

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF
CALIFORNIA

Memjet Technology Limited v. Vanguard Graphics International,
LLC

Memjet Technology · No. 3:23-cv-1810-JES-AHG · Decided April 1, 2025

SUMMARY

The United States District Court for the Southern District of California granted Defendants’ motion to dismiss claims for trade libel, California Unfair Competition Law violations, and Lanham Act false advertising. The court held that statements concerning the discontinuation of Memjet’s Duraflex printheads did not clearly or necessarily derogate the product or business, that the alleged advertising expenses were damages rather than restitution under the UCL, and that product discontinuation was not an inherent characteristic or quality of the product under the Lanham Act. All three claims were dismissed without leave to amend, while Defendants were ordered to respond to the remaining claims.

CASE DETAILS

COURT	United States District Court for the Southern District of California
WRITING FOR THE COURT	James E. Simmons, Jr.
JURISDICTION	United States District Court for the Southern District of California
DECIDED	April 1, 2025
DOCKET	3:23-cv-1810-JES-AHG
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss the trade libel, California Unfair Competition Law, and Lanham Act false-advertising claims in Plaintiffs' First Amended Complaint.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court tests the legal sufficiency of the complaint, accepts well-pleaded factual allegations as true, disregards legal conclusions stated as facts, and asks whether the complaint contains nonconclusory factual content making the claim plausible on its face.
PRECEDENTIAL VALUE	Unknown; district-court order with no reporter citation and source metadata identifying precedential status as unknown.

PARTIES

Memjet Technology Limited, Memjet US Services Inc. v. Vanguard Graphics International, LLC, Printware, LLC

TOPICS

motions to dismiss

trademark law

commercial litigation

remedies

civil procedure

PRACTICE AREAS

civil procedure

intellectual property

trademark law

commercial litigation

torts

remedies

QUESTIONS PRESENTED

1. Whether the alleged statements that Memjet's DuraFlex printhead would be discontinued immediately clearly or necessarily derogated Memjet's product or business sufficiently to state a trade libel claim.
2. Whether Plaintiffs' alleged expenditures on restorative advertising constituted restitution or another cognizable remedy under California's Unfair Competition Law.
3. Whether a statement that a product would be discontinued concerned the product's nature, characteristics, qualities, or geographic origin within the meaning of 15 U.S.C. § 1125(a)(1)(B).
4. Whether the court could consider the complete communication referenced in the complaint under the incorporation-by-reference doctrine.

HOLDINGS

1. The court may consider the complete March 24, 2023 communication because the complaint necessarily relied on it, its authenticity was undisputed, and Plaintiffs acknowledged that it was the communication referenced in the complaint.
2. A statement that Memjet's DuraFlex printheads were being discontinued immediately did not, by itself, carry a clear or necessary implication that the product or business was defective, inferior, or otherwise derogated; the trade libel claim therefore failed.
3. Leave to amend the trade libel claim was properly denied because Plaintiffs had already been given an opportunity to cure the same deficiency and further amendment would be futile.
4. Plaintiffs' expenditures on restorative advertising were damages compensating them for alleged injury, not restitution of money or property wrongfully obtained by Defendants, and therefore did not constitute a cognizable UCL remedy.
5. The alleged statement that DuraFlex printheads would be discontinued did not concern the product's nature, characteristics, qualities, or geographic origin under 15 U.S.C. § 1125(a)(1)(B), so the Lanham Act false-advertising claim failed.

KEY QUOTATIONS

“A complaint must “state a claim for relief that is plausible on its face.”” (at 3)

“Disparagement by reasonable implication require[d] more than a statement that may conceivably or plausibly be construed as derogatory to a specific product or business.” (at 5)

“The Court concludes again that the statements do not meet this standard.” (at 6)

“Restitution measures the remedy by the defendants’ gain, whereas damages measures the plaintiff’s loss.” (at 10)

“Thus, the Court GRANTS the motion to dismiss this claim.” (at 14)

FACTUAL BACKGROUND

Memjet and Defendants sell digital inkjet products for commercial use, including Memjet's DuraFlex printheads. Defendants allegedly sent a communication to approximately twenty businesses stating that production of the DuraFlex printhead would cease immediately and expressing disappointment while promising better alternatives. Memjet alleged that the communication falsely suggested that its product was substandard, obsolete, or becoming irrelevant, and asserted trade libel, UCL, and Lanham Act false-advertising claims, among others.

