

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF KENTUCKY
AT LOUISVILLE

PAPA JOHN'S INTERNATIONAL, INC., et al

PLAINTIFFS

v.

CIVIL ACTION NO. 3:99CV-270-S

PIZZA HUT, INC.

DEFENDANT

MEMORANDUM OPINION

This matter is before the Court on the Motion to Dismiss or Transfer made by the Defendant, Pizza Hut, Inc. ("Pizza Hut"). Pizza Hut asserts that the claims filed by the Plaintiff Papa John's International, Inc., ("Papa John's") should be dismissed because they are compulsory counterclaims in a pending litigation in the Northern District of Texas. Pizza Hut further asserts that the claims filed by Plaintiff John H. Schnatter, Chief Executive Officer of Papa John's, should be transferred to the Northern District of Texas pursuant to 28 U.S.C. § 1404(a). For the reasons that follow, we will deny Pizza Hut's motion.

FACTS AND PROCEDURAL HISTORY

Pizza Hut and Papa John's operate competing nationwide pizza restaurant chains. Pizza Hut has been in business for nearly forty years, while Papa John's is a relative newcomer, having been started in 1984. In recent years, Papa John's has based its advertising campaign upon the slogan "Better Ingredients, Better Pizza." In that advertising campaign, it has made comparisons between its product and Pizza Hut's product. In response, Pizza Hut filed suit in the United States District Court for the Northern District of Texas in August, 1998, alleging that Papa John's had violated the Lanham Act, 15 U.S.C. § 1125(a) by engaging in false and misleading comparative advertising (the "Texas Litigation"). The subject matter of Pizza Hut's lawsuit centers around Papa John's slogan,

“Better Ingredients, Better Pizza,” including allegations regarding each restaurant’s sauce, dough, and toppings.

Pizza Hut also responded with its own advertising campaign comparing Papa John’s and Pizza Hut products. Three commercials in this advertising campaign became the subject of a counterclaim filed by Papa John’s in the Texas Litigation, alleging that Pizza Hut had violated the Lanham Act by engaging in false and misleading advertising. A fourth commercial by Pizza Hut used an excerpt from a Papa John’s commercial in which Plaintiff Schnatter appeared. In response to this commercial, Papa John’s and Schnatter filed the instant lawsuit in the Western District of Kentucky, alleging federal claims based upon violations of the Lanham Act as well as state law claims.

Pizza Hut has now filed a motion to dismiss or transfer. It asserts that Papa John’s claims in the instant case are compulsory counterclaims which should have been filed in the Texas Litigation. It also moves to have Schnatter’s claims transferred to the Texas Litigation pursuant to 28 U.S.C. § 1404(a), claiming that virtually all of the evidence and issues required for disposition of Schnatter’s claims will be heard in the Texas Litigation.

DISCUSSION

Federal Rule of Civil Procedure 13(a) provides that a compulsory counterclaim is a claim which “arises out of the same transaction or occurrence that is the subject matter of the opposing party’s claim.” In applying the rule, the Court of Appeals for the Sixth Circuit employs the “logical relationship” test to determine whether a claim is a compulsory counterclaim. Under that test, we are to determine whether the issues of law and fact raised by the claims are largely the same, and whether substantially the same evidence would support or refute both claims. *Sanders v. First Nat’l Bank & Trust Co.*, 936 F.2d 273, 277 (6th Cir. 1991). The claims to be compared are the complaint filed by Pizza Hut in the Texas Litigation, and the complaint filed by Papa John’s in the instant case.

Although Pizza Hut spends a significant portion of their motion trying to demonstrate similarities between Papa John's complaint in this case and Papa John's counterclaims filed in the Texas Litigation, the counterclaims filed in the Texas Litigation are irrelevant to our determination.

We first note that the Pizza Hut's complaint in the Texas Litigation is based upon advertising done by Papa John's while Papa John's complaint in the instant litigation is based upon a Pizza Hut commercial. This commercial was aired several months after the Texas Litigation was commenced. Pizza Hut relies heavily upon the fact that part of their claims in the Texas Litigation include claims about the quality of the two parties' pizza dough, and that part of Papa John's claim in the instant case also involves the quality of the two parties' pizza dough. Thus, some overlap does exist between the two sets of claims. However, a key difference exists between the two claims. Nowhere in the Texas Litigation will the issue be raised of the use of Schnatter's likeness by Pizza Hut in their commercial. The alleged misleading effect of this use is intertwined in the instant litigation with the claims regarding the two parties' pizza dough. It therefore follows that the claims are not largely the same, nor would substantially the same evidence support or refute both claims. Papa John's claims in the instant case are not compulsory counterclaims in the Texas Litigation, and thus, they will not be dismissed.

Pizza Hut has asked that in the alternative, the instant case be transferred to the Texas Litigation pursuant to 28 U.S.C. § 1404(a). As the Texas Litigation has already gone to trial, such a transfer would be futile.

CONCLUSION

Although some overlaps exists between claims in the Texas Litigation and those in the instant case, they do not arise out of the same transaction or occurrence. Pizza Hut's motion to dismiss or transfer will be denied by separate order.

IT IS SO ORDERED this _____ day of _____, 1999.

CHARLES R. SIMPSON III, CHIEF JUDGE
UNITED STATES DISTRICT COURT

cc: Counsel of Record

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ORDER

For the reasons set forth in the memorandum opinion entered this date and the court being otherwise sufficiently advised, **IT IS HEREBY ORDERED AND ADJUDGED** that the Motion of the Defendant to dismiss or transfer is **DENIED**.

This ____ day of _____, 1999.

CHARLES R. SIMPSON III, CHIEF JUDGE
UNITED STATES DISTRICT COURT

cc: Counsel of Record