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**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
WESTERN DIVISION**

KING TUNA, INC., a California  
corporation,  
  
                    Plaintiff,  
  
v.  
  
ANOVA FOOD, INC., a Georgia  
corporation,  
  
                    Defendant.

Case No. CV07-07451 ODW (AJWx)

**FINDINGS OF FACT AND CONCLUSIONS  
OF LAW AS TO ANOVA FOOD, INC.'S  
COUNTERCLAIMS**

1 The Court held a two-day bench trial from September 7, 2010 to September 8,  
2 2010. The bench trial involved Defendant and Counterclaimant, Anova Food, Inc.’s  
3 (“Anova”), counterclaims against Plaintiff and Counter-Defendant, King Tuna, Inc.  
4 (“King Tuna”). Based on the evidence and testimony at trial and further post-trial  
5 briefing, the Court makes the following findings of fact and conclusions of law  
6 pursuant to Rule 52(a) of the Federal Rules of Civil Procedure:

7 **FINDINGS OF FACT**

8 1. Anova filed counterclaims against King Tuna, a California corporation,  
9 alleging: (a) violations of the Lanham Act, 15 U.S.C. § 1051 *et seq.*, (b) false patent  
10 marking under 35 U.S.C. § 292 *et seq.*, and (c) violations of CAL. BUS. & PROF.  
11 CODE § 17200 *et seq.* Anova’s allegations stem from its contention that King Tuna  
12 knew it was not processing its filtered wood smoke (“FWS”) treated tuna according  
13 to U.S. Patent No. 5,484,619 (“the ‘619 patent”).

14 2. King Tuna is licensed to practice the ‘619 patent. In addition, King  
15 Tuna and its affiliated company, Tuna Processors, Inc. (“TPI”), holds a license to the  
16 Philippine Patent No. I-31138 (the “Philippine patent”) that is substantially similar to  
17 the ‘619 patent.

18 3. Kanemitsu Yamaoka (“Yamaoka”), one of the inventors of the ‘619 and  
19 the Philippine patents, instituted a patent infringement suit (“Philippine Infringement  
20 Action”) at the request of King Tuna and TPI against Phillips Seafood before the  
21 Philippine Intellectual Property Office (“IPO”). The Philippine Infringement Action  
22 was dismissed on October 30, 2006.

23 **BACKGROUND FACTS AS TO KING TUNA**

24 4. King Tuna was formed as a California corporation in late 2003.  
25 (PreTrial Conference Order dated April 19, 2010 (“PTCO”) at 4:2.) Mr. Joaquin Lu  
26 (“Lu”) is the majority owner of King Tuna. (PTCO at 4:15.)

27 5. Between January 1, 2004 and September 30, 2008, King Tuna  
28 imported and sold in excess of 7,109,000 pounds of tuna into the United States

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1 (PTCO at 4:3-4.) Mr. Christian Tregillis (“Tregillis”), King Tuna’s damages expert,  
2 submitted an adjusted amount: 7,222,787 pounds sold at an average price of \$4.11  
3 per pound with revenues of \$29,685,655.00. Using Tregillis’ adjusted data, sales of  
4 King Tuna’s FWS tuna from October 30, 2006 to September 30, 2008 were  
5 1,845,522 pounds with revenues of \$7,585,095.00 and from August 27, 2007 to  
6 September 30, 2008 were 742,897 pounds with revenues of \$3,053,308.00.  
7 (Tregillis Rebuttal Report 13 Nov 2009.)

8 6. Substantially all of King Tuna’s seafood imported into the United  
9 States were from Citra Mina Seafood Corporation (“Citra Mina”) and Mommy Gina  
10 Tuna Resources (“MGTR”), both located in the Philippines. (PTCO at 4:8-10.)

11 7. MGTR was a sole proprietorship under Lu until it was incorporated.  
12 (PTCO at 4:11-12.) Citra Mina owned the vast majority of the MGTR stock, and Lu  
13 and/or members of his family own a majority interest in Citra Mina. (PTCO at 4:13-  
14 14.) Thus, Lu and his family controlled King Tuna and its two suppliers, MGTR and  
15 Citra Mina, during the entire relevant damages period.

16 8. Lu became a member of TPI and had a vote in its operations in January  
17 2003. Lu became the sole member of TPI no later than February of 2006 (Trial Tr.  
18 9-8-10 at 1286:21 to 1287:1). From February of 2006, Lu was “effectively TPI” and  
19 “determined all of its strategies at that point” in consultation with Richard Friend  
20 (“Friend”), the Vice President of TPI. (Trial Tr. 5-7-10 at 493:12 to 494:10.)