PROCEDURAL HISTORY

Plaintiffs filed the First Amended Complaint on August 30, 2024. The court had previously dismissed the same three categories of claims while allowing the intentional and negligent interference claims to proceed. After briefing and a hearing on October 23, 2024, the court granted Defendants' renewed motion and dismissed the trade libel, UCL, and Lanham Act claims without leave to amend, directing Defendants to respond to the remaining claims within 14 days.

DISPOSITION

other

CASES CITED

- Navarro v. Block, 250 F.3d 729, 732 (9th Cir. 2001)
- Bell Atlantic Corp. v. Twombly, 556 U.S. 544, 555, 570 (2007)
- Ashcroft v. Iqbal, 556 U.S. 662, 678-79 (2009)
- Moss v. U.S. Secret Service, 572 F.3d 962, 969 (9th Cir. 2009)
- Schneider v. California Department of Corrections, 151 F.3d 1194, 1197 n.1 (9th Cir. 1998), reversed and remanded on other grounds as stated in 345 F.3d 716 (9th Cir. 2003)
- Elizabeth Retail Properties LLC v. KeyBank National Association, 83 F. Supp. 3d 972, 984 (D. Or. 2015)
- Doe v. Successfulmatch.com, No. 13-CV-03376, 2014 WL 1494347, at *2 n.2 (N.D. Cal. Apr. 16, 2014)
- Coto Settlement v. Eisenberg, 593 F.3d 1031, 1038 (9th Cir. 2010)
- Hartford Casualty Insurance Co. v. Swift Distribution, Inc., 59 Cal. 4th 277, 291-95 (2014)
- Diaz v. Heredia, No. 5:20-CV-02332-JWH-KK, 2024 WL 4381364, at *6 (C.D. Cal. Jan. 4, 2024)
- Nestle USA, Inc. v. Crest Foods, Inc., 2019 WL 2619635, at *10 (C.D. Cal. Mar. 8, 2019)

- Rumble, Inc. v. Daily Mail & General Trust PLC, 459 F. Supp. 3d 1294, 1300-01 (C.D. Cal. 2020)
- Films of Distinction, Inc. v. Allegro Film Productions, Inc., 12 F. Supp. 2d 1068, 1081 (C.D. Cal. 1998)
- Auvil v. CBS '60 Minutes', 67 F.3d 816, 822 (9th Cir. 1995)
- Forsher v. Bugliosi, 26 Cal. 3d 792, 806 (1980)
- Lopez v. Smith, 203 F.3d 1122, 1127 (9th Cir. 2000)
- Korea Supply Co. v. Lockheed Martin Corp., 29 Cal. 4th 1134, 1149 (2003)
- Jaffe v. Cranford Insurance Co., 168 Cal. App. 3d 930, 935 (1985)
- National Rural Telecommunications Cooperative v. DIRECTV, Inc., 319 F. Supp. 2d 1059, 1085-86 (C.D. Cal. 2003)
- Benn v. Allstate Insurance Co., 569 F. Supp. 3d 1029, 1036-37 (C.D. Cal. 2021)
- Troyk v. Farmers Group, Inc., 171 Cal. App. 4th 1305, 1318 (2009)
- People ex rel. Brown v. Black Hawk Tobacco, Inc., 197 Cal. App. 4th 1561, 1567 (2011)
- Kwikset Corp. v. Superior Court, 51 Cal. 4th 310, 335-37 (2011)
- Sybersound Records, Inc. v. UAV Corp., 517 F.3d 1137, 1144 (9th Cir. 2008)
- San Diego County Credit Union v. Citizens Equity First Credit Union, 360 F. Supp. 3d 1039, 1053 (S.D. Cal. 2019)
- Maximum Availability Ltd. v. Vision Solutions, Inc., No. CV 10-1488-GW(RZX), 2011 WL 13176820, at *6 (C.D. Cal. Dec. 12, 2011)
- Coastal Abstract Service, Inc. v. First American Title Insurance Co., 173 F.3d 725 (9th Cir. 1999)

OPINION

Memjet Technology Limited v. Vanguard Graphics International, LLC

PER CURIAM.

