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8 UNITED STATES DISTRICT COURT  
9 SOUTHERN DISTRICT OF CALIFORNIA  
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11 CERTIFIED NUTRACEUTICALS, INC.,  
12 *a California Corporation,*

13 Plaintiff,

14 v.

15 AVICENNA NUTRACEUTICAL, LLC,  
16 *a Georgia Limited Liability Company,*

17 Defendant.

Case No.: 3:16-cv-02810-BEN-BGS

**ORDER GRANTING IN PART  
DEFENDANT’S MOTION FOR  
SUMMARY JUDGMENT**

18 **INTRODUCTION**

19 Plaintiff Certified Nutraceuticals, Inc. (“Certified”) brings this false advertising  
20 and unfair business practice action against Defendant Avicenna Nutraceutical, LLC  
21 (“Avicenna”). Certified alleges Avicenna falsely advertised its collagen products as  
22 “patented” or processed using “patented formulas and production methods” because  
23 Avicenna never held any relevant patents. Certified further alleges that, as a competitor  
24 also engaged in the sale of collagen products, it suffered damages in the form of diversion  
25 of business and loss of goodwill. Because Plaintiff brings its Lanham Act claim with  
26 unclean hands, summary judgment is granted for Defendant and the state law claims are  
27 dismissed.

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1 **PROCEDURAL HISTORY**

2 On November 15, 2016, Plaintiff filed its Complaint asserting three claims for  
3 relief: (1) false advertising under Section 43(a)(1)(B) of the Lanham Act; (2) unlawful  
4 business practices under California and Professions Code § 17200; and (3) False and  
5 Misleading Advertising under California and Business Professions Code § 17500.  
6 (Docket No. 1, “Compl.”) Defendant’s now move for summary judgment on all of  
7 Plaintiff’s claims. (Docket No. 28.)

8 **BACKGROUND<sup>1</sup>**

9 Certified and Avicenna are competitors involved in the manufacture, distribution,  
10 and sale of raw ingredients for use in various dietary and nutritional products. In  
11 particular, both parties focus on producing and supplying collagen ingredients. Collagen  
12 is a complex structural protein, which provides strength and flexibility to skin, hair, and  
13 nails, and is an essential and major component of muscles, tendons, cartilage, ligaments,  
14 joints, and blood vessels. There are three main types of collagen: I, II, and III. Types I  
15 and III are primarily found in skin, tendon, and bone; Type II is predominantly found in  
16 articular cartilage.

17 In October 2016, Avicenna’s website included the following statements:

18 Avicenna Nutraceutical is a Georgia, United States based  
19 company with the primary focus on the manufacture and  
20 distribution of raw materials with a specific emphasis on  
Patented Chicken Sternum Type 2 Collagen.

21 Avicenna is a raw materials company, which applies its  
22 patented formulas and production methods to process US  
23 chicken sternum into hydrolyzed/undernatured type 2 collagen.

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26 <sup>1</sup> The following overview of facts is drawn from the pleadings and the admissible  
27 evidence submitted by the parties in litigating the pending summary judgment motion.  
28 The Court’s reference to certain pieces of evidence is not an indication that it is the only  
pertinent evidence relied on or considered by the Court. The Court has reviewed and  
considered all the admissible evidence submitted by the parties.

1 (Docket No. 31-1, Decl. of Robert Tauler (“Tauler Decl.”) ¶ 2, Ex. A at pp. 2-3.)<sup>2</sup>  
2 However, Avicenna admits it did not claim any relevant patents at that time. Certified  
3 manufactures a collagen product, KollaGen II-xs (“KollaGen”), which competes with  
4 Avicenna’s Type 2 Collagen product. (Docket No. 28-2, Decl. of Michael Adams  
5 (“Adams Decl.”) ¶ 2, Ex. A at pp. 15-16.) KollaGen is covered by U.S. Patent No.  
6 8,344,106 B1 (“the ’106 Patent”). (*Id.* at pp. 176-79.)

## 7 **LEGAL STANDARD**

8 Summary judgment is appropriate when “there is no genuine dispute as to any  
9 material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P.  
10 56(a); *see also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). A fact is  
11 material if it might affect the outcome of the suit under the governing law. *Anderson*,  
12 477 U.S. at 248. “Factual disputes that are irrelevant or unnecessary will not be  
13 counted.” *Id.* A dispute is genuine if “the evidence is such that a reasonable jury could  
14 return a verdict for the nonmoving party.” *Id.* In considering a summary judgment  
15 motion, the evidence of the nonmovant is to be believed, and all justifiable inferences are  
16 to be drawn in his or her favor. *Id.* at 255.

