nonbargained Program, 718 F.  
25 Supp. 2d 1167, 1170 (N.D. Cal. 2010). Furthermore, motions to strike are often denied absent a  
26 showing of prejudice to the moving party. Hernandez v. Balakian, No. CV-F-06-1383  
27 OWW/DLB, 2007 WL 1649911, at \*1 (E.D. Cal. Jun. 1, 2007); see also Wright & Miller,  
28 Federal Practice and Procedure: Civil 3d § 1381, pp. 421-425.

1 Even if an affirmative defense is stricken, leave to amend should be freely given in the  
2 absence of prejudice to the opposing party. Wyshak, 607 F.2d at 826.

3 **III.**  
4 **DISCUSSION**

5 Plaintiff contends that seven of the ten affirmative defenses raised by Defendant should  
6 be stricken because they are unclear and fail to provide Plaintiff with sufficient notice of the  
7 grounds upon which they rest. Plaintiff challenges the sufficiency of Defendant’s Third  
8 (“unclean hands, improper and/or unlawful conduct, waiver, laches, and/or estoppel”), Fourth  
9 (“settlement, release, and/or offset”), Fifth (“res judicata, and/or collateral estoppel”), Sixth  
10 (“First Amendment including fair use, and/or the doctrine of foreign equivalents”), Seventh  
11 (“fail[ure] to mitigate” or “abandon[ment of] mark”), Eighth (“[n]o impairment or harm”), and  
12 Ninth Affirmative Defenses (“abandon[ment] of the mark, the mark is generic, the mark lacks  
13 secondary meaning, and/or an implied license exists”).

14 **A. Third Affirmative Defense: Unclean Hands, Improper and/or Unlawful**  
15 **Conduct, Waiver, Laches, and/or Estoppel**

16 As an initial matter, the Court notes that in its February 18, 2014 order on Plaintiff’s prior  
17 motion to strike, the Court expressly informed Defendant that its Third Affirmative Defense  
18 “confusingly combines several distinct defenses under a single heading.” (Order Part. Granting  
19 Mot. to Strike 6:9-10.) The Court further informed Defendant that “should Defendant amend its  
20 answer, Defendant must separately enumerate each distinct defense.” (Id. at 6:15-16.)  
21 Defendant ignored the Court’s order. Accordingly, the Court will once again strike Defendant’s  
22 third affirmative defense.

23 Further, Defendant has ignored other portions of the Court’s order on the prior motion to  
24 strike. Previously, the Court noted that Defendant’s reference to “improper and/or unlawful”  
25 conduct was confusing, because it was unclear whether Defendant was attempting to assert a  
26 defense distinct from its unclean hands defense. The Court ordered Defendant to provide  
27 supporting allegations as well as citation to supporting authority if Defendant asserted the same  
28 defense in his amended answer. Defendant did not do so.

1 The Court also noted that Defendant combined the three defenses of waiver, laches and  
2 estoppel under a single heading without providing any allegations that identified which of these  
3 defenses applied or how they applied.

4 Defendant argues that its unclean hands defense is based upon Plaintiff's violation of 27  
5 C.F.R. § 4.64(f), which prohibits any advertisement for wine which is capable of being construed  
6 as relating to the armed forces of the United States. Defendant alleges that Plaintiff's rooster  
7 logos are capable of being construed as relating to U.S. Military insignias that depict roosters.

8 Defendant's argument appears to be somewhat far-fetched. On the other hand, at this  
9 stage in litigation, the Court cannot look to extrinsic evidence to compare Plaintiff's logo to  
10 United States military insignias to determine whether 27 C.F.R. § 4.64(f) has been violated.  
11 While it is difficult to imagine a rooster logo being "capable of being construed as relating to ...  
12 any emblem, seal, insignia, or decoration associated with [the American flag] or armed forces,"  
13 27 C.F.R. § 4.63(f), the theory may not necessarily be implausible. However, in light of  
14 Defendant's recent course of conduct which appears to serve no purpose other than to harass,  
15 cause delay, or needlessly increase the cost of litigation, the Court will not grant Defendant leave  
16 to amend its answer to assert a defense based upon these facts unless Defendant files a motion  
17 requesting leave to amend and affirmatively demonstrates to the Court that the facts alleged have  
18 evidentiary support or will likely have evidentiary support after a reasonable opportunity for  
19 further investigation or discovery. See discussion, supra, Part III.H.