1 2 3 4 5 6 7

8 UNITED STATES DISTRICT COURT

9 SOUTHERN DISTRICT OF CALIFORNIA

10 11 MEMJET TECHNOLOGY LIMITED; Case No.: 3:23-cv-1810-JES-AHG

and MEMJET US SERVICES INC.,

12

ORDER GRANTING MOTION TO

Plaintiffs,

13 DISMISS

v. 14 [ECF No. 16]

VANGUARD GRAPHICS

15 INTERNATIONAL, LLC; and

16 PRINTWARE, LLC,

17 Defendants. 18

19 Pending before the Court is the Defendants' Motion to Dismiss certain claims in the 20 First

Amended Complaint. ECF No. 16. Plaintiffs filed an opposition, and Defendants filed 21 a reply. ECF Nos. 18, 19. On October 23, 2024, the Court held a hearing on the motion and 22 took the matter under submission. ECF No. 23. After due consideration and for the reasons 23 discussed below, the Court GRANTS Defendants' motion.

24 I. BACKGROUND

25 On August 30, 2024, Plaintiffs filed the First Amended Complaint ("FAC"), which 26 is the operative complaint in this matter. ECF No. 15. Plaintiffs Memjet Technology 27 Limited and Memjet US Services Inc. (collectively, "Memjet") and Defendants Vanguard 28 Graphics International, LLC ("Vanguard") and Printware, LLC ("Printware") (collectively 1 "Defendants") are sellers of digital inkjet products for use in commercial industries. ECF

2 No. 2 ("FAC") ¶ 1. Defendant Printware is alleged to be a downstream reseller of certain 3 of Memjet's printing products. Id. The products at issue here are Memjet's DuraFlex 4 printheads. Id. 5 On or about March 24, 2023, Plaintiffs alleged that Defendants disseminated a 6 communication to approximately twenty businesses in the digital inkjet printing industry 7 that included the following statements: 8 (1) "Duraflex print head will no longer be produced by Memjet effective 9 immediately." 10 (2) Defendants were "disappointed in Memjet's decision . . ." and will "provide even 11 better options . . ." moving forward. 12 Id. ¶ 10. Plaintiffs alleged that these statements were libelous regarding their products 13 because they incorrectly informed the businesses that Memjet was discontinuing Duraflex 14 printheads immediately without warning to its customers and suggested that the Duraflex 15 printheads were "substandard, obsolete, and becoming irrelevant within the print industry." 16 Id. In addition, Plaintiffs allege that the communication violated Memjet's trademarks by 17 displaying the Duraflex name and logo. Id. ¶ 13. 18 Based on the foregoing, Plaintiffs allege causes of action for: (1) False Advertising 19 under the Lanham Act, 15 U.S.C. § 1125(a)(1)(b); (2) trade libel; (3) intentional interference 20 with prospective economic relations; (4) negligent interference with prospective economic 21 relations; and (5) California's Unfair Competition Law ("UCL"), California Business & 22 Professional Code §§ 17200 et seq. Id. ¶¶ 15-57. 23 The Court previously granted Defendants' first motion to dismiss. ECF No. 12. In 24 that motion, Defendants asked for the Court to dismiss all five causes of action. ECF No. 25 6. The Court denied the motion as to the intentional and negligent interference with 26 prospective economic relations claims, but granted the motion as to the other causes of 27 action. ECF No. 12 at 9. In response to that order, Plaintiffs then filed the FAC. In the 28 1 instant motion, Defendants now move to dismiss the trade libel claim, the UCL claim, and 2 the Lanham Act false advertising claim.

