

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

VITALGO, Inc. and VITALGO SYSTEMS LTD.,)	
)	
Plaintiffs,)	
)	Case No. 16-cv-5577
v.)	
)	Judge Robert M. Dow, Jr.
KREG THERAPEUTICS, INC. and)	
CRAIG POULOS,)	
)	
Defendants.)	

MEMORANDUM OPINION AND ORDER

Plaintiffs VitalGo, Inc. (“VitalGo”) and VitalGo Systems Ltd. (“Plaintiffs”) bring this action against Defendants Kreg Therapeutics, Inc. (“Kreg”) and Craig Poulos (“Defendants”) alleging copyright and trademark infringement and unfair competition under federal and state law. Currently before the Court is Defendants’ combined motion [49] to strike portions of Plaintiffs’ First Amended Complaint and to dismiss all claims in the First Amended Complaint with prejudice and Defendants’ motion [55] to stay discovery. For the reasons stated below, Defendants’ motion [49] is granted and part and denied in part. The Court grants Defendants’ motion to strike in part: paragraphs 28–47, 50–53, 55, 64, 77–79, 84–87, 89–91, and 108–09, as well as portions of paragraphs 25 and 113 (25(1)–(10) and 113(1)–(10)), are stricken from the First Amended Complaint as they relate solely to the claims this Court has previously dismissed. Furthermore, the Court grants Defendants’ motion to dismiss Count II, Count III, Count V, Count VI, and Count VII, and denies Defendants’ motion to dismiss Count I and Count IV. Plaintiffs will be given one final attempt to replead Counts II, III, V, VI, and VII on or before January 22, 2018. Defendants’ motion [55] to stay discovery pending the resolution of its motion to strike and to dismiss is denied as moot. This case is set for further status on January

30, 2018 at 10:00 a.m. to discuss a discovery plan.¹ Counsel are directed to confer and submit an updated joint status report no later than January 26, 2018.

I. Background

The background of this case, and of the more extensive litigation in which VitalGo and Kreg have been engaged before this Court, is set forth in the Court's previous opinion in this case, knowledge of which is assumed here. [See 41 at 1–7.] Briefly summarized, the parties entered into an agreement pursuant to which Kreg was granted the exclusive right to distribute Plaintiffs' Total Lift Bed product in certain regions of the country. In 2011, VitalGo terminated the parties' agreement, and Kreg thereafter filed suit (the "2011 Lawsuit") against VitalGo for breach of that agreement. VitalGo counterclaimed that Kreg had violated the parties' agreement by both making unauthorized alterations to the Total Lift Bed without VitalGo's prior written approval and by failing to obtain VitalGo's approval of all advertisements and promotional materials Kreg used to promote and sell Total Lift Beds.²

In May 2016, Plaintiffs filed the instant lawsuit, bringing claims against Defendants for copyright infringement in violation of 17 U.S.C. § 501 (Count I); unfair competition and false designation of origin pursuant to Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A) (Count II); unfair competition and false advertisement pursuant to Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B) (Count III); common law trademark infringement (Count IV);

¹ In their motion [55] to stay discovery, Defendants have complained about the scope of the discovery requests that Plaintiffs served on them in May 2017. In light of the Court's decision, Plaintiffs should tailor their requests to be consistent with the claims that are allowed to go forward. To the extent that Plaintiffs are successful in the future in meeting the Rule 9(b) particularity standard for the claims that are being dismissed here, Plaintiffs may expand the scope of discovery at the appropriate time.

² The 2011 Lawsuit has concluded proceedings before the district court and is currently on appeal. After a bench trial, the Court concluded that Kreg was entitled to \$642,610 in damages plus \$364,593 in prejudgment interest, for a total award of \$1,007,203. See *Kreg Therapeutics, Inc. v. Vitalgo, Inc.*, Docket Entry 250, No. 11-cv-6771 (N.D. Ill.) (Memorandum Opinion and Order).

common law unfair competition (Count V); violation of the Illinois Uniform Deceptive Trade Practices Act (IUDTPA), 815 Ill. Comp. Stat. 510/1 *et seq.* (Count VI); and violation of the Illinois Consumer Fraud and Deceptive Business Practices Act (ICFA), 815 Ill. Comp. Stat. 505/1 *et seq.* (Count VII). [1 ¶ 2.] According to the original complaint, Plaintiffs began using VitalGo and Total Lift Bed marks in the United States in 2008, Plaintiffs began showing the Total Lift Bed in advertising and marketing materials in approximately 2008, and Plaintiffs have filed copyright applications for a brochure and for two digital renderings of the Total Lift Bed. [1 ¶¶ 14, 18.] Plaintiffs alleged that (1) Defendants marketed Plaintiffs' Total Lift Bed as an "Exclusive Kreg Product" or as a "Kreg Bed" and used Plaintiffs' Copyrighted Works in doing so since October 2011; (2) Defendants made modifications to Plaintiffs' Total Lift Beds but continued to advertise them as Total Lift Beds in 2010 or 2011; and (3) Defendants developed the Kreg Catalyst Bed in 2014 to compete with the Total Lift Bed and, until March 2016, they promoted the Catalyst Bed using the Total Lift Bed mark and Plaintiffs' Copyrighted Works. [41 at 7.]

