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Attorneys for Defendant BP Lubricants USA, Inc.

UNITED STATES DISTRICT COURT
DISTRICT OF IDAHO

PRO-FORMANCE LUBE CENTER,

Plaintiff,

vs.

BP LUBRICANTS USA, INC., formerly
CASTROL CONSUMER NORTH
AMERICA; DOES 1 THROUGH 10, and
CORPORATIONS A THROUGH Z,
INCLUSIVE,

Defendants.

) No. 08-290-N-BLW

) BP LUBRICANTS USA, INC.'S FIRST
) AMENDED ANSWER, AFFIRMATIVE
) DEFENSES AND COUNTERCLAIMS

ANSWER

1. Defendant BP Lubricants USA, Inc., formerly known as Castrol North America, Inc. (hereinafter "**CASTROL**") denies the allegations contained in Paragraph 1 of the Complaint for want of information or knowledge sufficient to form a belief as their truth; except, however, CASTROL admits that Plaintiff operates a quick lube business in Spokane County, Washington.

2. CASTROL admits the allegations contained in Paragraph 2 of Plaintiff's Complaint.

3. CASTROL denies the allegations contained in paragraph 3 of the Complaint for want of information or knowledge sufficient to form a belief as their truth.

4. CASTROL denies the allegations contained in Paragraph 4 of the Complaint for want of information or knowledge sufficient to form a belief as their truth.

5. CASTROL denies the allegations contained in Paragraph 5 of the Complaint for want of information or knowledge sufficient to form a belief as their truth.

6. CASTROL denies the allegations contain in Paragraph 6 of the Complaint for want of information or knowledge sufficient to form a belief as their truth; except CASTROL admits that it is not a corporate citizen of the State of Idaho.

7. CASTROL denies the allegations contained in Paragraph 7 of the Complaint.

8. CASTROL denies the allegations contained in Paragraph 8 of the Complaint for want of information or knowledge sufficient to form a belief as their truth.

9. CASTROL admits that it has certain business contacts with Idaho and that it maintains a registered agent for service of process, but otherwise denies the allegations contained in Paragraph 9 of the Complaint.

10. CASTROL admits that it "resides" in this judicial district as that term is used in 28 U.S.C. §1391(c), but otherwise denies the allegations contained in Paragraph 10 of the Complaint.

11. CASTROL denies the allegations contained in Paragraph 11 of the Complaint.

12. CASTROL denies the allegations contained in Paragraph 12 of the Complaint.

13. CASTROL denies the allegations contained in Paragraph 13 of the Complaint.

14. CASTROL denies the allegations contained in Paragraph 14 of the Complaint.

15. CASTROL denies the allegations contained in Paragraph 15 of the Complaint.

CASTROL

16. CASTROL denies the allegations contained in Paragraph 16 of the Complaint for want of information or knowledge sufficient to form a belief as their truth.

17. CASTROL admits the allegations contained in Paragraph 17 of the Complaint.

18. CASTROL admits the allegations contained in Paragraph 18 of the Complaint, but to the extent that the Plaintiff's Complaint alleges that A&I Distributors (Automotive & Industrial Distributors of Billings) was or is acting as CASTROL's authorized agent, such allegations are specifically denied.

19. CASTROL incorporates its admissions and denials of Paragraphs 1 through 18 of the Complaint.

20. CASTROL denies the allegations contained in Paragraph 20 of the Complaint.

21. CASTROL denies the allegations contained in Paragraph 21 of the Complaint.

22. CASTROL denies the allegations contained in Paragraph 22 of the Complaint.

23. CASTROL incorporates its admissions and denials of Paragraphs 1 through 22 of the Complaint.

24. CASTROL denies the allegations contained in Paragraph 24 of the Complaint.

25. CASTROL denies the allegations contained in Paragraph 25 of the Complaint.

26. CASTROL denies the allegations contained in Paragraph 26 of the Complaint.

27. CASTROL incorporates its admissions and denials of Paragraphs 1 through 26 of the Complaint.

28. CASTROL denies the allegations contained in Paragraph 28 of the Complaint.

29. CASTROL denies the allegations contained in Paragraph 29 of the Complaint.

30. CASTROL denies the allegations contained in Paragraph 30 of the Complaint.

31. CASTROL denies the allegations contained in Paragraph 31 of the Complaint.

32. CASTROL denies the allegations contained in Paragraph 32 of the Complaint.

AFFIRMATIVE DEFENSES

33. The Complaint fails to state a claim upon which relief can be granted.

34. Plaintiff's claims are barred by the applicable statutes of limitations.

35. Plaintiff's claims are barred by the applicable statutes of frauds under the law of both Idaho and Washington.

36. Plaintiff's claims are barred by the parol evidence rules of both Idaho and Washington.

37. If CASTROL entered into any oral agreement with Plaintiff, and if such agreement were legally enforceable or binding, then CASTROL did not breach its oral agreement with Plaintiff because such agreement was terminable either by the terms of the agreement or by virtue of Plaintiff's breach of the agreement.