17 The moving party bears the initial burden of showing there are no genuine issues  
18 of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). It can do so by  
19 negating an essential element of the non-moving party’s case, or by showing that the non-  
20 moving party failed to make a showing sufficient to establish an element essential to that  
21 party’s case, and on which the party will bear the burden of proof at trial. *Id.* The burden  
22 then shifts to the non-moving party to show that there is a genuine issue for trial. *Id.* As  
23 a general rule, the “mere existence of a scintilla of evidence” will be insufficient to raise  
24 a genuine issue of material fact. *Anderson*, 477 U.S. at 252. There must be evidence on  
25 which the jury could reasonably find for the non-moving party. *Id.*

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28 <sup>2</sup> Unless otherwise stated, the Court’s reference to a page number in the parties’  
filings is to the page number generated by the CM/ECF system.

## DISCUSSION

Defendant advances three arguments in support of its motion summary judgment: (1) Plaintiff failed to raise a genuine issue of material fact that it suffered an economic disadvantage as a result of Defendant's false statements; (2) Plaintiff is barred from recovery under the unclean hands doctrine; and (3) Plaintiff cannot recover under the Lanham Act for what is essentially a claim for the false marking of an unpatented product, which may only be brought under Section 292 of the Patent Act. As will be explained in further detail below, the Court agrees that Plaintiff's recovery is barred for unclean hands and therefore need not reach Defendant's other arguments.

### A. Unclean Hands Doctrine

"Unclean hands is a defense to a Lanham Act infringement suit." *Japan Telecom, Inc. v. Japan Telecom Am. Inc.*, 287 F.3d 866, 870 (9th Cir. 2002) (quoting *Fuddruckers, Inc. v. Doc's B.R. Others, Inc.*, 826 F.2d 837, 847 (9th Cir. 1987)) (internal quotation marks omitted). The doctrine of unclean hands "bars relief to a plaintiff who has violated conscience, good faith or other equitable principles in his prior conduct, as well as to a plaintiff who has dirtied his hands in acquiring the right presently asserted." *Dollar Sys., Inc. v. Avcar Leasing Sys., Inc.*, 890 F.2d 165, 173 (9th Cir. 1989). To prevail on a defense of unclean hands, a defendant must demonstrate by clear and convincing evidence: (1) "that the plaintiff's conduct is inequitable;" and (2) "that the conduct relates to the subject matter of [the plaintiff's] claims." *Fuddruckers*, 826 F.2d at 847 (citing *CIBA-GEIGY Corp. v. Bolar Pharm.*, 747 F.2d 844, 855 (3d Cir. 1984)); *see also TrafficSchool.com, Inc. v. Edriver, Inc.*, 653 F.3d 820, 833 (9th Cir. 2011) (holding that a defendant must demonstrate that an unclean hands defense applies with "clear, convincing evidence"). Both are demonstrated here.

However, even if a defendant satisfies both requirements, a court must not automatically apply the doctrine of unclean hands and "permit a defendant wrongdoer to retain the profits of his wrongdoing merely because the plaintiff himself is possibly guilty of transgressing the law." *POM Wonderful LLC v. Coca Cola Co.*, 166 F. Supp. 3d 1085,

1 1092 (C.D. Cal. 2016) (quoting *Johnson v. Yellow Cab Transit Co.*, 321 U.S. 383, 387  
2 (1944)). “Rather, determining whether the doctrine of unclean hands precludes relief  
3 requires balancing the alleged wrongdoing of the plaintiff against that of the defendant,  
4 and ‘weigh[ing] the substance of the right asserted by [the] plaintiff against the  
5 transgression which, it is contended, serves to foreclose that right.’” *Northbay Wellness*  
6 *Grp., Inc. v. Beyries*, 789 F.3d 956, 960 (9th Cir. 2015) (quoting *Republic Molding Corp.*  
7 *v. B.W. Photo Utilities*, 319 F.2d 347, 350 (9th Cir. 1963)).