21 **BACKGROUND FACTS AS TO ANOVA**

22 9. Since 1998, Anova was a Georgia corporation with its principal place  
23 of business in Tampa, Florida, and with its Quality Control office in Miami, Florida.  
24 (PTCO at 2:2-3.) Sometime between 1998 to 1999, Anova entered the business of  
25 selling seafood preserved with FWS, including FWS tuna products, in the United  
26 States. Anova continues in that same business today.

27 10. Anova sells its FWS tuna products under different “brands:” (a) the  
28 Anova brand, (b) the MyFish brand, (c) the Clearsmoke® brand, and (d) some

1 private label brands.

2 **FINDINGS AS TO PATENT FALSE MARKING VIOLATIONS**

3 11. The Court finds that King Tuna advertised that its FWS tuna was made  
4 in accordance to the ‘619 patent and marked its products accordingly. Specifically,  
5 King Tuna and its wholly-owned suppliers, MGTR and Citra Mina and their  
6 successors-in-interest, marked and advertised that all King Tuna’s FWS tuna sold in  
7 the United States were produced under the ‘619 patent during the relevant period.

8 12. Lu admitted at trial that he told all his customers from the beginning  
9 that the FWS tuna was protected by the ‘619 patent:

10 “Q: BY MR. HUFF: Didn’t you want to tell your customers that you  
11 were making this tasteless smoke under the ‘619 patent that was earlier  
12 than Yamaoka [sic: Kowalski’s patent] so they wouldn’t worry about  
13 infringement suits from Kowalski? A: Yes, Mr. Huff. We tell them  
14 that. \* \* \* Q: But ... the ‘619 patent ... was reduced to practice by  
15 Pescarich? A: Yes, Mr. Huff. Q: And you were telling them that;  
16 right? A: Yes. This is how the ‘619 patent was reduced to practice,  
17 Mr. Huff.” (Trial Tr. 9-8-10 at 1299:3-25.)

18 13. Byron Easley (“Easley”), King Tuna’s Sales and Marketing Director,  
19 testified he gave the Point of Sale brochure (Trial Exh. 621, p. 2) to all the customers  
20 and potential customers during the entire time of his employment with King Tuna.  
21 (May 6, 2010 Trial Tr. at 325:6-12; 393:14 to 394:18.) Particularly, Easley testified  
22 that marketing the tuna “as consistent with a patented process” of the ‘619 patent  
23 was a “key” part of their marketing. (Trial Tr. 5-6-10 at 325:6-12; 393:14 to 394:18.)  
24 He testified how important the ‘619 patent was to his customers: “I think the ability  
25 to establish that there was a patent and that we had the patent was an important way  
26 of establishing our credibility.” (*Id.* at 394:10-14; Trial Exh. 621, p. 2.<sup>1</sup>)

27 \_\_\_\_\_  
28 <sup>1</sup> Trial Exh. 621, p. 2 provides that King Tuna “utilizes ‘original’ Filtered Wood Smoke licensed under two U.S. Patents. This technology is applied to [King Tuna’s] highest quality brand - King

1           14. Easley worked at King Tuna from 2004 to 2009 covering the relevant  
2 time period in this case.

3           15. No evidence exists that these advertisements were corrected or modified  
4 during the entire time Easley worked at King Tuna until King Tuna stopped selling  
5 FWS tuna in the United States after September 30, 2008.

6           16. King Tuna stipulated in the PTCO that prior to September 2008 it  
7 advertised that its FWS tuna was made with the ‘619 patent (PTCO at 5:10-11), and  
8 that “King Tuna advertised that it preserved its filtered wood smoke tuna by use of  
9 the Yamaoka ‘619 patent, and that it marked and marketed product treated with  
10 filtered wood smoke as protected by U.S. Patent No. 5,484,619.” (PTCO at 4:26-28.)

11           17. King Tuna was aware that these advertisements were false in, at least  
12 one way: King Tuna never pre-cooled the FWS smoke down to 0° to 5° C before  
13 applying it to the tuna to be treated with FWS, as required by the ‘619 patent.

14           18. The ‘619 patent had three “steps” to complete its one independent claim  
15 for making FWS: (a) it must be made within a temperature range of 250° to 400° C;  
16 (b) it must be filtered to remove “mainly the tar;” and (c) it must be precooled to 0°  
17 to 5° C and remain at that extra-low temperature when applied to the tuna. (Trial  
18 Exh. 651, p. 8.)

19           19. Lu admitted that he received notices by judicial bodies construing the  
20 ‘619 patent’s one independent claim that showed the requirement of the cooling step.