20 Defendant also argues that the defenses of laches, waiver and estoppel apply because  
21 Plaintiff has allowed another company to advertise "Gallo beer" on Facebook since 2011. A  
22 trademark owner's failure to prosecute all third parties from infringing their trademark is not  
23 sufficient to prove the owner's express and affirmative intent to relinquish its rights in the  
24 context of a waiver defense. See adidas-America, Inc. v. Payless Shoesource, Inc., 546 F. Supp.  
25 2d 1029, 1074 (D. Ore. 2008). A defense based upon waiver requires the intentional  
26 relinquishment of a known right with knowledge of its existence and the intent to relinquish it,  
27 and only exists where the waiver is manifested in an unequivocal manner. See id. Defendant's  
28 allegation, that a company exists that advertises beer on Facebook using the word "gallo," is

1 insufficient to support a waiver defense.

2 Estoppel arises when a party's conduct misleads another to believe that a right will not be  
3 enforced and causes him to act to his detriment in reliance upon this belief. adidas-America,  
4 Inc., 546 F. Supp. 2d at 1075. Plaintiff alleges no facts that show that Plaintiff misled Defendant  
5 into believing that Plaintiff's trademark rights would not be enforced or that Defendant acted to  
6 his detriment in reliance upon this belief. Accordingly, Plaintiff has not alleged sufficient facts  
7 to support this defense.

8 Finally, with respect to a laches defense, "[l]aches is an equitable time limitation on a  
9 party's right to bring suit." Kling v. Hallmark Cards Inc., 225 F.3d 1030, 1036 (9th Cir. 2000)  
10 (citing Boone v. Mechanical Specialties Co., 609 F.2d 956, 958 (9th Cir. 1979). "To obtain  
11 judgment on this affirmative defense, a defendant must prove 'both an unreasonable delay by the  
12 plaintiff and prejudice to itself.'" Id. (citations omitted). Defendant's arguments in its  
13 opposition do not identify unreasonable delay by the plaintiff in bringing this suit or prejudice  
14 Defendant suffered as a result. Notably, the Court made this exact same analysis and conclusion  
15 in its prior order and Defendant attempted to reassert the laches defense without alleging any  
16 facts in light of the Court's analysis. Accordingly, the Court will strike Defendant's laches  
17 defense.

18 **B. Fourth Affirmative Defense: Settlement, Release, and/or Offset**

19 In its previous order, the Court struck Defendant's Fourth Affirmative Defense and  
20 rejected what appeared to be Defendant's unsubstantiated conjecture that there may be a prior  
21 settlement between Plaintiff and a third party that bars the present action.

22 Defendant's amended answer fails to allege any new facts that are sufficient to support  
23 this defense. Defendant alleges that Plaintiff entered into settlement agreements with third  
24 parties and contends that these settlement agreements may constitute anticompetitive or unfair  
25 business practices by enabling Plaintiff to unlawfully monopolize the use of the "Gallo"  
26 trademark. Defendant's theory is not legally cognizable. Defendant provides no explanation as  
27 to how a settlement between Plaintiff and a third party could bar the present action because it  
28 constitutes anticompetitive behavior. The entire point of trademark law is to provide trademark

1 owners with control over how their marks are used. Accordingly, “monopolization” of one’s  
2 own mark is not “unlawful,” as Defendant appears to suggest. The Court will strike Defendant’s  
3 Fourth Affirmative Defense.

4 **C. Fifth Affirmative Defense: Res Judicata and/or Collateral Estoppel**

5 Defendant alleges, in support of its Fifth Affirmative Defense, that Plaintiff has sued  
6 other entities for trademark violations related to the “Gallo” trademark. Defendant further  
7 alleges, upon information and belief, that “in some of these decisions, the courts found against  
8 Gallo, and/or certain findings were made and/or found against Gallo.” (Def. Grenade Beverage,  
9 LLC’s Second Am. Answer to Pl. E. & J. Gallo Winery’s Compl. (“Second Am. Answer”) 7:14-  
10 15.) Thus, Defendant argues, this complaint may be barred by res judicata or collateral estoppel.