38. If Plaintiff suffered or incurred any injury or harm, then such injury or harm was proximately caused, in whole or in part, by the conduct or actions of Plaintiff, or by the conduct or the actions of third persons over whom CASTROL exercised no right of control.

39. If Plaintiff suffered or incurred any damages, then the damages that may be recovered are limited as a result of Plaintiff's failure to mitigate damages and Plaintiff's failure to comply with the provisions of its agreements with A&I Distribution and/or with CASTROL.

40. Any claim predicated on CASTROL's alleged violation of a duty of good faith is barred by Plaintiff's violation of the duty of good faith owed to CASTROL, and Plaintiff's other claims are barred by Plaintiff's unclean hands.

COUNTERCLAIMS

1. This Court has jurisdiction over CASTROL counterclaims pursuant to 28 U.S.C. § 1331, since the amount in controversy exceeds \$75,000 exclusive of interest and costs, and there exists complete diversity of citizenship between Plaintiff and CASTROL. Further, this Court has supplemental jurisdiction over CASTROL's counterclaims pursuant to 28 U.S.C. § 1367. This Court also has jurisdiction pursuant to 15 U.S.C. §1121; 28 U.S.C. §1338(a) and (b) and 28 U.S.C. §1331, since CASTROL's counterclaims allege violations of the Lanham Act.

Claims Related to Contract Breach

2. On or about April 12, 2004, Plaintiff entered into a Loan Agreement with CASTROL.

3. Pursuant to the terms of the Loan Agreement, CASTROL loaned Plaintiff cash and/or certain equipment and personal property with a value of \$101,300, and under the terms of the Loan Agreement, the loan to Plaintiff was amortized, and forgiven, over the term of the Loan Agreement so long as Plaintiff timely paid for certain Castrol-branded products from A&I Distributors and so long as Plaintiff satisfied its minimum purchasing commitments described in the Loan Agreement. In the event of a default, Plaintiff was required to repay the principal loan amount of \$101,300, less any amounts that had been amortized or forgiven pursuant to the terms of the Loan Agreement.

4. On or about April 1, 2005, Plaintiff entered into another Loan Agreement with CASTROL

5. Pursuant to the terms of the second Loan Agreement, CASTROL loaned Plaintiff cash and/or certain equipment and personal property with a value of \$58,300 and under the terms of the Loan Agreement, the loan to Plaintiff was amortized, and forgiven, over the term of the Loan Agreement so long as Plaintiff purchased certain Castrol-branded products from A&I Distributors and so long as Plaintiff satisfied its minimum purchasing commitments described in the Loan Agreement. In the event of a default, then Plaintiff was required to repay the principal loan amount of \$58,300, less any amounts that had been amortized or forgiven pursuant to the terms of the Loan Agreement.

6. Plaintiff defaulted under the terms of each Loan Agreement, and failed for some time to make its minimum purchase requirements. CASTROL has notified Plaintiff of its default, and made demand for all amounts due under the terms of the Loan Agreements.

7. Plaintiff has failed to pay any of the amounts owed to CASTROL under the Loan Agreements and, as a result, CASTROL is entitled to all amounts due, plus its reasonable costs and attorneys' fees as provided for under the Loan Agreements.

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Claims Related to Plaintiff's Use of CASTROL's Trademarks

8. CASTROL is a well-known automotive oil and lubricant manufacturer, which, among other things, produces and sells motor oils and lubricants under the Castrol® brand. The Castrol brand has been in existence for over 100 years.

9. CASTROL is the assignee and/or licensee of Castrol Ltd., the owner and registrant of numerous United States trademark registrations, including but not limited to the following: Castrol, GTX, Castrol GTX and Syntec (the "Castrol Marks"). These registrations are valid, subsisting and incontestable.

10. CASTROL has used these marks and others in connection with its business and on goods in interstate commerce for numerous years. CASTROL has given notice of its registered rights in the Castrol Marks by using the ® symbol in connection with its marks.

