

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO**

**JOSÉ SANTIAGO, INC.**

**Plaintiff,**

**v.**

**SMITHFIELD FOODS, INC.; ABC  
INSURANCE COMPANY**

**Defendants**

**CIVIL NO.: 22-1239**

**JURY TRIAL IS DEMANDED**

**PUERTO RICO DEALER'S ACT (ACT  
75); PRELIMINARY INJUNCTION;  
BREACH OF CONTRACT; DAMAGES**

**VERIFIED COMPLAINT**

**TO THE HONORABLE COURT:**

**COMES NOW** Plaintiff, José Santiago, Inc. (“José Santiago”), through the undersigned attorneys, and respectfully states, alleges and prays as follows:

**PARTIES**

1. José Santiago is a corporation organized and existing under the laws of the Commonwealth of Puerto Rico, having its principal place of business in Urbanización Industrial Luchetti, Carr. #5, Km. 4.4 Bayamón, Puerto Rico 00959.

2. Smithfield Foods, Inc. (“Smithfield”) is corporation organized in a state of the United States of America, and not in Puerto Rico, with headquarters located in 200 Commerce St, Smithfield, Virginia 23430. Smithfield is a wholly owned subsidiary of Hong Kong-based WH Group Limited, a publicly traded company. Smithfield owns the following brands: Smithfield, Eckrich, Nathan’s, Farmer John, Farmland, Armour, Carando, Cook’s, Curly’s, Gwaltney, Healthy Ones, John Morrell, Kretschmar, Margherita and Smithfield Culinary. Smithfield’s Registered Agent is the C T Corporation System with address in 4701 Cox Rd. Ste. 285, Glen Allen, VA 23060-6808.

3. ABC Insurance Company is the insurance carrier of Smithfield and whose identity is unknown at this time but who is liable to José Santiago for the facts alleged and the damages claimed in this Complaint.

#### **JURISDICTION AND VENUE**

4. This Honorable Court has subject matter jurisdiction pursuant to 28 U.S.C. §1332, because the citizenship of José Santiago and of Smithfield are completely diverse and the matter in controversy exceeds, exclusive of interests and costs, the sum of seventy-five thousand dollars (\$75,000.00).

5. Venue is proper in this Court pursuant to 28 U.S.C. §1391 (a) and (c) because José Santiago resides in this district and a substantial part of the events that give rise to the instant complaint occurred in this judicial district.

#### **STATEMENT OF FACTS**

6. José Santiago is the oldest, largest, and most advanced full-line foodservice distributor in Puerto Rico and the Caribbean, supplying meats, poultry, seafood, frozen foods, dairy products, fresh produce, groceries, beverages, equipment dispensing programs, sanitation supplies, and paper and disposables to thousands of hotels, restaurants, fast food chains, and public and private institutions.

7. As a foodservice distributor, José Santiago receives foodservice products directly from the world's leading manufacturers and producers and delivers them to foodservice operations through its own fleet of trucks. José Santiago offers the greatest variety of foodservice products, the most competitive prices and complete, diligent, and punctual service to its foodservice customers.

8. On October 10, 1995, José Santiago became the exclusive foodservice distributor of Farmland Foods, Inc.'s ("Farmland") products in Puerto Rico and did so with great success and uninterruptedly for decades, creating a market in Puerto Rico for said products.

9. In 2003 Smithfield acquired the Farmland brands distributed exclusively in Puerto Rico by José Santiago. After the acquisition of the Farmland brands by Smithfield in 2003, José Santiago continued to serve Smithfield as the Farmland brand's exclusive foodservice distributor in Puerto Rico. Since 2003, José Santiago has successfully distributed to its foodservice clients in Puerto Rico more than \$100 million in Farmland and Smithfield branded products.

10. In 2013, Smithfield was acquired by the Hong-Kong based WH Group, Ltd. (formerly known as Shuanghui Group). Notwithstanding the acquisition, José Santiago continued to serve as Smithfield's exclusive foodservice distributor in Puerto Rico for Farmland brand products.