11 The Court previously found Defendant’s assertion of this defense to be insufficient  
12 because:

13 Defendant has not provided Plaintiff with fair notice of the defense  
14 as it has failed to identify any prior proceedings, what issues were  
15 decided in the prior proceedings, or who was party to the prior  
proceeding.

16 (Order Part. Granting Mot. to Strike 9:17-20.) Defendant’s amended answer fails to address the  
17 issues previously identified by the Court. If anything, Defendant has reinforced the Court’s  
18 suspicion that Defendant asserted this defense based upon factual contentions which have no  
19 evidentiary support and no reasonable expectation of evidentiary support after discovery.  
20 Defendant has not identified any specific prior proceedings, any specific issues decided in the  
21 prior proceedings, or the parties to the prior proceedings (other than Plaintiff). Defendant’s  
22 opposition merely states that “a quick Westlaw search returns 65 cases in the Ninth Circuit alone  
23 that the court can take judicial notice on the existence of which may constitute collateral estoppel  
24 against Gallo.” (Def. Grenade Beverage LLC’s Mem. of P. & A. in Supp. of Opp’n to Pl. E. & J.  
25 Gallo Winery’s Mot. to Strike Affirmative Defense in Second Amended Answer (“Def.’s  
26 Opp’n”) 5:9-11.)

27 Defendant’s vague reference to prior proceedings that possibly raise res judicata or  
28 collateral estoppel issues is insufficient to support its Fifth Affirmative Defense. Defendant fails

1 to provide Plaintiff with fair notice of the basis of this defense. Accordingly, the Court strikes  
2 this defense.

3 **D. Sixth Affirmative Defense: “First Amendment including fair use, and/or the**  
4 **Doctrine of Foreign Equivalents”**

5 Defendant’s Sixth Affirmative Defense alleges no facts and only consists of the  
6 conclusory allegation that “the complaint can be barred by the First Amendment including fair  
7 use, and/or the doctrine of foreign equivalents.” (Second Am. Answer 7:21-22.) In its  
8 opposition, Defendant argues that Plaintiff bears the burden of demonstrating that customer  
9 confusion is likely and, therefore, Plaintiff has the burden of proving this affirmative defense.

10 Affirmative defenses, by definition, are defenses which defendants bear the burden of  
11 proving. See Tovar v. U.S. Postal Service, 3 F.3d 1271, 1284 (9th Cir. 1993) (“In every civil  
12 case, the defendant bears the burden of proof as to each element of an affirmative defense.”). “A  
13 defense which demonstrates that plaintiff has not met its burden of proof is not an affirmative  
14 defense.” Zivkovic v. Southern California Edison Co., 302 F.3d 1080, 1088 (9th Cir. 2002).

15 Defendant misunderstands KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.,  
16 543 U.S. 111 (2004). In KP Permanent Make-Up, Inc., the Supreme Court addressed the issue of  
17 “whether a party raising the statutory affirmative defense of fair use to a claim of trademark  
18 infringement ... has a burden to negate any likelihood that the practice complained of will  
19 confuse consumers about the origin of the goods or services affected.” Id. at 114. While the  
20 Supreme Court held that a defendant does not bear the burden of negating customer confusion, it  
21 did not hold that the burden of proving the fair use affirmative defense thereby rests with the  
22 plaintiff in a trademark case, as Defendant suggests. In other words, the likelihood of customer  
23 confusion is an element of a plaintiff’s trademark claim, not an element of the fair use defense.  
24 Id. at 117-121. Defendant must still bear the burden of proving the remaining elements of a fair  
25 use defense.

26 In this case, Defendant has not alleged any facts whatsoever that suggest that the fair use  
27 defense applies to Defendant’s use of Plaintiff’s trademark. Accordingly, the Court will strike  
28 this defense.

1           Moreover, the doctrine of foreign equivalents is not a defense, per se, but a guideline that  
2 Court's use in analyzing marks. See Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin  
3 Maison Fondée En 1772, 396 F.3d 1369, 1377 (Fed. Cir. 2005) (“Under the doctrine of foreign  
4 equivalents, foreign words from common languages are translated into English to determine  
5 genericness, descriptiveness, as well as similarity of connotation in order to ascertain confusing  
6 similarity with English word marks.”) Accordingly, the Court will strike Defendant's doctrine of  
7 foreign equivalents defense.

