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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

MARY SWEARINGEN, et al.,

Plaintiffs,

v.

HEALTHY BEVERAGE, LLC, et al.,

Defendants.

Case No. [13-cv-04385-EMC](#)

**ORDER GRANTING DEFENDANT’S
MOTION TO DISMISS**

Docket No. 92

I. INTRODUCTION

Plaintiffs Mary Swearingen and Robert Figy filed this class action complaint against Defendant Healthy Beverage challenging Defendant’s practice of labeling its products with the term “evaporated cane juice” (“ECJ”), which Plaintiffs assert is a misleading term for sugar. Currently pending before the Court is Defendant’s motion to dismiss Plaintiffs’ Second Amended Complaint. Docket No. 92 (“Motion”). The Court **GRANTS** the motion.

II. BACKGROUND

A. California and Federal Laws Regulating Food Labeling

Food manufacturers in California must comply with identical state and federal laws and regulations that govern the labeling of food products. Foremost among these is the federal Food Drug and Cosmetic Act, 21 U.S.C. § 301 *et seq.* (“FDCA”), including its food labeling regulations, 21 C.F.R. § 101 *et seq.* California’s Sherman Law adopts and incorporates the FDCA, stating that “[a]ll food labeling regulations and any amendments to those regulations adopted pursuant to the federal act, in effect on January 1, 1993, or adopted on or after that date shall be the food labeling regulations of this state.” California Health & Safety Code § 110100. Under the FDCA, food is “misbranded” if “its labeling is false or misleading in any particular,” or

1 if it does not contain certain information on its label or its labeling. 21 U.S.C. § 403(a).

2 The FDCA requires that ingredients be listed by their common or usual name, which is the
3 name established by common usage or by regulation. 21 C.F.R. § 104(a)(1); 21 C.F.R. § 102.5.
4 The position of the Food and Drug Administration (“FDA”) is that “evaporated cane juice” is not
5 the common or usual name of any sweetener (*e.g.*, sugar). In 2009, the FDA issued *Guidance for*
6 *Industry: Ingredients Declared As Evaporated Cane Juice, Draft Guidance* (“Draft Guidance”),
7 2009 WL 3288507. According to the Draft Guidance, the term ECJ is “false and misleading”
8 because it “fails to reveal the basic nature of the food and its characterizing properties (*i.e.*, that the
9 ingredients are sugars or syrups) as required by 21 C.F.R. § 102.5.” *Id.* at *3; 21 U.S.C. 343(a)(1).
10 The FDA did not initially finalize its draft guidance. On March 4, 2014, the FDA reopened the
11 comment period on the Draft Guidance with the intent to “revise the draft guidance, if appropriate,
12 and issue it in final form.” *See Swearingen, et al. v. Late July Snacks LLC*, 13-CV-4324-EMC
13 Docket No. 57 (Order on Supp. Briefing); *Late July*, 13-CV-4324-EMC Docket No. 53-1 (Def.
14 Second Request for Judicial Notice, Ex. A, *FDA Notice to Reopen Comment Period*). On May 25,
15 2016, the FDA issued its final guidance on the use of the term “evaporated cane juice,” titled
16 “Ingredients Declared as Evaporated Cane Juice: Guidance for Industry” (“Final Guidance”). *Late*
17 *July*, 13-CV-4324-EMC Docket No. 92. The Final Guidance states that “the common or usual
18 name for an ingredient labeled as ‘evaporated cane juice’ includes the term ‘sugar’ and does not
19 include the term ‘juice.’” Final Guidance at 7. This is because the “basic nature” of ECJ is a
20 “sugar.” Final Guidance at 7.

21 B. Facts and Procedural History

22 Healthy Beverage is a producer of food products that sells its products, including Steaz
23 Iced Green Tea and Steaz Organic Energy Drinks, to consumers through grocery and other retail
24 stores throughout the United States and directly to consumers through its website. SAC ¶ 2.
25 Healthy Beverage uses the term “evaporated cane juice” on its package labels for, *e.g.*, Steaz Iced
26 Green Tea with Blueberry Pomegranate, Steaz Iced Green Tea with Peach, and Steaz Organic
27 Energy Drink Orange; its product labeling does not use the term “added sugar”. SAC ¶ 4, 35. The
28 company uses the same term (“evaporated cane juice”) on its website and in advertising. SAC ¶

1 113.