11. CASTROL has expended a substantial amount of money and effort in advertising and promoting the Castrol Marks in furtherance of its business. CASTROL's substantial promotional, advertising, publicity, and public relations activities, done individually and through its licensees, further promote the recognition and reputation associated with the Castrol Marks. These activities include television, billboard, radio, and newspaper advertisements.

12. The Castrol Marks are unique and distinctive such that they have become associated with Castrol in the mind of the public, and are relied upon by the public to identify the products provided in association therewith as having originated from CASTROL. CASTROL's widespread and substantial use of the Castrol Marks has conferred upon CASTROL rights of such strength that the Castrol Marks have become "famous" within the meaning of the Section 43 of the Lanham Act, 15 U.S.C. §1125(c).

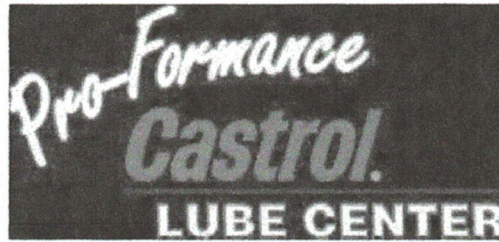
13. CASTROL distributes its products identified by the Castrol Marks through independent distributors, who in turn, resell the Castrol branded products to their customers. One such independent distributor is A&I Distributors. A&I Distributors in turn sells Castrol branded lubricants to Plaintiff for resell in Plaintiff's quick change lube centers.

14. A&I Distributors is (or at least was) a party to a "Sales Agreement" with Plaintiff. It is pursuant to this Sales Agreement that Plaintiff was required to purchase all Castrol Branded lubricants that it offered for sale in its quick change lube centers. Among other things, the Sales Agreement provided that Plaintiff agreed to purchase from A&I Distributors 100% of its monthly lubricant requirements for its quick change lube centers. Plaintiff further agreed, under the terms of the Loan Agreement, to purchase certain minimum quantities of Castrol branded products from A&I Distributors. Under the agreements between A&I and Plaintiff, it was understood that all or virtually all lubricants that Plaintiff sold would be Castrol branded products. Plaintiff received signage and other material containing the Castrol Marks all with the understanding that lubricants sold by Plaintiff would be Castrol branded products.

15. Plaintiff is and has for some time displayed signage and otherwise used the Castrol Marks even though it has not been purchasing Castrol-branded lubricants as the primary lubricant in its business.

16. CASTROL consented to Plaintiff's use of Castrol's marks to identify the Castrol-branded products sold in Plaintiff's quick lube centers. CASTROL did not consent and never authorized Plaintiff to use the Castrol name or the Castrol Marks to be used to identify Plaintiff's business in any fashion, or in such a manner as would suggest to the public that Plaintiff's business was sponsored by, or affiliated with CASTROL.

17. Without CASTROL's consent or authorization, Plaintiff has used the Castrol name and Castrol Marks in a fashion that suggests that Plaintiff's business itself is sponsored by or affiliated with Castrol, and that further suggests to any reasonable consumer that only Castrol branded products are available in Plaintiff's quick change lube centers. Among other things, Plaintiff is using the Castrol name to identify its business, holding itself out as "Pro-Formance Castrol Lube Center" such as on the following graphic maintained on Plaintiff's Internet website:



And by its extensive branding of its business operations with the Castrol Marks, Plaintiff is using the Castrol Marks to suggest to the public that it sells only Castrol branded products (when it does not), that Plaintiff's business is affiliated with or sponsored in some fashion by CASTROL (which it is not), and that customers are purchasing Castrol branded products (when in fact they may be purchasing products produced and manufactured by another manufacturer). In short, consumers are left to reasonably believe that they are buying Castrol branded products, when in fact they are not.

18. CASTROL advised Plaintiff that its use of the Castrol Marks is unauthorized and has requested that Plaintiff discontinue the unauthorized and improper use of the Castrol Marks. Plaintiff continues to use the Castrol Marks in an unauthorized and improper manner and fashion, and by such unauthorized use, Plaintiff is continuing to use the Castrol Marks to reasonably confuse the public by suggesting that (a) Plaintiff's business is affiliated with or otherwise sponsored or endorsed by CASTROL; (b) that Castrol branded products are the featured lubricants used in its oil change services (when in fact they are not); and (c) that only Castrol branded products are sold in Plaintiff's bulk tanks, and, therefore, that customers are buying genuine Castrol branded products, when they are not. These activities have caused and are likely to continue to cause confusion in the eyes of the public and tarnishment of CASTROL's reputation and goodwill.