8           **E. Seventh Affirmative Defense: Mitigation of Damages and Abandonment**

9           Defendant's Seventh Affirmative Defense alleges that other companies have used the “El  
10 Gallo” mark, including Cerveza Gallo, which promoted its beer product on Facebook with the  
11 “Gallo” mark and rooster logo. Defendant further alleges that Plaintiff has allowed such  
12 promotional activity and therefore failed to mitigate its damages and effectively abandoned its  
13 mark.

14           Defendant's Seventh Affirmative Defense confusingly combines two discrete defenses  
15 under a single heading, namely failure to mitigate and abandonment of the trademark. It is also  
16 worth noting that Defendant confusingly asserted the abandonment defense a second time under  
17 the Ninth Affirmative Defense. Accordingly, the Court will strike the Seventh Affirmative  
18 Defense.

19           Generally, the failure to mitigate “generally refers to the defense that the plaintiff could  
20 have avoided reasonably all or part of the claimed damages.” 22 Am. Jur. 2d Damages § 346  
21 (2014). Typically, a generalized statement meets the defendant's pleading burden with respect to  
22 the affirmative defense of damage mitigation. See Desert European Motorcars, Ltd. v. Desert  
23 European Motorcars, Inc., No. EDCV 11-197 RSWL (DTBx), 2011 WL 3809933, at \* 2 (C.D.  
24 Cal. Aug. 25, 2011). However, in this case, Defendant confused matters by combining the  
25 abandonment defense with the mitigation defense and alleging facts that have no apparent  
26 relation to the doctrine of mitigation. It is unclear how Plaintiff's failure to prosecute claims  
27 against other third party trademark infringers has any relevance to Plaintiff's failure to mitigate  
28 its damages with respect to Defendant's trademark infringement.



1 With respect to the affirmative defense of abandonment, a trademark is deemed  
2 abandoned ““when any course of conduct of the owner, including acts of omission as well as  
3 commission causes the *mark* to become ... generic ..., or otherwise to lose its significance as a  
4 mark.”” adidas-America, Inc., 546 F. Supp. 2d at 1076. However, merely alleging the existence  
5 of third-party infringers is irrelevant. Id. Accordingly, Defendant’s allegation that some third  
6 party infringer exists and was not prosecuted by Plaintiff is not sufficient to support a defense  
7 based upon abandonment because that fact alone does not demonstrate that Plaintiff’s mark has  
8 become generic or has lost all significance as a mark.

9 **F. Eighth Affirmative Defense: “No Impairment or Harm to Gallo’s Mark  
10 Exists”**

11 Defendant’s eighth affirmative defense alleges no facts but merely concludes that no  
12 impairment or harm to Gallo’s mark exists. As the Court noted in its prior order on Plaintiff’s  
13 first motion to strike, this “defense” does not appear to be an affirmative defense at all, but  
14 instead merely a denial of the truth of Plaintiff’s factual allegations. Instead of reading and  
15 addressing the Court’s analysis, Defendant attempts to re-assert this “defense” without any  
16 change or additional argument after the Court had already stricken Defendant’s previous attempt  
17 to re-assert this “defense.” Since Defendant has not attempted to amend its answer to address the  
18 Court’s previous analysis, the Court will strike this affirmative defense once again.

19 **G. Ninth Affirmative Defense: Abandonment, Generic Mark, Lack of  
20 Secondary Meaning, and/or Implied License**

21 Defendant confusingly combines several legal issues under a single affirmative defense.  
22 The Court will strike this affirmative defense for failing to provide Plaintiff with fair notice of  
23 the precise nature of the defense.

24 Moreover, the facts alleged in support of this defense are incomprehensible. First,  
25 Defendant alleges that California common law does not recognize or apply the doctrine of  
26 foreign equivalents, and, therefore, state trademark law is preempted by federal law “because  
27 California has no power to regulate commerce with foreign nations.” (Second Am. Answer  
28 8:25-9:2.) This bewildering allegation makes little sense. Regulating marks that contain foreign

1 words is not the same as regulating commerce with foreign nations.