2 Plaintiffs Mary Swearingen and Robert Figy, citizens of California, bought and purchased
3 Healthy Beverage products Steaz Iced Green Tea with Blueberry Pomegranate, Steaz Iced Green
4 Tea with Peach, Steaz Organic Energy Drink Orange, Steaz Organic Energy Drink Berry, and
5 Steaz Organic Energy Drink Super Fruit. SAC ¶¶ 2. The label for these products used the term
6 ECJ during the Class Period which is defined as September 30, 2009 to the present. SAC ¶¶ 1,
7 135. Plaintiffs are health-conscious consumers who wish to avoid “added sugars” in the products
8 they purchase. *Id.* ¶ 62. As such, they scanned the ingredient lists of the products at issue for
9 forms of added sugar and failed to recognize “evaporated cane juice” as one of these forms. *Id.* ¶
10 63. They would not have bought the products had they known that these products contained
11 “added sugar.” *Id.* ¶ 86.

12 Plaintiffs first filed a class action complaint for equitable and injunctive relief on
13 September 20, 2013. Docket No. 1 (Complaint). On April 28, 2014, Defendant filed a motion to
14 dismiss the First Amended Complaint, and, in the alternative, to stay the action pending the Ninth
15 Circuit’s decision in *Kane, et al. v. Chobani, Inc.*, No. 14-15670, where the plaintiffs alleged that
16 Chobani unlawfully and deceptively used the term “evaporated cane juice” to describe added
17 sugar in its yogurt products, and the FDA’s consideration of ECJ. Docket No. 49. Following the
18 FDA’s notice that it had reopened the comment period on its draft guidance regarding ECJ, this
19 Court denied in part the motion to dismiss and stayed the action pursuant to the doctrine of
20 primary jurisdiction on June 11, 2014. Docket No. 58.

21 On July 22, 2016, after the FDA issued its Final Guidance, this Court lifted the stay.
22 Docket No. 89. Plaintiffs filed their Second Amended Complaint shortly after. Docket No. 90.
23 Based on their allegations in the Second Amended Complaint, plaintiffs brought claims for: (1)
24 violations of the California Business & Professions Code § 17200 (Unfair Competition Law); (2)
25 violations of California Business & Professions Code § 17500 (California False Advertising Law)
26 (FAL); (3) violations of California Civil Code § 1750, et. seq. (Consumers Legal Remedies Act);
27 and (4) unjust enrichment. Docket No. 90 ¶¶ 145-206. Defendant then filed the instant motion to
28 dismiss the Second Amended Complaint, and, in the alternative, to strike all references to the

1 health benefits of green tea and prayers for injunctive relief. Docket No. 92.

2 **III. DISCUSSION**

3 A. Motion to Dismiss Second Amended Complaint

4 1. Legal Standard

5 Defendant seeks to dismiss Plaintiffs' Second Amended Complaint with prejudice for
6 failure to state a claim pursuant to Federal Rule of Civil Procedure 12(b)(6). Motion at 2. Under
7 Rule 12(b)(6), a party may move to dismiss based on the failure to state a claim upon which relief
8 may be granted. A motion to dismiss based on Rule 12(b)(6) challenges the legal sufficiency of
9 the claims alleged. *See Parks Sch. of Bus. v. Symington*, 51 F.3d 1480, 1484 (9th Cir. 1995). In
10 considering such a motion, a court must take all allegations of material fact as true and construe
11 them in the light most favorable to the nonmoving party, although "conclusory allegations of law
12 and unwarranted inferences are insufficient to avoid a Rule 12(b)(6) dismissal." *Cousins v.*
13 *Lockyer*, 568 F.3d 1063, 1067 (9th Cir. 2009). While "a complaint need not contain detailed
14 factual allegations . . . it must plead 'enough facts to state a claim to relief that is plausible on its
15 face.'" *Id.* "A claim has facial plausibility when the plaintiff pleads factual content that allows
16 the court to draw the reasonable inference that the defendant is liable for the misconduct alleged."
17 *Ashcroft v. Iqbal*, 556 U.S. 662 (2009); *see also Bell Atl. Corp. v. Twombly*, 550 U.S. at 556. "The
18 plausibility standard is not akin to a 'probability requirement,' but it asks for more than sheer
19 possibility that a defendant acted unlawfully." *Iqbal*, 556 U.S. at 678.