21           20. The first such notice was in the year 2002, when Lu admitted that he  
22 read the ‘619 patent’s drawings, and saw that the drawing required a cooling  
23 chamber that cooled down the smoke that was then piped directly to the smoking  
24 chamber where the precooled smoke was to be applied to the tuna. Lu admitted he  
25 knew this was different from the process his companies always implemented.

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26  
27 Tuna as the best means of preserving fish color under household refrigeration. 1) U.S. Pat.  
28 #5,484,619 - extends shelf life under household refrigeration. Inventor: Kanemitsu Yamaoka of  
Japan, 01/16/96. Process fully FDA/USDC compliant.”

1           21. Lu admitted he knew from the beginning that they only cooled the FWS  
2 down to ambient temperatures in the Philippines. The smoke was then placed in  
3 large, yellow bags for storage in the “yard” around the plant in the Philippines until  
4 actually used in processing.

5           22. Regarding the Philippine Infringement Action, Lu admitted he knew of  
6 an interim ruling in July 2004 when the Philippine IPO ruled against Yamaoka and  
7 found no infringement by Phillips Seafood of the Philippine Patent. The IPO ruled  
8 that the Philippine Patent required the smoke to be precooled to 0° to 5° C before  
9 application to the tuna.

10           23. Lu admitted that he and TPI asked Yamaoka, inventor of the ‘619 patent  
11 and the similar Philippine Patent, to litigate the infringement claim on behalf of TPI  
12 against Phillips Seafood, shortly after they were licensed to use the ‘619 and  
13 Philippine Patents.

14           24. Lu admitted that TPI’s members, including Lu’s MGTR, funded and  
15 controlled the Philippine Infringement Action against Phillips Seafood through TPI.

16           25. After February 2006, Lu admitted he was “effectively TPI” and  
17 “determined all of its strategies at that point” in consultation with Friend, the Vice  
18 President of TPI. (Trial Tr. 5-7-10 at 493:12 to 494:10; *see also* Trial Tr. 9-8-10 at  
19 1286:21 to 1287:1.) Lu testified Yamaoka was a director and a minority shareholder  
20 of TPI. (*See, e.g.*, Trial Tr. 9-8-10 at 1287:10-23.)

21           26. On October 30, 2006, the Philippine IPO dismissed the Philippine  
22 Infringement Action against Phillips Seafood, confirming its earlier interim ruling in  
23 July 2004 that the Philippine Patent was not infringed by Phillips Seafood, because,  
24 *inter alia*, the Philippine Patent required the FWS to be precooled to 0° to 5° C.  
25 (Trial Exh. 905.)

26           27. Lu admitted during the May 2010 bench trial that he was aware of this  
27 October 30, 2006 ruling at the time and that this gave him “notice” that the  
28 Philippine Infringement Action against Phillips Seafood was dismissed and that

1 “your claims as you were construing them weren’t accepted by . . . [ ] the Philippine,  
2 [IPO].” (Trial Tr. May 7, 2010 at 505:14-20; 496:19 to 497:21.)

3 28. Lu, as the acting President and the only member of TPI, should have  
4 received notice of the October 30, 2006 ruling of the Philippine IPO dismissing the  
5 Philippine Infringement Action against Phillips Seafood.

6 29. Lu testified he consulted with Richard Friend regarding TPI’s strategies  
7 after February 2006. Friend wrote in September 2000 that at Pescarich they were not  
8 following the cooling step of the ‘619 patent because it had “commercial  
9 shortcomings” and instead eliminated the precooling chamber and the precooling  
10 step entirely. (Trial Exh. 907, p. 8, ¶ 32 at 9, ¶ 35.) Lu admitted that King Tuna  
11 followed the same Pescarich process for smoking their tuna.

12 30. On August 27, 2007, in response to the Court’s own inquiry as to when  
13 Lu became aware that he was not following the cooling step, Lu stated:

14 THE COURT: And what was the *earliest time you became aware that*  
15 *in order to correctly follow the ‘619 patent, you needed to precool the*  
16 *smoke* before applying it to the fish. When was the first time you  
17 learned that? THE WITNESS: I learned that in the East Asia  
18 arbitration case, your Honor. THE COURT: And the date on that was  
19 when? Or even the year? THE WITNESS: *August of 2007, your*  
20 *Honor.* (Trial Tr. 9-8-10 at 1306:19 to 1307:4; italics added).

21 **FINDINGS AS TO LANHAM ACT FALSE ADVERTISING VIOLATIONS**

22 31. King Tuna admits that its advertisements were not true because they  
23 never made FWS tuna according to the cooling step of the ‘619 patent.