3 II. LEGAL STANDARDS

4 A motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) for failure to 5 state a claim tests the legal sufficiency of a plaintiff's claim. *Navarro v. Block*, 250 F.3d 6 729, 732 (9th Cir. 2001). When considering the motion, the court must accept as true all 7 well-pleaded factual allegations in the complaint. *Bell Atlantic Corp. v. Twombly*, 556 U.S. 8 544, 555 (2007). The

court need not accept as true legal conclusions cast as factual 9 allegations. *Id.*; *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (“[t]hreadbare recitals of the 10 elements of a cause of action, supported by mere conclusory statements” are insufficient). 11 A complaint must “state a claim for relief that is plausible on its face.” *Twombly*, 12 550 U.S. at 570. To survive a motion to dismiss, a complaint must include non-conclusory 13 factual content. *Id.* at 555; *Iqbal*, 556 U.S. at 679. The facts and the reasonable inferences 14 drawn from those facts must show a plausible—not just a possible—claim for relief. 15 *Twombly*, 550 U.S. at 556; *Iqbal*, 557 U.S. at 679; *Moss v. U.S. Secret Service*, 572 F.3d 16 962, 969 (9th Cir. 2009). The focus is on the complaint, as opposed to any new facts alleged 17 in, for example, the opposition to a defendant’s motion to dismiss. See *Schneider v. 18 California Dep’t of Corrections*, 151 F.3d 1194, 1197 n.1 (9th Cir. 1998), reversed and 19 remanded on other grounds as stated in 345 F.3d 716 (9th Cir. 2003). “Determining 20 whether a complaint states a plausible claim for relief [is] ... a context-specific task that 21 requires the reviewing court to draw on its judicial experience and common sense.” *Iqbal*, 22 557 U.S. at 679. The “mere possibility of misconduct” or “unadorned, the defendant- 23 unlawfully-harmed me accusation[s]” fall short of meeting this plausibility standard. *Id.*; 24 see also *Moss*, 572 F.3d at 969.

25 III. DISCUSSION

26 The Court will address each basis of Defendants’ motion to dismiss—the trade libel 27 claim, the UCL claim, and the Lanham Act false advertising claim—separately below. 28 A. Request for Judicial Notice 1 As a threshold matter, the Court first addresses Defendants’ request for judicial 2 ||notice. In their motion, they request that the Court take judicial notice of the actual full 3 communication that Plaintiffs allege they sent out that contains the statements at issue. ECF 4 || No. 16-4. The text reads as follows: 5 Dear iJetColor Customers and Prospects: 6 Thank you for your interest, support and business with our iJetColor™ inkjet envelope products that we 7 distribute through Printware, a wholly owned subsidiary of VGI, Holdings LLC. As we enter our second decade of inkjet development we're excited to integrate and bring the latest innovations to our customers 8 and future customers. We have important information to share with you about our proposed new iJetColor 9 High Speed Envelope products using Memjet’s Duraflex print head that we previewed in October of 2022. 10 The iJetColor1275 Duraflex Based System is Cancelled: Printware was notified this month that production of the Duraflex print head will no longer be produced by Memijet effective immediately. We 11 have confirmed the details of this decision with other long-time inkjet OEMs and have reviewed all our options. At this point of the development, while we evaluated, committed purchases of Duraflex print heads 12 and began development of unique high-speed envelope and packaging feeding systems — we need to cease 13 this development as the future of Duraflex is unknowable. With Memjet’s decision to stop production we cannot in good conscience and given the need for future support expect to bring this product to market. 14 What's next? We'll continue to evaluate and develop new technologies to provide even better options for 15 you to benefit from inkjet — including both new inkjet print

heads from other suppliers and exciting options with our existing Thermal Inkjet print heads from HP. While we are disappointed in Memjet's decision, 6 we remain optimistic for the future of more page wide inkjet solutions to help you profit from inkjet. 17 Please feel free to contact me with any questions or concerns. 18 ECF No. 16-3. 19 On a motion to dismiss, courts are generally limited to the complaint and may not 20 consider materials outside the pleadings. *Elizabeth Retail Properties LLC v. KeyBank Nat. Ass'n*, 83 F. Supp. 3d 972, 984 (D. Or. 2015). However, courts may take judicial notice of 22 certain documents, including those referenced in the complaint, without converting the 23 motion to dismiss to a summary judgment motion. *Doe v. Successfulmatch.com*, No. 13- 24 CV-03376, 2014 WL 1494347, at *2 n. 2 (N.D. Cal. Apr. 16, 2014). The Ninth Circuit has 25 "extended the doctrine of incorporation by reference to consider documents in situations 26 where the complaint necessarily relies upon a document or the contents of the document 27 are alleged in a complaint, the document's authenticity is not in question and there are no 28 1 disputed issues as to the document's relevance." *Coto Settlement v. Eisenberg*, 593 F.3d 2 1031, 1038 (9th Cir. 2010). 3 In response to the request for judicial notice, Plaintiffs acknowledge the ability of 4 the Court to take judicial notice of the document as incorporated by reference into the 5 complaint. ECF No. 18 at 9-10. Importantly, Plaintiffs do not dispute its authenticity and 6 that it is indeed the communication that is referenced in the FAC. See FAC ¶ 10. 7 Accordingly, the Court finds it appropriate to take judicial notice of the actual March 24, 8 2023 communication and GRANTS the request. 9 B. Trade Libel Claim 10 As the Court stated in its previous order, the California Supreme Court has described 11 trade libel as containing three important elements: (1) a false or misleading statement; (2) 12 which specifically refers to the plaintiff's product or business; and (3) clearly derogates 13 that product or business. See *Hartford Cas. Ins. Co. v. Swift Distrib., Inc.*, 59 Cal. 4th 277, 14 291-295 (2014). Derogation can be established directly or through reasonable implication.