20 Claims sounding in fraud or mistake are subject to the heightened pleading requirements of
21 Federal Rule of Civil Procedure 9(b), which requires that a plaintiff alleging fraud "must state with
22 particularity the circumstances constituting fraud." Fed. R. Civ. P. 9(b); *see Kearns v. Ford Motor*
23 *Co.*, 567 F.3d 1120, 1124 (9th Cir.2009). To satisfy the heightened standard under Rule 9(b), the
24 allegations must be "specific enough to give defendants notice of the particular misconduct which
25 is alleged to constitute the fraud charged so that they can defend against the charge and not just
26 deny that they have done anything wrong." *Semegen v. Weidner*, 780 F.2d 727, 731 (9th
27 Cir.1985). Thus, claims sounding in fraud must allege "an account of the 'time, place, and
28 specific content of the false representations as well as the identities of the parties to the

1 misrepresentations.’ ” *Swartz v. KPMG LLP*, 476 F.3d 756, 764 (9th Cir.2007) (per curiam)
2 (internal quotation marks omitted). The plaintiff must set forth “what is false or misleading about
3 a statement, and why it is false.” *In re Glenfed, Inc. Sec. Litig.*, 42 F.3d 1541, 1548 (9th Cir.1994)
4 (en banc), *superseded by statute on other grounds as stated in Ronconi v. Larkin*, 253 F.3d 423,
5 429 n. 6 (9th Cir. 2001).

6 2. Plaintiffs’ UCL, FAL, and CLRA Claims

7 As noted above, in this case, Plaintiffs essentially assert fraud-based claims of misleading
8 labeling under the UCL, FAL, and CLRA. The UCL prohibits any “unlawful, unfair or fraudulent
9 business act or practice.” Cal. Bus. & Prof. Code § 17200. Because § 17200 is written in the
10 disjunctive, it establishes “three varieties of unfair competition: practices which are unlawful,
11 unfair, or fraudulent.” *Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone, Co.*, 20
12 Cal. 4th 163, 180 (1999). Practices are “unlawful” when they violate other laws: § 17200
13 “borrows” violations of other laws, treating them as unlawful practices that are independently
14 actionable under the UCL. *Id.* at 179 [citations omitted]. Practices are “unfair” when grounded in
15 “some legislatively declared policy or proof of some actual or threatened effect on competition.”
16 *Id.* at 186-87. “Unfair,” under § 17200, refers to conduct that could violate an antitrust law, that
17 violates the policy or spirit of such laws, or that could otherwise significantly threaten or harm
18 competition. *Id.* at 187. Practices are “fraudulent” when “members of the public are likely to be
19 deceived”; more specifically, under the fraud prong, “reliance [on the part of the plaintiff] is an
20 essential element of fraud.” *Poldolsky v. First Healthcare Corp.*, 50 Cal. App. 4th 632, 647-48, *as*
21 *modified* (Nov. 5, 1996), *as modified* (Nov. 20, 1996); *In re Tobacco II Cases*, 46 Cal. 4th 298,
22 326 (2009).

