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11
 12 **UNITED STATES DISTRICT COURT**
 13 **NORTHERN DISTRICT OF CALIFORNIA**

15
 16 WSJ, LLC d/b/a SEISMIC BREWING
 COMPANY,
 17 Plaintiff,
 18 v.
 19 DBI BEVERAGE INC.; DBI BEVERAGE
 NAPA; DBI BEVERAGE SACRAMENTO;
 20 DBI BEVERAGE SAN FRANCISCO; DBI
 BEVERAGE SAN JOAQUIN; DBI
 21 BEVERAGE SAN JOSE; REYES
 HOLDINGS, LLC; and HARBOR
 DISTRIBUTING LLC,
 22 Defendants.
 23

Case No. _____

ANTITRUST

**COMPLAINT BY WSJ, LLC d/b/a
 SEISMIC BREWING COMPANY FOR:**

- 1. **VIOLATIONS OF THE CLAYTON ACT
 (15 U.S.C. § 18.)**
- 2. **VIOLATIONS OF THE SHERMAN ACT
 (15 U.S.C. § 2)**
- 3. **VIOLATIONS OF CALIFORNIA'S
 UNFAIR COMPETITION LAW
 (Bus. & Prof. Code § 17200 *et seq.*)**

JURY TRIAL DEMANDED

REDACTED

28

INTRODUCTION

1
2 1. Seismic is a small, family-owned craft brewer dedicated to producing delicious,
3 sustainable beer from its epicenter in Sonoma County. Seismic brings this complaint for violations
4 of federal antitrust laws against the largest distributor in the United States, Reyes, and Seismic’s
5 former distributor, DBI, which conspired with Reyes to aid its monopolization of the beer
6 distribution market and to harm Seismic’s ability to distribute its products to consumers.

7 2. Craft beer originated in California, and California remains a key driver of growth in
8 the industry. California is home to over 1,000 craft breweries, which is more craft breweries than
9 any other state. In 2018, craft brewers in California supported over 61,000 people in full-time jobs,
10 paid over \$905 million in state and local taxes, and contributed over \$9 billion to California’s
11 economy.¹ They also made great beer.

12 3. In light of the antitrust violations discussed below, California’s once robust craft
13 beer industry is now in jeopardy. As a recent report issued by the U.S. Treasury on competition
14 issues in the alcohol industry recognized, “[d]istributors compete on factors such as logistical
15 capabilities, execution, marketing services, and financial terms to win and (franchise laws aside)
16 retain the business of suppliers with desirable brands.”² Beginning no later than 2018, Defendant
17 Reyes began rapidly acquiring beer distributors and expanding its market share to dominate beer
18 distribution in California. As a result, competition in the beer distribution has decreased, leading to
19 craft breweries and retailers being coerced into contracts with materially less favorable service
20 commitments.

21 4. On September 13, 2019, Defendant DBI was acquired by Reyes. DBI conspired
22 with Reyes to monopolize the California beer distribution market and unlawfully concentrate
23 Reyes’ power for the purposes of destroying fair competition. In furtherance of the conspiracy, DBI
24 agreed as part of Reyes’ acquisition to force Seismic and other craft brewers to “negotiate” new,
25

26
27 ¹ California Craft Brewers Association, *California Craft Beer 2018 Economic Impact* (Oct. 2019), available at
https://californiacraftbeer.com/wp-content/uploads/2019/12/CCBS_economicImpact19_85x11F.pdf.

28 ² See U.S. Treasury Report, *Competition in the Markets for Beer, Wine, and Spirits*, (Feb. 2022) at 23-24 (hereafter, the
“Federal Alcohol Competition Report”), available at <https://home.treasury.gov/system/files/136/Competition->

1 anticompetitive distribution agreements that make it virtually impossible to switch distributors
2 upon the purported sham assignments of Seismic’s and these brewers’ distribution rights.³