Defendants moved to dismiss [18] Plaintiffs' complaint in July 2016. To support their motion, Defendants argued that (1) Plaintiffs were judicially estopped from asserting their claims; (2) Plaintiffs' claims could not be alleged in an independent lawsuit because they constituted impermissible claim splitting; (3) no factual allegations demonstrated Defendant Poulos's personal liability; (4) the doctrine of laches barred Plaintiffs' Lanham Act claims; (5) Plaintiffs did not allege actual consumer reliance on Defendants' alleged misleading advertisements as necessary to support its Lanham Act claims; and (6) Plaintiffs could not seek attorneys' fees under the Copyright Act. On March 29, 2017, the Court granted in part and denied in part Defendants' motion. [See 41.] The Court held that the doctrine of claim splitting

precluded Plaintiffs from bringing claims against Defendants relating to Defendants' modifications to the Total Lift Bed and to Defendants' allegedly infringing marketing and promotional materials for the Total Lift Bed because those claims were based on the same set of operative facts underlying VitalGo's counterclaim in the 2011 Lawsuit. [41 at 9–18.] The Court also held that Plaintiffs could proceed with their claims to the extent these claims are based on Defendants' alleged marketing of their Catalyst Bed using Plaintiffs' intellectual property because the underlying facts on which these allegations are based are separate and distinct from those underlying Plaintiff VitalGo's counterclaims in the 2011 Lawsuit. [41 at 18–19.] The Court also dismissed Plaintiffs' claims for attorneys' fees pursuant to § 505 of the Copyright Act. [41 at 27.]

Plaintiffs then filed their First Amended Complaint on May 3, 2017. [See 43.] Defendants responded on May 31, 2017 by filing the instant motion [49] to strike various allegations from the First Amended Complaint concerning the Total Lift Bed pursuant to Federal Rule of Civil Procedure (“Rule”) 12(f) and to dismiss the remaining claims in the First Amended Complaint pursuant to Rule 12(b)(6).

II. Defendants' Rule 12(f) Motion to Strike

A. Legal Standard

Under Rule 12(f), “[t]he court may strike from a pleading an insufficient defense or any redundant, immaterial, impertinent, or scandalous matter.” Fed. R. Civ. P. 12(f). Motions to strike are generally disfavored but may be used to expedite a case by “remov[ing] unnecessary clutter.” *Heller Fin., Inc. v. Midwhey Powder Co., Inc.*, 883 F.2d 1286, 1294 (7th Cir. 1989); see also *NewNet Commc'n Techs., LLC v. VI E-Cell Tropical Telecom, Ltd.*, 85 F. Supp. 3d 988, 993 (N.D. Ill. 2015) (“But where a defendant's asserted [affirmative defenses] are both legion and

mostly frivolous, a motion to strike can aid the parties in resolving the case by removing irrelevant issues from consideration.”). When seeking to strike specific allegations, “the movant must show that the allegations being challenged are so unrelated to plaintiff’s claim as to be void of merit and unworthy of any consideration and that the allegations are unduly prejudicial.” *Cumis Ins. Soc’y, Inc. v. Peters*, 983 F. Supp. 787, 798 (N.D. Ill. 1997) (internal quotation marks and citation omitted); see also *Manuel v. Lucenti*, 2004 WL 2608355, at *2 (N.D. Ill. Nov. 16, 2004) (“To prevail on a motion to strike under Rule 12(f), defendants must demonstrate that the material at issue does not bear on the subject matter of the litigation and will prejudice the defendants.”). A district court has “considerable discretion” in striking redundant, immaterial, impertinent, or scandalous matter. *Delta Consulting Grp., Inc. v. R. Randle Constr., Inc.*, 554 F.3d 1133, 1141 (7th Cir. 2009).

B. Analysis

Defendants argue that the vast majority of the factual allegations contained in Plaintiffs’ First Amended Complaint must be stricken because they only relate to the previously dismissed claims (regarding Defendants’ modifications to the Total Lift Bed and to Defendants’ allegedly infringing marketing and promotional materials for the Total Lift Bed) and, as such, are irrelevant to the Catalyst Bed-related claims that remain in the case. Specifically, Defendants request that the Court strike paragraphs 20–23, 25–66, 69–79, 84–87, 89–91, 108–09, and 116–28 in their entirety and portions of paragraphs 25 and 113 from the First Amended Complaint. Defendants argue that it would be highly prejudicial for these factual allegations to remain in the First Amended Complaint—thus “reviving” the previously-dismissed claims—because then Defendants would not reap the benefit of their successful motion to dismiss.

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.