23 The FAL prohibits any “unfair, deceptive, untrue, or misleading advertising.” Cal Bus. &
24 Prof. Code § 17500. The CLRA prohibits “unfair methods of competition and unfair or deceptive
25 acts or practices.” Cal. Civ. Code § 1770. Claims asserting fraud or deception under each of these
26 three statutes are analyzed using the “same objective test, that is, whether ‘members of the public
27 are likely to be deceived.’” *Tait v. BSH Home Appliances Corp.*, 289 F.R.D. 466, 480 (C.D. Cal.
28 2012) (quoting *In re Tobacco II Cases*, 46 Cal. 4th 298, 312 (2009)); *see also Williams v. Gerber*

1 *Prod. Co.*, 523 F.3d 934, 938 (9th Cir. 2008), *opinion amended and superseded on denial of reh'g*,
2 552 F.3d 934 (9th Cir. 2008). Fraud claims under each statute require “proof of reliance on the
3 alleged misrepresentations or omissions” by the defendant. *In re MyFordTouch Consumer*
4 *Litigation*, C-13-3072-EMC, Docket No. 301 at 2 (N.D. Cal. 2016) (citing *In re Tobacco II*, 46
5 Cal. 4th at 328).

6 Plaintiffs allege that Defendant’s mislabeling of its products with the term “evaporated
7 cane juice” (“ECJ”) is unlawful under the UCL. SAC ¶ 6. As noted above, the Sherman law
8 adopts and incorporates the federal Food Drug and Cosmetic Act, 21 U.S.C. § 301 *et seq.*
9 (“FDCA”). 21 U.S.C. § 343(a). Under the FDCA, food is “misbranded” if “its labeling is false or
10 misleading in any particular,” or if it does not contain certain information on its label or its
11 labeling. 21 U.S.C. § 403(a). Accordingly, under the Sherman Law, products are “misbranded”
12 when their “labeling is false or misleading.” *See* 21 U.S.C. § 343(a); 21 U.S.C. § 403(a).
13 Plaintiffs contend that Healthy Beverage’s use of the term ECJ was “false and misleading” in light
14 of the FDA’s determination that ECJ is not the common or usual name for sugar. SAC ¶ 40; Final
15 Guidance at 6.

16 As an initial matter, the Court rejects Plaintiffs claim that reliance need not be shown for
17 their claims arising under the “unlawful” prong or any other prong of the UCL in this case. The
18 California Supreme Court has made it clear that, regardless of which prong of the UCL a plaintiff
19 asserts, when the basis of the UCL claim is a claim of misrepresentation, a plaintiff must
20 demonstrate actual reliance on the allegedly deceptive or misleading statements. *Kwikset Corp. v.*
21 *Superior Court*, 51 Cal. 4th 310, 326, 327 n.10 (2011).

22 Plaintiffs argue that if it is required, the requisite reliance can be inferred because Healthy
23 Beverage’s use of ECJ constitutes a “material misrepresentation,” and that even if the plaintiff
24 fails to plead actual reliance, “a presumption, or at least an inference, of reliance arises wherever
25 there is a showing that a misrepresentation was material.” *Engalla v. Permanente Med. Group,*
26 *Inc.*, 15 Cal. 4th 951, 977 (1997). A misrepresentation is judged to be “material” if “a reasonable
27 man would attach importance to its existence or nonexistence in determining his choice of action
28 in the transaction in question.” *Engalla*, 15 Cal 4th 951, 977 (1997). However, even where a

1 misrepresentation is material, a court cannot presume reliance “where the underlying theor[y] of
2 liability is implausible.” *Pratt v. Whole Food Mkt. California, Inc.*, No. 12-05652-EJD, 2015 WL
3 5770799, *7 (N.D. Cal. Sept. 30, 2015). Nor can courts presume reliance where the record will
4 not permit it. *Caro v. Proctor & Gamble Co.*, 18 Cal. App. 4th 644, 668 (1993).