15 *Id.* at 294. The court went on to explain that, "[d]isparagement by reasonable implication 16 require[d] more than a statement that may conceivably or plausibly be construed as 17 derogatory to a specific product or business. A reasonable implication in this context means 18 a clear or necessary inference." *Id.* at 295. District courts have dismissed claims where the 19 statement at issue did not meet this "heightened standard." *Diaz v. Heredia*, No. 5:20-CV- 20 02332-JWH-KK, 2024 WL 4381364, at *6 (C.D. Cal. Jan. 4, 2024); see, e.g., *Nestle USA, Inc. v. Crest Foods, Inc.*, 2019 WL 2619635, at *10 (C.D. Cal. Mar. 8, 2019) (dismissing 22 a trade libel claim after finding that alleged communications "presented subtle, implied 23 comments that were not clearly disparaging"); *Rumble, Inc. v. Daily Mail & Gen. Tr. PLC*, 24 459 F. Supp. 3d 1294, 1300-01 (C.D. Cal. 2020) (statement that Plaintiff's company was 25 the "only" one that Defendant did not work with did not carry a clear or necessary 26 implication something must be wrong with Plaintiff's company). 27 The Court previously dismissed this claim because it found that the statements in the 28 communication regarding Plaintiffs' Duraflex product being discontinued immediately did 1 not meet the "clear or necessary" inference standard for the

statements to be derogatory. 2 ECF No. 12 at 5-6. Defendants argue that the FAC does not include any amendments that 3 would lead to a different result—the statements in the communication are the same as 4 before. ECF No. 16-1 at 8. On the other hand, Plaintiffs argue that the FAC does contain 5 additional allegations, including the following: 6 • “[F]ollowing the release of the Communication, MEMJET’s executives and 7 sales personnel have had to address countless phone calls, emails and in- 8 person inquiries about the quality and longevity of the DuraFlex printhead.” 9 • “In April of 2023, MEMJET’s team was even forced to host a live ‘town hall’ 10 meeting with one if its OEM providers and their respective customers to 11 explain the falsity of the Communication and assure these current and future 12 customers that MEMJET would continue to supply and service the DuraFlex 13 printhead.” 14 • “Notwithstanding MEMJET’s mitigation efforts, as recently as July of 2024, 15 one of MEMJET’s larger OEM providers indicated that it would significantly 16 reduce its DuraFlex printhead forecast as a result of the Communication.” 17 FAC ¶ 32. Plaintiffs argue that these new allegations evidence a “clear and necessary” 18 inference regarding the statements in the communication. ECF No. 18 at 16. 19 “[A] product defamation or trade libel claim must be based on specific statements, 20 and ‘[t]he defamatory character of the language must be apparent from the words 21 themselves.’” *Films of Distinction, Inc. v. Allegro Film Prods., Inc.*, 12 F. Supp. 2d 1068, 22 1081 (C.D. Cal. 1998) (quoting *Auvil v. CBS “60 Minutes”*, 67 F.3d 816, 822 (9th Cir. 23 1995)). Thus, evidence of how the statements may have been subjectively taken is of 24 questionable relevance to this inquiry and the inquiry is focused on whether a derogatory 25 meaning can be found in the communication itself. See *Forsher v. Bugliosi*, 26 Cal. 3d 792, 26 806 (1980). The new allegations that Plaintiffs add are not additional statements found in 27 the communication, but rather allegations on what some of their customers may have taken 28 the statements to mean. While not completely irrelevant, the Court’s ultimate inquiry 1 remains whether the statements in the communication carry an implication from a 2 reasonable person’s point of view that are clearly or necessarily derogatory. 3 The Court concludes again that the statements do not meet this standard. The Court 4 finds the reasoning from the *Rumble* case cited above instructive. In *Rumble*, the court 5 evaluated whether a statement that the plaintiff company was the “only” one that the 6 defendant did not work with to carry a clear or necessary derogatory implication. 459 F. 7 Supp. 3d at 1300. The court found that the statement did not because “there are a number 8 of reasons why companies might not work together that are unrelated to the allegedly 9 defamed company’s quality of service. For example, the companies’ higher-ups may not 10 get along, or one company may have an exclusive arrangement with a competitor of the 11 other.” *Id.* at 1301. The court concluded that, therefore, the statement “does not carry a 12 clear and necessary implication that something must be wrong with *Rumble*.” *Id.* Similarly 13 here, a statement that the Duraflex printheads are being discontinued effective 14 immediately, even if true, would not necessarily or clearly carry an implication that 15 something was wrong with the product or business. For example, unexpected 16 discontinuation of a product could result from a supply