24 32. At least as of October 30, 2006, King Tuna should have known that the  
25 ‘619 required a cooling step, which King Tuna does not implement in its own  
26 processes.

27 33. King Tuna represented to his customers that King Tuna’s FWS tuna was  
28 made pursuant to the ‘619 patent. In addition, Easley testified that King Tuna’s





1 October 30, 2006. See *Bibow v. Am. Saw and Mfg. Co.*, 490 F. Supp. 2d 128, 129  
2 (D. Mass. 2007) (citing *Arcadia Mach. & Tool, Inc. v. Sturm, Ruger & Co., Inc.*, 786  
3 F.2d 1124, 1125 (Fed. Cir. 1986) (“[A]s the statute indicates, deceptive intent, and  
4 not mere innocent oversight, is a critical element of any claim under § 292.”).  
5 Consequently, the relevant damages period shall run from October 30, 2006 to  
6 September 30, 2008.

7 ANOVA’S COUNTERCLAIMS

8 3. Section 292 states that whoever “uses in advertising in connection with  
9 any unpatented article, the word ‘patent’ or any word or number importing that the  
10 same is patented, for the purpose of deceiving the public ... [s]hall be fined no more  
11 than \$500 for every such offense.” 35 U.S.C. § 292. Accordingly, the elements in a  
12 patent marking claim are: (1) a marking or advertising that an object is patented  
13 (2) falsely (3) regarding an unpatented article (4) with intent to deceive the public.  
14 *Mayview Corp. v. Rodstein*, 620 F.2d 1347, 1359 (9th Cir. 1980). All elements have  
15 been established in this case. It is undisputed that at least as of October 30, 2006,  
16 King Tuna knew that its FWS tuna processing steps did not include the method  
17 embodied in the ‘619 patent. Marking and advertising their FWS tuna and other  
18 products, despite this knowledge from October 30, 2006 to September 30, 2008,  
19 satisfies the elements for patent false marking.

20 4. “The elements of a Lanham Act § 43(a) false advertising claim are: (1)  
21 a false statement of fact by the defendant in a commercial advertisement about its  
22 own . . . product; (2) the statement actually deceived or has the tendency to deceive a  
23 substantial segment of its audience; (3) the deception is material, in that it is likely to  
24 influence the purchasing decision; (4) the defendant caused its false statement to  
25 enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a  
26 result of the false statement, either by direct diversion of sales from itself to  
27 defendant or by a lessening of the goodwill associated with its products.” *Southland*  
28 *Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997) (citations

1 omitted). Here, all elements have been established. At least as of October 30, 2006,  
2 King Tuna admits that its advertisements were not true because they never made  
3 FWS tuna according to the cooling step of the '619 patent. Despite knowing that the  
4 processes embodied in the '619 patent were not properly applied in its products, Lu  
5 informed his customers otherwise. Also, King Tuna's marketing director, Easley,  
6 testified that King Tuna's advertisements claiming its FWS tuna were made with the  
7 '619 patent was "key" and important to establish "credibility" with all the customers  
8 and potential customers of King Tuna. Further, Easley admitted that all customers  
9 and potential customers were shown the Point of Sale brochure with the false  
10 advertisements (Trial Exh. 621, p. 2), and that many of these customers were from a  
11 number of states in America. Lastly, at least some of Anova's customers left Anova  
12 and became King Tuna's customers. Hence, the requirements of Anova's false  
13 advertising claim are met.

14 5. To be considered a "patented" article, all steps of at least one  
15 independent patent claim must be used. *Clontech Labs., Inc. v. Invitrogen*  
16 *Corp.*, 406 F.3d 1347, 1352 (Fed. Cir. 2005). King Tuna's FWS tuna sold in  
17 America were not patented according to the '619 patent because at least one of the  
18 steps, the cooling step, of its one independent patent claim was not followed.

19 6. "A patentee's allegedly false representation of patent infringement is  
20 not actionable under § 43(a), but that a patentee's allegedly false representation that  
21 it is the exclusive source of a certain type of product because of its patent is so  
22 actionable." *Zenith Elecs. Corp. v. Exzec, Inc.*, 182 F.3d 1340, 1344 (Fed. Cir.  
23 1999); *DP Wagner Mfg, Inc. v. Pro Sys., Inc.*, 434 F. Supp. 2d 445, 461 (S.D. Tex.  
24 2006).