11. José Santiago has consistently excelled in its duties as Smithfield's foodservice distributor in Puerto Rico, reaching more than \$11 million in annual sales of Smithfield products in the year 2021.

12. On October 29, 2019, representatives of José Santiago met with representatives of Smithfield who assured them that, despite a proposed brand consolidation process to be undertaken by Smithfield, the company had decided to maintain the Farmland brand for all processed foodservice products sold in Puerto Rico by José Santiago. Also, recognizing the stellar performance of José Santiago, Smithfield representatives represented to José Santiago that, in the event the Farmland brand was ever converted into any other Smithfield brand as part of the brand consolidation process, José Santiago would remain the exclusive distributor of any resulting Smithfield brand sold in Puerto Rico.

13. Despite repeated assurances, on May 18, 2020, José Santiago received notice from Smithfield that during the following six months it would streamline its brand offerings and that most of its core branded products, including Farmland, would become Smithfield products.

14. Additionally, Smithfield informed José Santiago that certain dry sausage and specialty Italian meat items would be consolidated under the Margherita brand.

15. Smithfield further notified that, effective January 2021, it would consolidate the Farmland brand, as well as the Eckrich, Armour, Curly's, John Morrell, Patrick Cudahy, Ember Farms, Farmer John, and Healthy Ones brands, into the Smithfield brand.

16. Immediately upon receipt of such communication, José Santiago reminded Smithfield of its assurances that in this eventuality José Santiago would remain as the exclusive foodservice distributor for the resulting Smithfield products, the same for which it had created a market.

17. On June 8, 2020, Smithfield's Vice President of Foodservice Distributive Sales, Mr. Art Michaels, further represented to José Santiago that Smithfield was committed to preserving José Santiago as its distributor. To that effect he stated that he wanted to convey Smithfield's "sincere gratitude for the many years of partnership our companies have enjoyed" and express "Smithfield's excitement about the opportunities that this new strategy would create in Puerto Rico for both Smithfield and José Santiago." Mr. Michaels also expressed in unequivocal terms to José Santiago to "rest assured that we [Smithfield] desire strongly to continue doing business with José Santiago, Inc. as a foodservice distributor."

18. Mr. Michaels also reiterated that effective January 2021 Smithfield's strategy would be to reduce the number of brands sold by Smithfield from more than twelve to only two and that, as a result of this strategy, the Farmland brand distributed by José Santiago would no

longer be sold in any market, including Puerto Rico, as “everything will be marketed under either the ‘Smithfield’ or the ‘Margherita’ brand”.

19. Mr. Michaels then requested a meeting with José Santiago’s representatives to “work through the details of this promising new arrangement.”

20. On June 15, 2020, representatives from Smithfield and José Santiago discussed the brand transition and consolidation process.

21. Smithfield’s representatives explained that, while José Santiago was the exclusive distributor of the Farmland brand in Puerto Rico, and Ballester Hermanos, Inc. was the distributor for the Margherita brand in the island, there was no “Smithfield” brand foodservice distributor in Puerto Rico. Smithfield explained that it was backtracking from its agreements with José Santiago and intended both companies to distribute the Smithfield-branded products in Puerto Rico.

22. Representatives of José Santiago contended that it had created the market for the Farmland products that would now be repackaged as Smithfield products in Puerto Rico and that it had been repeatedly reassured by Smithfield that it would remain as the *exclusive* foodservice distributor of the Farmland products repackaged under the Smithfield brand.

23. In violation of its agreement with José Santiago, Smithfield decided that it would not recognize an exclusive distributorship of Smithfield products in Puerto Rico and that now both distributors would have to offer the products to the Puerto Rico market.

24. On June 22, 2020, José Santiago, once again, objected to Smithfield’s decision to breach the exclusive distribution agreement it held with Smithfield and requested that Smithfield cease and desist from the sale of Smithfield and Farmland products to foodservice clients in Puerto Rico through distributors other than José Santiago.

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