chain issue with a part or from a 17 personal issue with the business owner that has nothing to do with how the business is run 18 or the product's quality. Therefore, the Court finds that the statements in the 19 communication do not meet the heightened "clear or necessary" standard. 20 Having found that the trade libel claim must be dismissed again, the Court considers 21 if the claim should be dismissed with or without leave to amend. Generally, a "district court 22 should grant leave to amend . . . unless it determines that the pleading could not possibly 23 be cured by the allegation of other facts" such that granting leave would be futile. See *Lopez 24 v. Smith*, 203 F.3d 1122, 1127 (9th Cir. 2000) (internal quotation omitted). However, this 25 is the second time that Defendants have moved to dismiss this claim and Plaintiffs have 26 been given an opportunity to cure the deficiency in the complaint. The Court previously 27 dismissed the same claim on the same ground and similar reasoning. Moreover, given the 28 standard to state a trade libel claim and because there is no dispute as to the contents of the 1 communication itself and the statements contained therein, the Court finds that giving 2 Plaintiffs another chance to amend would be futile at this time. Accordingly, Plaintiffs' 3 trade libel claim is DISMISSED WITHOUT LEAVE TO AMEND. 4 C. UCL Claim 5 Next, Defendants move to dismiss Plaintiffs' UCL claim because they argue that 6 such claims only provide limited damages—specifically, injunctive relief or restitution— 7 and Plaintiffs fail to request any relief that qualifies in their FAC. ECF No. 16-1 at 9-10. 8 "[U]nder the UCL, '[p]revailing plaintiffs are generally limited to injunctive relief 9 and restitution.'" *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1149 10 (2003). "[A]n order for restitution is one 'compelling a UCL defendant to return money 11 obtained through an unfair business practice to those persons in interest from whom the 12 property was taken, that is, to persons who had an ownership interest in the property or 13 those claiming through that person.' The object of restitution is to restore the status quo by 14 returning to the plaintiff funds in which he or she has an ownership interest." *Id.* (internal 15 citation omitted). 16 "[T]here is a fundamental distinction between restitution, which is allowed, and 17 damages, which are not. The term 'damages' describes 'a payment made to compensate a 18 party for injuries suffered,' whereas 'restitution' takes place when '[t]he defendant is asked 19 to return something he wrongfully received; he is not asked to compensate the plaintiff for 20 injury suffered as a result of his conduct.'" *Jaffe v. Cranford Ins. Co.*, 168 Cal. App. 3d 21 930, 935 (1985); see also *Nat'l Rural Telecommunications Co-op. v. DIRECTV, Inc.*, 319 22 F. Supp. 2d 1059, 1085–86 (C.D. Cal. 2003) ("Restitution measures the remedy by the 23 defendants' gain, whereas damages measures the plaintiff's loss.") (cleaned up). "In short, 24 the sine qua non of a claim for restitution under section 17200 is that (1) the defendant 25 obtained something to which it was not entitled and (2) the plaintiff gave up something 26 which he or she was entitled to keep. In such cases, the court may exercise its equitable 27 power and order the defendant to give back that which was wrongfully acquired." *Benn v. 28 Allstate Ins. Co.*, 569 F. Supp. 3d 1029, 1036–37 (C.D. Cal. 2021). 1 Plaintiffs attempt to recast damages as restitution. In order to support their UCL 2 claim, Plaintiffs claim as restitution the amount of monies they have spent to do restorative