8 1. *Whether Defendant Has Demonstrated Plaintiff Engaged in Inequitable*  
9 *Conduct with Clear and Convincing Evidence*

10 In the Ninth Circuit, “only a showing of wrongfulness, willfulness, bad faith, or  
11 gross negligence, proved by clear and convincing evidence, will establish sufficient  
12 culpability for invocation of the doctrine of unclean hands.” *Pfizer, Inc. v. Int’l Rectifier*  
13 *Corp.*, 685 F.2d 357, 359 (9th Cir. 1982) (citing *Carpet Seaming Tape Licensing Corp. v.*  
14 *Best Seam Inc.*, 616 F.2d 1133, 1138-39 (9th Cir. 1980); *W. R. Grace & Co. v. W. U. S.*  
15 *Indus., Inc.*, 608 F.2d 1214, 1218 (9th Cir. 1979)).

16 Defendant contends Plaintiff “admitted to engaging in the same improper conduct  
17 for which it faults [Defendant] – namely, publishing false statements about a product  
18 being ‘patented’ before the patent had been issued.” (Mot. at p. 12.) To support its  
19 contention, Defendant presents evidence that over a year before the United States Patent  
20 and Trademark Office (“USPTO”) issued the ’106 patent,<sup>3</sup> Plaintiff was falsely stating in  
21 a November 15, 2011 press release on its website: “We developed *Patented* kollagen II-  
22 xs [sic] – 100% Avian Sternum Collagen Type II for joint health[.]” (Adams Decl. ¶ 12,  
23 Ex. K.) (emphasis added.) Defendant also presents evidence that this false statement  
24 appeared in an October 25, 2011 press release issued by Infiniti Marketing Group, a  
25 company “acting as Certified Sales & Marketing Department [sic].” (*Id.* ¶ 13, Ex. L.)  
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28 <sup>3</sup> The ’106 Patent was issued on January 1, 2013. (Adams Decl. ¶11, Ex. J.)

1 In its opposition, Plaintiff does not object or otherwise contest the accuracy or  
2 publication of either press release. Instead, Plaintiff asserts the statements made prior to  
3 the issuance of the '106 Patent were not false or misleading because “the KollaGen  
4 product was covered by [U.S. Patent No. 6,323,319 (“the '319 Patent”)], issued on or  
5 about November 11, 2001.” (Opp’n at p. 4; Docket No. 31-21, Decl. Ahmad Alkayali  
6 (“Alkayali Decl.”) ¶ 3.) But as Defendant points out in its reply, Plaintiff was not an  
7 owner, assignee, or licensee of the '319 Patent in 2011.<sup>4</sup>

8 Since the initial assignment in 1997, neither Plaintiff nor Mr. Alkayali appears to  
9 have held any interest or license for the '319 Patent. *See* n.4, below. This may be due to  
10 the fact that on May 3, 2002, the Orange County Superior Court<sup>5</sup> issued a permanent  
11 injunction against Mr. Alkayali which, *inter alia*, permanently enjoined Mr. Alkayali, his  
12 “officers, agents, employees, representative, and all persons acting in concert or  
13 participating with [him] . . . from engaging in, committing, or performing, directly or  
14 indirectly, by any means whatsoever, any of the following acts”:

15 A. Transferring, assigning, licensing, hypothecating,  
16 enforcing, selling, granting, encumbering, or in any way  
17 changing the legal or equitable title to the patent issued by the  
18 United States Patent Office as US Patent # 6,025,327, or any  
19 continuation thereof (collectively referred to as “327 Patent”).<sup>6</sup>

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21 <sup>4</sup> The Court takes judicial notice that the '319 Patent was issued on November 27,  
22 2001, and that Ahmad Alkayali, Plaintiff’s founder and current Chief Executive Officer  
23 (*see* Alkayali Decl. ¶ 1), assigned his interest in the '319 Patent while it was pending on  
24 December 2, 1997. *See* USPTO Website, *Patent Assignment Search for Patent No.*  
25 *6,323,319, available at* <https://assignment.uspto.gov/patent/index.html#/patent/search>  
26 (last visited July 3, 2018). *See Lee v. City of Los Angeles*, 250 F.3d 668, 689 (9th Cir.  
27 2001) (“The Court may take judicial notice of “matters of public record.”) (quoting  
28 *Mack v. South Bay Beer Distrib.*, 798 F.2d 1279, 1282 (9th Cir. 1986)).