19. Plaintiff's use of the Castrol Marks is without the consent of CASTROL, and in a manner which has and is likely to cause confusion, to cause mistake, or to deceive consumers as to the source or origin of the products or services offered for sale by Plaintiff.

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20. Plaintiff's actions were and are done with constructive and actual notice of CASTROL's senior rights in the Castrol Marks, as well as with the real knowledge of the likelihood of confusion engendered by Plaintiff's use of the Castrol's Marks. Plaintiff may well have actively deceived consumers who have specifically requested Castrol lubricants by having the consumers believe they are receiving Castrol lubricants when in fact they have not.

21. By its improper and unauthorized use of the Castrol Marks in commerce, Plaintiff has and continues to:

- a. Infringe the Castrol Marks in violation of the Lanham Act; 15 U.S.C. §1114;
- b. Compete unfairly and to violate the provisions of 15 U.S.C. §1125(a);
- c. Violate applicable state common law and statutory consumer protection laws and unfair competition laws, including, but not limited to, the provisions of Washington's Consumer Protection Act, RCW 19.86.020; and
- d. Breach the implied covenant of good faith to the extent there may exist any binding contract or agreement between the parties.

22. Plaintiff's conduct has caused and will continue to cause CASTROL irreparable injury and damage unless Plaintiff is preliminarily and permanently enjoined from its improper usage of the Castrol Marks.

23. As a direct and proximate result of Plaintiff's improper conduct, Plaintiff has been and continues to be unjustly enriched, while CASTROL has suffered and will continue to be damaged. CASTROL is therefore entitled to recover from Plaintiff its damages and restitution in such amounts as will be proved at trial.

Wherefore, defendant CASTROL prays for relief as follows:


- A. For entry of judgment in its favor dismissing Plaintiff's claims;
- B. For judgment in its favor on its counterclaims and awarding damages and other monetary recovery against Plaintiff in such amounts as proved at trial;
- C. For judgment in its favor on its counterclaims and awarding a preliminary and permanent injunction prohibiting Plaintiff from misusing the Castrol Marks.

D. For an award of attorneys' fees and costs, as provided for under the terms of the Loan Agreements, as well as under applicable law.

E. For such other relief as CASTROL may be entitled under applicable law.

DATED this 29th day of August, 2008.

GRAHAM & DUNN PC

By 
Douglas C. Berry - Of the Firm
M. Owen Gabrielson - Of the Firm
Attorneys for Defendant BP Lubricants USA,
Inc.

OF COUNSEL:

MOFFATT, THOMAS, BARRETT, ROCK & FIELDS,
CHARTERED

By s/
James L. Martin - Of the Firm
Attorneys for Defendant BP Lubricants USA,
Inc.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she is an employee of Graham & Dunn PC and is a person of such age and discretion to be competent to serve papers.

That on August 29, 2008, he/she electronically filed:

ANSWER, AFFIRMATIVE DEFENSES AND COUNTERCLAIMS

with the Clerk of the court using the CM/ECF system which sent a Notice of Electronic Filing to the following persons:

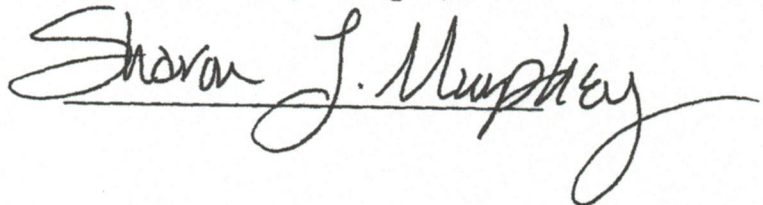
John E. Miller

And, placing a copy in postpaid envelope addressed to the person(s) hereinafter named, at the place(s) and address(es) stated below, which is/are the last known address(es), and by depositing said envelope and contents in the United States Mail at Boise, Idaho in accordance with the Rules of Procedure, to the following non-CM/ECF Registered Participant(s):

Addresses:

The Law Office of John E. Miller
A Professional Corporation
206 E. Indiana Avenue, Suite 200
Coeur d'Alene, ID 83814
Email: jmillerlaw@cda.twcbc.com

Dated this 29th day of August, 2008.

A handwritten signature in black ink, reading "Sharon J. Murphy". The signature is written in a cursive style with a long, sweeping underline that extends to the right.