3 advertising to repair damage to goodwill as a result of Defendants' communication. ECF
4 No. 18 at 20-21. This does not qualify as restitution, however. Based on the well-
5 established principles drawing the line between damages and restitution, these restorative 6
advertising costs do not qualify as something defendant must give back to plaintiff for 7 something
defendant wrongfully received. Rather, these costs are more appropriately 8 qualified as a payment
to plaintiff to compensate him for injuries caused by defendant— 9 the classic definition of
damages. Thus, Plaintiffs' efforts to recategorize these costs fail. 10 In addition, Plaintiffs' cases
that purport to support the proposition that even costs a 11 plaintiff pays a third party (rather than
the defendant) can still be restitution are inapposite. 12 First, in *Troyk v. Farmers Grp., Inc.*, 171
Cal. App. 4th 1305, 1318 (2009), monies were 13 not directly paid to the named defendant but the
third party paid was "a corporate affiliate 14 of [defendant]" and in "collecting payments from
[defendant's] policyholders, acts as the 15 agent of [defendant]." This relationship does not exist
here between the third party 16 advertising agencies Plaintiffs paid and Defendants. Second,
Plaintiffs cite to *People ex rel. Brown v. Black Hawk Tobacco, Inc.*, 197 Cal. App. 4th 1561,
1567 (2011), for a similar 18 proposition but that case dealt with injunctive relief, which like
restitution can support a 19 UCL claim, and nothing in the case discusses restitution and the word
fails to wholly appear 20 anywhere in the case. 21 Further, Plaintiffs cite cases in their opposition
to suggest that the damages 22 requirement to sustain a UCL claim is broader than Defendants'
cite. ECF No. 18 at 19- 23 20. However, Plaintiffs seem to be conflating the issue of whether a
party has standing to 24 bring a UCL claim with what kind of damages can ultimately sustain a
UCL claim on the 25 merits. Indeed, the case that Plaintiffs themselves cite to make this clear. See
Kwikset Corp. v. Superior Ct., 51 Cal. 4th 310, 335–37 (2011). The language regarding a
plaintiff only 27 needing to show that he "lost money or property" is to establish standing under
the UCL. 28 However, the *Kwikset* court specifically stated that the two requirements were not the
1 same—rejecting a party's argument that demonstrating no compensable losses to 2 restitution
means that the party lacked standing as "conflat[ing] the issue of standing with 3 the issue of the
remedies to which a party may be entitled. That a party may ultimately be 4 unable to prove a right
to damages (or, here, restitution) does not demonstrate that it lacks 5 standing to argue for its
entitlement to them." *Id.* The court recognized that the two were 6 different: "A restitution order
against a defendant thus requires both that money or property 7 have been lost by a plaintiff, on
the one hand, and that it have been acquired by a defendant, 8 on the other" whereas "the
economic injury that an unfair business practice occasions may 9 often involve a loss by the
plaintiff without any corresponding gain by the defendant." *Id.* 10 (emphasis added). In such
circumstances, the *Kwikset* court recognized that a plaintiff 11 could have standing to bring a UCL
claim to request injunctive relief even in the absence 12 of restitution damages—highlighting that
restitution and general damages cannot be 13 conflated. *Id.* 14 Thus, the cases that Plaintiffs cite
are not relevant here—Defendants are not 15 challenging Plaintiffs' standing to bring a UCL
claim, but rather whether they have alleged 16 damages that could be cognizable under such a

