

**UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF WISCONSIN**

Liguria Foods, LLC,

Court File No. _____

Plaintiff,

COMPLAINT

vs.

Palermo Villa, Inc.,

Defendant.

Liguria Foods, LLC, as and for its Complaint against Palermo Villa, Inc., states and alleges as follows:

PRELIMINARY STATEMENT

1. This lawsuit concerns Palermo Villa, Inc.'s ("Palermo") failure to pay Liguria Foods, LLC's ("Liguria Foods") for agreed-upon deliveries of more than \$500,000 of pepperoni that it received from Liguria Foods in 2019.

2. Specifically, Liguria Foods seeks to recover \$528,485.76 arising from separate purchase orders issued by Palermo for which it never paid, plus interest and any costs allowable by contract or other applicable law.

3. Additionally, Liguria Foods seeks to recover damages associated with Palermo's fraudulent misrepresentations related to Liguria Foods product.

4. On information and belief, in early-2019, Palermo lost control of its own operations and began producing contaminated frozen pizzas.

5. Rather than remedy its own food-safety failure, Palermo embarked on a nearly three-year fraudulent quest to wrongfully assign responsibility to Liguria Foods.

6. On information and belief, Palermo knew Liguria Foods was not the source of the contamination.

7. Now, after an exhaustive examination, which included testing by Palermo of the pepperoni, Liguria Foods and Palermo have adduced irrefutable proof that Liguria Foods is not—and never was—the source of any of the contamination alleged by Palermo.

8. Despite this confirmation, Palermo persists in its efforts to assign blame to Liguria Foods, and Palermo continues to refuse to pay money rightfully owed to Liguria Foods for the pepperoni it received in 2019.

JURISDICTION

9. This Court has jurisdiction pursuant to 28 U.S.C. § 1332(a)(1), in that this is a civil action between citizens of Iowa and Wisconsin, and the amount in controversy exceeds \$75,000, exclusive of interest and costs.

VENUE

10. Venue is proper in this district under 28 U.S.C. § 1391(b)(1) and 28 U.S.C. § 1391(b)(2), in that Palermo is a resident of this district and a substantial part of the events or omissions giving rise to the claims occurred in this district.

PARTIES

11. Liguria Foods is a limited liability company formed under the laws of Delaware and does business in Humboldt, Iowa.

12. None of Liguria Foods' members, up to and including its ultimate parent corporation, Chef Holdings, Inc., are citizens of Wisconsin.

13. Upon information and belief, Palermo is a Wisconsin corporation, with its principal place of business in Milwaukee, Wisconsin.

FACTS

I. Background on Liguria Foods.

14. Liguria Foods is a leading provider of premium quality meat toppings, including what many consider to be the market's best pepperoni.

15. Founded in 1974, Liguria Foods specializes in supporting food service customers. To that end, Liguria Foods creates quality pepperoni, salami, and other products for quality-minded pizzerias and sandwich shops that seek authentic Italian pepperoni and Italian-specialty meats.

16. In 2016, Liguria Foods began its next chapter when it was acquired by its current parent company, CTI Foods, LLC, a leading provider of custom food solutions to America's top restaurant chains.

17. Today, Liguria Foods continues to operate out of its Humboldt, Iowa facility, supplying more than twenty million pounds of pepperoni and other Italian-specialty meats per year to dozens of customers across the United States.

II. Liguria Foods' Overarching and Consistent Commitment to Food Safety.

18. Food safety is of the utmost priority to Liguria Foods.

19. Liguria Foods maintains a robust system of daily top-to-bottom sanitation, microbiology testing, equipment inspection, facility inspection, and general quality protocols to guarantee that its products are safe for human consumption.

20. Liguria Foods undergoes routine inspections and audits.

21. As a United States Department of Agriculture ("USDA") regulated entity, Liguria Foods is subject to regular governmental inspection, and USDA officials even maintain offices onsite to access Liguria Foods' production areas.

22. Liguria Foods conducts a Good Manufacturing Processes audit once each month, and it is subject to a third-party Global Foods Safety Initiative audit annually.

23. With respect to foreign material contamination, Liguria Foods maintains numerous mechanisms to prevent contamination.

24. Everything from Liguria Foods' employee dress code, to its materials-handling guidelines, to its daily preoperational inspection of the facility is designed to make sure that foreign material never ends up inside Liguria Foods' product.

25. Blue belting and other means of conveying product are inspected daily, and the results of the inspection are recorded. If a blue belt shows any signs of wear, it will be cut down to create a food-safe surface that cannot tear or crumble into the product.

26. Liguria Foods maintains metal detectors at various critical intercept points along the production line. If the metal detector detects metal in the product, the product is automatically rejected.

27. Liguria Foods stands behind its product and provides customers with a guarantee that the product leaving the facility is safe for human consumption and is unadulterated.

III. Palermo Falsely Accuses Liguria Foods of Selling Contaminated Product.

28. Liguria Foods has done business with Palermo since 2016, pursuant to a Master Supply Agreement.

29. On or about April 19, 2019, Palermo notified Liguria Foods that it discovered what was described as "blue plastic" on pepperoni provided to Palermo by Liguria Foods. The discovery allegedly was made while slicing pepperoni for use on frozen pizzas.

30. Palermo alleged, but provided no evidence, that blue belting was discovered during slicing of the pepperoni sticks provided by Liguria Foods.

31. Palermo claimed that the blue belting was embedded in the pepperoni, but it provided no proof of that allegation.

32. Subsequent investigation indicated that the blue belting was found resting on top of the pepperoni and was not embedded, as Palermo initially claimed.

33. On information and belief, Palermo did not undertake a good faith investigation to determine if Palermo was the source of the contamination.

34. Palermo's lack of investigation is underscored by the fact that it took less than twenty-four hours to notify Liguria Foods that it concluded Liguria Foods was the sole and exclusive source of the contamination.

35. In making this accusation, Palermo did not offer Liguria Foods any evidence that Palermo had undertaken its own investigation.

36. Palermo also did not offer any evidence that it had taken any steps to disqualify Palermo's own systems or other ingredients utilized in the contaminated pizzas as the source of the contamination.

IV. Palermo Ordered and Accepted Additional Liguria Foods Product Without Paying.

37. At the same time that Palermo was accusing Liguria Foods of selling contaminated product, Palermo continued ordering product from Liguria Foods.

38. From February 12, 2019 through approximately May 1, 2019, Palermo submitted separate purchase orders for pepperoni to Liguria Foods.

39. Of the purchase orders, five were issued and nine were fulfilled after Palermo accused Liguria Foods of selling contaminated product.

40. Liguria Foods shipped pepperoni product to Palermo between April 15, 2019 and May 28, 2019.

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