5 Here, even assuming that the use of ECJ constitutes a material misrepresentation, Plaintiffs
6 cannot plausibly claim to have relied on any such misrepresentation. Plaintiffs’ SAC alleges that
7 “Healthy Beverage’s website, <http://steaz.com>, is incorporated into the label for each of
8 Defendants’ products.” SAC ¶ 14. That website specifically states that “cane juice is natural
9 sugar.” SAC ¶¶ 106, 127. Since Plaintiffs specifically allege that they “read and reasonably relied
10 on the labels” on Defendants’ products, SAC ¶ 127, the materials they read include the statements
11 on Healthy Beverage’s website incorporated into the labels. Given that allegation, Plaintiffs
12 therefore knew ECJ was in fact sugar. Thus, Plaintiffs cannot have reasonably relied upon
13 Healthy Beverage’s misleading use of the term ECJ on its packaging. At the hearing on this
14 motion, Plaintiffs’ counsel did not dispute this fact. Indeed, counsel conceded that Plaintiffs “may
15 have looked at” the website, but merely argued that they “did not focus” on it. Docket No. 101 at
16 6:20-23. Whether or not they “focused” on Healthy Beverage’s disclosure, they concede that read
17 it. Under these facts, reliance on the package label is not reasonable. For that reason, Plaintiffs’
18 claims of mislabeling under the UCL, FAL, and CLRA all fail to state a claim.

19 That leaves only Plaintiffs’ claim for unjust enrichment. Healthy Beverage first argues that
20 that claim should be dismissed on the ground that “in California, there is not a standalone cause of
21 action for ‘unjust enrichment.’” *Astiana v. Hain Celestial Group, Inc.*, 783 F.3d 753, 762 (9th Cir.
22 2015). As the court in *Astiana* recognized, however, California courts have stated that courts may
23 construe an unjust enrichment claim “as a quasi-contract claim seeking restitution.” *Rutherford*
24 *Holdings, LLC v. Plaza Del Rey*, 223 Cal. App. 4th 221, 231 (2014). Thus, as the Ninth Circuit
25 previously explained, the “Supreme Court of California and California Courts of Appeal have
26 recognized actions for relief under the equitable doctrine of unjust enrichment.” *Naoko Ohno v.*
27 *Yuko Yasuma*, 723 F.3d 984, 1006 (9th Cir. 2013) (citing *Ghirardo v. Antonioli*, 14 Cal.4th 39
28 (1996)). “The doctrine applies where plaintiffs, while having no enforceable contract, nonetheless

1 have conferred a benefit on defendant which defendant has knowingly accepted under
2 circumstances that make it inequitable for the defendant to retain the benefit without paying for its
3 value.” *Hernandez v. Lopez*, 180 Cal.App.4th 932, 938 (2009). For example, *Dunkin v. Boskey*,
4 82 Cal. App. 4th 171, 197 (2000), the court held that where a purported contract granting plaintiff
5 paternity rights to a child conceived by artificial insemination, the plaintiff could nonetheless
6 recover damages equal to the amount of benefit he had conferred on defendant in reliance of the
7 agreement under an unjust enrichment theory. Alternatively, “a party to an express contract can
8 assert a claim for restitution based on unjust enrichment by ‘alleg[ing in that cause of action] that
9 the express contract is void or was rescinded.’” *Rutherford Holdings*, 223 Cal. App. 4th at 231
10 (quoting *Lance Camper Manufacturing Corp. v. Republic Indemnity Co.* 44 Cal.App.4th 194, 203
11 (1996)).

12 Late July is therefore incorrect in asserting that the unjust enrichment claims should be
13 dismissed solely on the ground that no such claim is cognizable under California law; it is, so long
14 as the Court construes it as a quasi-contract claim for restitution. Nonetheless, Plaintiffs do not,
15 and cannot, state such a claim. It is not clear whether Plaintiffs allege that they had a contractual
16 relationship with Healthy Beverage on the basis of their purchases, but their claim fails under
17 either theory of unjust enrichment. If Plaintiffs argue that Healthy Beverage accepted a benefit
18 from them without a contract, it would not be “inequitable for [Healthy Beverage] to retain the
19 benefit” where Plaintiffs acknowledge that they were aware of the true nature of ECJ. *Hernandez*,
20 180 Cal.App.4th at 938. Conversely, to the extent Plaintiffs allege that they did have a contractual
21 relationship with Healthy Beverage, the SAC contains no allegation that their contracts to
22 purchase Healthy Beverage’s products were “void or rescinded.” *Rutherford Holdings*, 223 Cal.
23 App. 4th at 231. Plaintiffs merely state that “[b]y the actions described in this SAC,” i.e.
24 fraudulent misrepresentation with respect to ECJ, “Defendant was unjustly enriched at the expense
25 of Plaintiffs and the Class.” It is true that a fraudulent misrepresentation makes a contract
26 voidable and/or subject to rescission. *See* Restatement (Second) of Contracts § 164 (1981); Cal.
27 Civ. Code § 1689. But this is so only where the party seeking the remedy relied to his or her
28 detriment on the misrepresentation. *See* Restatement (Second) of Contracts § 164 cmt. c (1981)