2 Defendant further alleges that their product is a drink regulated by the FDA and the Food,  
3 Drug and Cosmetic Act (“FDCA”), the FDA/FDCA allows foods to bear labels that describe the  
4 product, Defendant’s product is an “energy drink,” and:

5 47. Any claims the “Energy” portion of Grenade’s mark  
violates the Lanham Act, such claim is preempted by the FDCA.

6 48. Any claims the Doctrine of Foreign Equivalents does not  
7 apply, because the “Energy” portion of Grenade’s mark is in  
English, such claim is again preempted by the FDCA.

8 (Second Am. Answer 9:10-13.) These allegations also make little sense. Rather than untangle  
9 Defendant’s reasoning, it is sufficient for the Court to note that nothing in Plaintiff’s complaint  
10 comes remotely close to challenging Defendant’s use of the term “energy” in marketing or  
11 labeling its product. Accordingly, whatever defense Defendant is attempting to invoke is  
12 immaterial because it appears Defendant is attempting to raise a defense against a claim that  
13 Plaintiff is not making. The Court will strike Defendant’s Ninth Affirmative Defense.

14 **H. Leave to Amend**

15 While leave to amend is normally freely given after an affirmative defense is stricken,  
16 Wyshak, 607 F.2d at 826, Defendant’s affirmative defenses have already been stricken and  
17 Defendant attempted to reassert the same defenses. In some instances, Defendant made no effort  
18 to rectify the defects identified by the Court in the stricken defenses. In other instances,  
19 Defendant attempted to support its defenses based upon nonsensical allegations. Based upon  
20 Defendant’s conduct, it appears to the Court that Defendant’s defenses are being presented for an  
21 improper purpose to harass, delay, or needlessly increase the cost of litigation, see Fed. R. Civ.  
22 P. 11(b)(1), or Defendant’s counsel has no understanding or comprehension of the defenses he is  
23 attempting to assert.

24 Accordingly, leave to amend Defendant’s answer will not be granted unless Defendant  
25 first files a motion seeking leave to amend its answer and the Court grants such a motion. If  
26 Defendant files a motion seeking leave to amend its answer to assert a new affirmative defense,  
27 Defendant’s motion must:

28 //

- 1           1.     **Provide the Court with the Name of the Affirmative Defense.** The Court  
2           advises Defendant that if the name of the affirmative defense includes terms  
3           separated by commas (“,”), with the word “and,” or with the word “or,”  
4           Defendant may be improperly combining multiple affirmative defense under a  
5           single heading. Defendant may not combine multiple affirmative defenses under  
6           a single heading. Therefore, if the name of any affirmative defense includes any  
7           commas, “and’s” or “or’s”, Defendant shall separately explain why that defense  
8           constitutes a single affirmative defense rather than a confusing amalgamation of  
9           multiple affirmative defenses.
- 10          2.     **Provide the Court with the Elements of the Affirmative Defense.**  
11          Furthermore, Defendant must provide citations to statues or cases which recite the  
12          elements of the affirmative defense.
- 13          3.     **Provide the Court with a Statement of the Facts in this Case Which Give Rise**  
14          **to the Affirmative Defense Asserted.** Further, for each fact recited by  
15          Defendant, Defendant shall identify whether that fact has evidentiary support and  
16          identify the evidence which supports the fact, or Defendant shall certify that the  
17          fact will likely have evidentiary support after a reasonable opportunity for further  
18          investigation or discovery and explain the basis of Defendant’s belief that the fact  
19          will have such evidentiary support.
- 20          4.     **Provide the Court with an Explanation as to How the Elements of the**  
21          **Affirmative Defense Are Satisfied by the Statement of Facts Which Give Rise**  
22          **to the Affirmative Defense.** Moreover, Defendant shall provide the Court with  
23          at least one citation to a case with facts comparable to the facts in this case and  
24          recognizing the applicability of the affirmative defense asserted. If Defendant  
25          cannot find such a case, Defendant must explain how, despite Defendant’s  
26          inability to find applicable precedent, the asserted affirmative defense is  
27          warranted by existing law or by a nonfrivolous argument for extending,  
28          modifying, or reversing existing law or for establishing new law.