25 7. Bad faith must be alleged for a Lanham Act claim, based solely on a  
26 false patent marking claim under 35 U.S.C. § 292, to survive. *See DP Wagner Mfg,*  
27 *Inc., supra* at 461 ("Although DP Wagner does not use the words 'bad faith,' DP  
28 Wagner does allege that Pro Patch marked its products with inapplicable patents

1 despite knowing that those patents did not cover the marked products. Such conduct,  
2 if true, would be evidence of bad faith sufficient to plead patent mismarking.”).

3 8. In *Clontech Labs. v. Invitrogen Corp.*, 406 F.3d 1347, 1352-53 (Fed.  
4 Cir. 2005), the Federal Circuit explained that the standard for proving intent to  
5 deceive for false patent marking purposes under 35 U.S.C. § 292 is an *objective*  
6 standard, not a purely subjective standard. As such, objective standards control and  
7 the fact of misrepresentation coupled with proof that the party making it had  
8 knowledge of its falsity is enough to warrant drawing the inference that there was a  
9 fraudulent intent. *Id.* at 1352-53. In this case, King Tuna and Lu had knowledge  
10 that their FWS Tuna did not embody the processes of the ‘619 patent by October 30,  
11 2006. King Tuna’s continued misrepresentations to its customers despite this  
12 knowledge after October 30, 2006 warrant an inference of bad faith.

13 9. For the foregoing reasons, Anova’s counterclaims have been established  
14 in this case.<sup>2</sup>

#### 15 ANOVA’S DAMAGES

16 10. Anova’s expert demonstrated that King Tuna sold a total of 1,845,522  
17 pounds from October 30, 2006 to September 30, 2008 at revenues of \$7,585,095.00  
18 for a profit of \$1,517,019.00 using the 20% profit margin King Tuna provided in  
19 damages report. Thus, the Court awards unjust enrichment damages of  
20 \$1,517,019.00 to Anova for King Tuna’s Lanham Act violations. *See Maier*  
21 *Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 123-24 (9th Cir. 1968).

22 11. Pursuant to 35 U.S.C. § 292, the Court has discretion to assess a penalty  
23

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24 <sup>2</sup> Anova failed to discuss its claim under California Unfair Competition Law, CAL. BUS. &  
25 PROF. CODE § 17200, et seq. Nevertheless, the Court finds that liability standards and damages  
26 for claims arising under the California Unfair Competition Law are substantially congruent to  
27 claims made under the Lanham Act. *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1153 (9th  
28 Cir. 2002). Money damages are not available under § 17200; only equitable relief, including  
restitution and disgorgement are available. *See Vikco Ins. Servs. v. Ohio Indem. Co.*, 70 Cal. App.  
4th 55, 82 (Ct. App. 1999). As such, King Tuna is liable pursuant to § 17200 to the extent it has  
been found liable under the Lanham Act. In addition, relief pursuant to § 17200 shall not be  
permitted to the extent it calls for double recovery in conjunction with the Lanham Act violations.

1 of \$500.00 per violation, but must do so on a “per article” basis if patent false  
2 marking liability is established. *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295,  
3 1302-03 (Fed. Cir. 2009).

4 12. FWS tuna is individually packaged and sold as steaks in 4 oz., 6 oz., 8  
5 oz., 10 oz. and less frequently 12-14 oz. sizes. Accordingly, the Court designates  
6 one pound per article as the metric in determining the penalty and assesses a penalty  
7 of \$1.00 per article. King Tuna sold 1,845,522 pounds of FWS tuna during the  
8 relevant period. Hence, the total penalty is \$1,845,522.00.

9 13. Pursuant to the false patent marking statute, half of that penalty will go  
10 to Anova for prosecuting the *qui tam* action, and the other half will go to the United  
11 States Treasury. *See* 35 U.S.C. § 292(b).

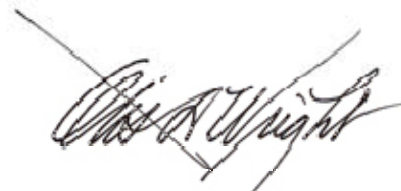
12 14. Attorneys’ fees and costs of suit will be determined by motion after the  
13 Court enters its ruling on these proposed findings and conclusions of law.

14 15. To the extent any of the above conclusions of law constitute findings of  
15 fact, they are adopted as such.

16 16. Anova shall file a proposed judgment based on this Order and the  
17 Court’s Findings of Fact and Conclusions of Law dated June 30, 2010. (Dkt. No.  
18 456.)

19  
20 IT IS SO ORDERED.

21  
22 Dated: February 24, 2011



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Hon. Otis D. Wright, II,  
United States District Judge