claim. As stated above, the restorative 17 advertising costs do not qualify as restitution damages. Further, Plaintiffs do not have an 18 injunctive claim either. Having failed to allege either restitution or injunctive relief as 19 required under the UCL, the Court GRANTS the motion to dismiss this claim. Like with 20 the trade libel claim, the Court previously dismissed this claim on the same ground and 21 similar reasoning, and the Court finds that leave to amend would be futile. Thus, this claim 22 will be dismissed WITHOUT LEAVE TO AMEND. 23 D. Lanham Act Claim 24 Finally, Defendants move to dismiss Plaintiffs' Lanham Act claim under § 25 1125(a)(1)(B). ECF No. 16-1 at 13-15. This provision makes liable any person who "in 26 commercial advertising or promotion, misrepresents the nature, characteristics, qualities, 27 or geographic origin of his or her or another person's goods, services, or commercial 28 activities." 15 U.S.C. § 1125(a)(1)(B). Defendants argue that this provision cannot apply 1 to the statements made in the communication here because they do not pertain to the 2 products' "nature, characteristics, qualities, or geographic origin" and because the 3 communication does not qualify as a "commercial advertising or promotion." ECF No. 16- 4 1 at 13-15. 5 As to this first argument, regarding the scope of what "nature, characteristics, 6 qualities, or geographic origin" means within § 1125(a)(1)(B), the parties do not provide 7 the Court with binding authority.¹ Upon independent review, there appears to be a dearth 8 of case law on this issue. The most relevant Ninth Circuit case is Sybersound Records, Inc. 9 v. UAV Corp., 517 F.3d 1137 (9th Cir. 2008), where the court stated that "the nature, 10 characteristics, and qualities of [a product] under the Lanham Act are more properly 11 construed to mean characteristics of the good itself." *Id.* at 1144 (emphasis added). 12 Sybersound involved whether a § 1125(a)(1)(B) claim could be brought based on false 13 statements regarding the copyright license status of a music record and found that it could 14 not because such information was not inherent about the good. *Id.* (characteristics of the 15 good itself would include things like "the original song and artist of the karaoke recording, 16 and the quality of its audio and visual effects"). Some district courts have relied on this 17 statement to impose this inherent to the product limitation. See, e.g., San Diego Cnty. 18 Credit Union v. Citizens Equity First Credit Union, 360 F. Supp. 3d 1039, 1053 (S.D. Cal. 19 2019) ("Under either theory of literal falsity or misleading/confusing consumers, the 20 plaintiff must also demonstrate that the false or misleading representation involved an 21 inherent or material quality of the product."); Maximum Availability Ltd. v. Vision Sols., 22 Inc., No. CV 10-1488-GW(RZX), 2011 WL 13176820, at *6 (C.D. Cal. Dec. 12, 2011) 23 (info regarding number of customers who switched from Plaintiff to Defendant does not 24 concern "nature, characteristics, qualities, or geographic origin"). 25 26 1 Defendants do not cite cases to support their interpretation. Plaintiffs cite to one Ninth Circuit case, 27 Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co., 173 F.3d 725 (9th Cir. 1999), but the case dealt with what constitutes commercial advertising, not what constitutes "nature, characteristics, qualities, or 28 1 The Court finds that the reasoning in Sybersound and the cases interpreting it 2 ||counsels a finding that whether a product is discontinued or not does not qualify as a 3 ||"characteristic of the good itself"

or an “inherent or material quality of the product.” 4 || Sybersound, 517 F.3d at 1144; San Diego Cnty. Credit Union, 360 F. Supp. 3d at 1053. 5 Thus, the Court GRANTS the motion to dismiss this claim. Because this claim again 6 || depends on the contents of the communication itself and the statements contained therein, 7 ||the Court finds that giving Plaintiffs leave to amend would be futile. Accordingly, 8 || Plaintiffs’ Lanham Act false advertising claim is DISMISSED WITHOUT LEAVE TO 9 || AMEND.

10 IV. CONCLUSION

11 After due consideration and for the reasons discussed above, the Court GRANTS 12 || Defendants’ motion to dismiss the trade libel claim, the UCL claim, and the Lanham Act 13 advertising claim without leave to amend. Defendants must file a response to the 14 ||remaining claims in the FAC that were not challenged in this motion within 14 days of 15 || this order. 16 IT IS SO ORDERED. 17 Ig Dated: April 1, 2025 “| ape BS ncomecors 4, 19 Honorable James E. Sunmons Jr. 0 United States District Judge 21 22 23 24 25 26 27 28