3 5. For example, Defendant Reyes attempted to force Seismic to abandon the contracts
4 it had negotiated at arm’s length with DBI and Elyxir Distributing LLC (which included favorable
5 termination terms for Seismic), and instead demanded that Seismic agree to an onerous form
6 contract that would have made it virtually impossible for Seismic to switch to a competing
7 distributor. When Seismic refused, DBI and Elyxir began pressuring Seismic to abandon its
8 contractual rights and submit to Reyes’ contract at Reyes’ behest and direction. They also
9 conspired to retaliate against Seismic and others who did not fall in line with their anticompetitive
10 plans. For example, after Seismic refused to accede to DBI’s collusion, Reyes placed “bounties”
11 that targeted Seismic’s points of distribution in a retaliatory manner. Upon information and belief,
12 bounties were arranged to incentivize DBI’s and Reyes’ salespeople to cause Seismic to lose
13 permanent “tap handle” placements at its important retail accounts. Similar attacks targeted other
14 craft brewers that rejected DBI’s sham assignments.

15 6. Aftershocks from DBI’s and Reyes’ anticompetitive conduct have damaged
16 competition and caused substantial injuries that the antitrust laws are intended to remedy. As a
17 result, Seismic has encountered massive bottlenecks, increased costs, and lost sales revenue trying
18 to get its product to market in the territories formerly covered by DBI and co-conspirator Elyxir.
19 Seismic has also incurred costs scrambling to replace the bespoke distribution agreements it had
20 negotiated—often on less favorable terms than those it had negotiated at arm’s length prior to
21 Reyes’ unlawful concentration of the market. Moreover, this highly concentrated market no longer
22 allows craft brewers to access a distributor, other than Reyes, that can offer a comparable scope to
23 the territories DBI covered.

24 7. In San Francisco, for example, Seismic could not find a replacement distributor for
25 months. Its sales cratered. The city, which is a bellwether of success or failure, became Seismic’s

26 _____
27 ³ Co-conspirator Elyxir Distributing LLC’s participation in the conspiracy followed the same pattern, except that until
28 Reyes acquired Elyxir, they were direct competitors in Monterey County. In or about June 2020, Elyxir joined the
conspiracy and likewise foisted a purported sham assignment of Seismic’s distribution rights (in reality, a wholly new
contract with a monopolistic distribution network) and threatened to punish Seismic for standing on its rights under the

1 worst-performing area. Seismic resorted to direct sales and self-distribution there until it was
2 finally able to sign on with a new distributor for that territory. Seismic was left with no choice but
3 to accept a worse distribution agreement and was unable to bargain for many of the key protections
4 that DBI had agreed to in the parties' distribution agreements.

5 8. Seismic therefore brings this Complaint against DBI and Reyes for violations of the
6 Clayton Act and Sherman Act. Seismic requests injunctive relief to restore a competitive market,
7 including an order requiring Reyes to divest itself of its numerous unlawful and anticompetitive
8 acquisitions (including of DBI and co-conspirator Elyxir). Seismic also seeks to recover the
9 millions of dollars in damages it has incurred as a result of Reyes', DBI's, and Reyes' co-
10 conspirator Elyxir's anticompetitive efforts to use Reyes' monopoly power to force Seismic to
11 consent to an abusively unfavorable and anticompetitive contract.

12 JURISDICTION AND VENUE

13 9. The Court has federal question jurisdiction over the federal claims asserted herein
14 pursuant to 28 U.S.C. § 1331 because they arise under the federal antitrust laws, and supplemental
15 jurisdiction over Seismic's claim under California's Unfair Competition Law pursuant to 28 U.S.C.
16 § 1367.

17 10. The Court has personal jurisdiction over Defendants because they directed their
18 tortious conduct at persons and activities within the State of California, and these claims arose in
19 California.

20 11. The Court further has jurisdiction over Defendants because they have offices and
21 transact business in the State of California and because they have consented to this jurisdiction.

22 12. The Court further has jurisdiction over the DBI Defendants because their principal
23 place of business is in California and they are registered here.

24 13. The Court further has jurisdiction over Defendant Harbor because its principal place
25 of business is in California and it is registered here.

26 14. The Court further has jurisdiction over Defendant Reyes because Harbor is its
27 wholly-owned subsidiary, as described further below.

28

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