<sup>5</sup> *BioCell Tech. v. Alkayali*, Orange County Superior Court Case No. 00CC06708,  
*May 3, 2002 Judgment, aff’d*, 2004 WL 114699, at \*1 (Cal. Ct. App. Jan. 26, 2004).

<sup>6</sup> The Court takes judicial notice that the '319 Patent is “a continuation of . . . U.S.  
Pat. No. 6,025,327 [(the '327 Patent)].” *See* USPTO Website, *USPTO Patent Full-Text*

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2 B. Manufacturing, distributing, offering for sale, or selling  
3 any of the product or goods covered under the 327 Patent.”

4 ...

5 D. From interfering, directly or indirectly, with BioCell’s  
6 manufacture, distribution, offer for sale, selling or licensing the  
7 327 Patent or any product or good covered under the 327  
8 Patent.

9 (Docket No. 33-4, Supplemental Decl. of Brian Berggren (“Berggren Decl.”) ¶ 4, Ex. O  
10 at pp. 8-9.)

11 Plaintiff did not object or otherwise dispute the authenticity or continuing  
12 applicability of the permanent injunction order. Nor does Plaintiff offer any other  
13 rebuttal evidence that its statements were not false or misleading, other than the false  
14 statement in Mr. Alkayali’s declaration that he was the “assignee of Patent No.  
15 6,323,319.”<sup>7</sup> (Alkayali Decl. ¶ 3.) Thus, the Court agrees with Defendant that it can  
16 reasonably conclude that either of two scenarios occurred at the time Plaintiff made the  
17 2011 statements about its KollaGen product: (1) KollaGen is only covered by the ’106  
18 Patent; or (2) prior to the issuance of the ’106 Patent, Kolla Gen was covered by the ’319  
19 Patent. In either scenario, it appears Plaintiff knowingly made false statements regarding  
20 the patented nature of KollaGen – either because it knew the ’106 Patent had not yet been  
21 issued, or because it knew it had no right to manufacture, distribute, offer for sale, or sell  
22 any goods under the ’319 Patent because it was a continuation of the ’327 Patent.

23 For all of these reasons, the Court finds Defendant has met its burden of  
24 demonstrating Plaintiff’s wrongfulness, willfulness, and bad faith in engaging in

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26 *and Image Database Search for Patent No. 6,323,319, available at*  
27 <http://patft.uspto.gov/netahtml/PTO/srchnum.htm> (last visited July 3, 2018).

28 <sup>7</sup> The Court further notes Plaintiff’s Complaint admits the ’319 Patent is “related”  
to the ’327 Patent, and falsely asserts Mr. Alkayali “is listed as the assignee” of the ’319  
Patent. (Compl. ¶¶ 19-20.)

1 inequitable conduct with clear and convincing evidence. *Pfizer*, 685 F.2d at 359  
2 (citations omitted).

3 2. *Whether Defendant’s Unclean Hands Defense Relates to Plaintiff’s False*  
4 *Advertising Claim*

5 The second requirement of the unclean hands defense does not require “precise  
6 similarity” between the plaintiff’s inequitable conduct and the plaintiff’s claims, but the  
7 misconduct “must be ‘relative to the matter in which [the plaintiff] seeks relief.’” *Pom*  
8 *Wonderful LLC v. Welch Foods, Inc.*, 737 F. Supp. 2d 1105, 1110 (C.D. Cal. 2010)  
9 (alterations in original) (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach.*  
10 *Co.*, 324 U.S. 806, 814 (1945)). Stated differently, the defense should only be applied  
11 “where some unconscionable act of one coming for relief has immediate and necessary  
12 relation to the equity that he seeks in respect of the matter in litigation.” *U-Haul Int’l,*  
13 *Inc. v. Jartran, Inc.*, 522 F. Supp. 1238, 1254 (D. Ariz. 1981), *aff’d*, 681 F.2d 1159 (9th  
14 Cir. 1982) (internal citation omitted). The relevant inquiry is not “whether the plaintiff’s  
15 hands are dirty,” but whether the plaintiff “dirtied them in acquiring the right” presently  
16 asserted or whether “the manner of dirtying renders inequitable the assertion of such  
17 rights against the defendants.” *Ellenburg v. Brockway, Inc.*, 763 F.2d 1091, 1097 (9th  
18 Cir. 1985) (quoting *Republic Molding Corp.*, 319 F.2d at 349 (internal quotation marks  
19 omitted).