1 (“No legal effect flows from either a non-fraudulent or a fraudulent misrepresentation unless it
2 induces action by the recipient, that is, unless he manifests his assent to the contract in reliance on
3 it.”). In short, any claim for unjust enrichment fails for the same reason that Plaintiffs’ claims
4 under the UCL, FAL, and CLRA fail; it depends on a finding that Plaintiffs’ relied to their
5 detriment on Defendants’ misrepresentations. Because no such finding is plausible in light of
6 Plaintiffs’ allegations, the unjust enrichment claim fails as well.

7 B. Leave to Amend

8 “After a party has amended a pleading once as a matter of course, it may only amend
9 further after obtaining leave of the court, or by consent of the adverse party.” *Eminence Capital,*
10 *LLC v. Aspeon, Inc.*, 316 F.3d 1048, 1051–52 (9th Cir. 2003). Such amendments are governed by
11 Federal Rule of Civil Procedure 15, which provides that “[t]he court should freely give leave when
12 justice so requires.” Fed. R. Civ. P. 15(a)(2). The Ninth Circuit has instructed that “this policy is
13 to be applied with extreme liberality.” *Owens v. Kaiser Found. Health Plan, Inc.*, 244 F.3d 708,
14 712 (9th Cir.2001) (quoting *Morongo Band of Mission Indians v. Rose*, 893 F.2d 1074, 1079 (9th
15 Cir.1990)). At the same time, “[l]iberality in granting a plaintiff leave to amend is subject to the
16 qualification that the amendment not cause undue prejudice to the defendant, is not sought in bad
17 faith, and is not futile.” *Bowles v. Reade*, 198 F.3d 752, 757 (9th Cir. 1999).

18 “A motion for leave to amend may be denied if it appears to be futile or legally
19 insufficient. However, a proposed amendment is futile only if no set of facts can be proved under
20 the amendment to the pleadings that would constitute a valid and sufficient claim or defense.”
21 *Miller v. Rykoff-Sexton, Inc.*, 845 F.2d 209, 214 (9th Cir. 1988) (citing *Gabrielson v. Montgomery*
22 *Ward & Co.*, 785 F.2d 762, 766 (9th Cir.1986)).

23 The Court finds that any amendment in this case would be futile. Plaintiffs have conceded
24 reading Healthy Beverage’s website, which disclosed that ECJ is “natural sugar.” An allegation of
25 reliance, which is necessary for all of Plaintiffs’ claims, is impossible. An amended complaint,
26 moreover, may only allege “other facts consistent with the challenged pleading.” *Reddy v. Litton*
27 *Industries, Inc.*, 912 F.2d 291 (9th Cir. 1990) (citing *Schreiber Distributing Co. v. Serv-Well*
28 *Furniture Co., Inc.*, 806 F.2d 1393, 1401 (9th Cir. 1986)). Plaintiffs have already amended their

1 complaint twice. The Court will not allow them a third bite at the apple to amend a factual
2 allegation that is squarely inconsistent with a prior allegation. Accordingly, the Court dismisses
3 Plaintiffs' claims with prejudice.

4 **IV. CONCLUSION**

5 For the foregoing reasons, the Court **GRANTS** Defendant's motion to dismiss and
6 **DISMISSES** Plaintiffs' Second Amended Complaint with prejudice. The Clerk is instructed to
7 enter judgment and close the file.

8 This order disposes of Docket No. 92.

9
10 **IT IS SO ORDERED.**

11
12 Dated: May 2, 2017



EDWARD M. CHEN
United States District Judge