20 Plaintiff contends “there is no good faith basis for Defendant to claim that  
21 statements made in 2011 have an *immediate* and necessary relationship” to Plaintiff’s  
22 Complaint. (Opp’n at p. 12) (emphasis in original). But the Court has little difficulty in  
23 finding Plaintiff’s inequitable conduct has an immediate and necessary relationship to the  
24 equitable remedies he seeks.<sup>8</sup> It is undisputed that Plaintiff’s KollaGen product competes  
25 with Defendant’s Type 2 Collagen product. (Adams Decl. ¶ 2, Ex. A at pp. 15-16.) It is  
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28 <sup>8</sup> The Complaint prays for an accounting and disgorgement, restitution, and a permanent injunction.



1 also undisputed that the allegedly false statements Plaintiff attributes to Defendant (and  
2 which make up the basis for his claims for relief) are with respect to the patented nature  
3 of Defendant’s Type 2 Collagen product. (Compl.; Tauler Decl. ¶ 2, Ex. A at pp. 2-3.)

4 Thus, it cannot seriously be argued that Plaintiff’s inequitable conduct in making  
5 false statements regarding the patented nature of the KollaGen product does not have an  
6 “immediate and necessary relation to the equity that [it] seeks.” *Henderson*, 135 S. Ct. at  
7 1783 n.1; *see also Gen-Probe, Inc. v. Amoco Corp.*, 926 F. Supp. 948, 952 (S.D. Cal.  
8 1996) (“The misconduct which brings the clean hands doctrine into operation must relate  
9 directly to the transaction concerning which the complaint is made, *i.e.*, it must pertain to  
10 the very subject matter involved and affect the equitable relations between the litigants.”)  
11 (quoting *Fibreboard Paper Prods. Corp. v. East Bay Union of Machinists*, 227 Cal. App.  
12 2d 675, 728-29 (1964)) (internal quotation marks omitted).

13 After weighing the substance of Plaintiff’s claims against the evidence of  
14 Plaintiff’s inequitable conduct as established by Defendant, the Court finds Plaintiff’s  
15 inequitable conduct warrants application of the unclean hands doctrine to Plaintiff’s  
16 Lanham Act claim. *Northbay Wellness Grp., Inc.*, 789 F.3d at 960. Therefore,  
17 Defendants’ motion for summary judgment of Plaintiff’s claim for false advertising under  
18 Section 43(a) of the Lanham Act is **GRANTED**.

## 19 **B. Plaintiff’s California State-Law Claims**

20 Plaintiff’s two remaining claims are for unlawful business practices under  
21 California and Professions Code § 17200 and False and Misleading Advertising under  
22 California and Business Professions Code § 17500. In light of the Court’s grant of  
23 summary judgment to Defendant on Plaintiff’s only federal claim, the Court has weighed  
24 the *Sanford* factors and declines to exercise jurisdiction over Plaintiff’s two remaining  
25 state-law claims, which are **DISMISSED without prejudice**. *See* 28 U.S.C. §  
26 1367(c)(3) (providing that a district court may decline to exercise supplemental  
27 jurisdiction over remaining claims where it has “dismissed all claims over which it has  
28 original jurisdiction”); *Sanford v. MemberWorks, Inc.*, 625 F.3d 550, 561 (9th Cir. 2010)

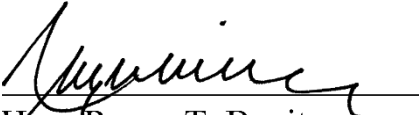
1 (“[I]n the usual case in which all federal-law claims are eliminated before trial, the  
2 balance of factors to be considered under the pendent jurisdiction doctrine—judicial  
3 economy, convenience, fairness, and comity—will point toward declining to exercise  
4 jurisdiction over the remaining state-law claims.”).

5 **CONCLUSION**

6 For the foregoing reasons, Defendants’ motion for summary judgment of  
7 Plaintiff’s false advertising claim under Section 43(a) of the Lanham Act is **GRANTED**.  
8 The Court declines to retain supplemental jurisdiction over Plaintiff’s remaining state-law  
9 claims, which are hereby **DISMISSED without prejudice**.

10 **IT IS SO ORDERED.**

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12 Dated: July 10, 2018

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14 Hon. Roger T. Benitez  
15 United States District Judge  
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