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4	Attorneys for Plaintiff SCILABS NUTRACEU	TICALS INC						
5	a California Corporation							
6								
7	SUDEDIOD COUD	T OF CALIFORNIA						
8								
9	FOR THE COUP	NTY OF ORANGE						
10	COLLADO MITO A CELIDICATO INC.	Cogo No						
11	SCILABS NUTRACEUTICALS, INC., a California corporation;	Case No.						
12	Plaintiff,	COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF						
13	v.)	1. MISAPPROPRIATION OF TRADE						
14	NATURADE, INC., a Delaware corporation;	SECRETS; 2. BREACH OF CONTRACT;						
15	NNC LLC, a Delaware limited liability company; NATURADE OPERATING) 3. VIOLATION OF BUSINESS) PROFESSIONS CODE §§17200						
16	CORP. , a Delaware corporation; RICHARD (ROBINETTE, an individual; and Does 1	ET SEQ.; AND 4. FRAUD						
17	through 50, inclusive.							
18	Defendants.)							
19								
20		DEMAND FOR JURY TRIAL						
21	Plaintiff Scilabs Nutriceuticals, Inc. ("S	Scilabs" or "Plaintiff") alleges the following:						
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23	I.							
24	NATURE OF	THE CASE						
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26	This case involves a scheme by the pr	rincipals of Naturade, Inc., which is now doing						
27	business through the entity, NNC LLC and for	merly was doing business as Naturade Operating						
28	Corp. ("collectively, Naturade"), to defraud Scil	labs and steal its formulas all for Naturade's gain						
	- 1 - COMPLA	AINT						

and at a very significant cost to Scilabs. As will be presented in the case, this type of fraud is a custom and practice of Naturade under the leadership of Richard Robinette ("Robinette") and now Jay Drezner ("Drezner"). After just emerging from Bankruptcy, Naturade had no formulas to manufacture its products, despite its 84-year history. Its sales were nearly non-existent and it had just been taken over by Robinette and his partners. At that time, Robinette devised a scheme by which he made representations of long-term business and even a potential partnership to Scilabs, an FDA licensed nutraceutical manufacturing laboratory, if Scilabs would provide Naturade with the much needed formulations for its products. All along, Robinette planned to use Scilabs to develop these formulations, help build up the sales of the business to tens of millions of dollars a year, and then to take the business away from Scilabs once Naturade re-established its market credibility. Naturade and Robinette planned to steal Scilabs' formulations and expertise in creating such products and usurp this intellectual property for Naturade's sole benefit. So persuasive was Robinette's misrepresentations of continued work and future value to Scilabs that Robinette even convinced Scilabs' officers to build an entirely new powder filling room dedicated to Naturade's products that cost Scilabs in excess of \$500,000.

Scilabs worked for 6 months formulating products for Naturade and then Naturade reintroduced these products in the market. The products were a hit and Naturade quickly was selling the products at a clip of greater than \$6 million per year. Once Naturade was flush with cash and able to negotiate for terms for production with new manufacturers, it did exactly what Robinette had secretly planned all along, it took its business from Scilabs to another lab and had someone reverse engineer Scilabs' formulas. Naturade is now selling Scilabs' proprietary formulations without legal right. So unabashed was Robinette's behavior that he has not even paid the remaining invoices that are owed to Scilabs from the last orders placed by Naturade. Naturade

1	must be stopped under FDA Section 403c from this damaging behavior and this fraud on
2	consumers by passing off its new product as the products formulated by Scilabs.
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4	II.
5	<u>PARTIES</u>
6	Plaintiff Scilabs is, and at all times relevant herein was, a corporation organized
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8	under the laws of the State of California and licensed to do business in the State of California.
9	Scilabs' principal place of business is in the county of Orange, State of California.
10	2. Defendant Naturade, Inc. is, and at all times relevant herein was, a corporation
11 12	organized under the laws of the State of Delaware and licensed to do business in California.
13	Naturade, Inc.'s principal place of business is in the county of Orange, State of California.
14	Defendant NOC is a corporation organized and existing under the laws of the State of Delaware
15	with its principal place of business in the county of Orange, State of California.
16	3. Defendant NNC LLC is a limited liability company organized and existing under
17	the laws of the State of Delaware, with its principal place of business in the county of Orange,
18	State of California.
19	4. Defendant Robinette, is and at all times relevant herein was, an individual residing
20	in the State of California, county of Orange.
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22	5. Plaintiff is ignorant of the true names and capacities of defendants sued herein as
23	Does 1 through 50, inclusive, and therefore sues these defendants by such factitious names.
24	Plaintiff will amend this Complaint to allege their true names and capacities when ascertained.
25	Plaintiff is informed and believes and thereon alleges that each of the fictitiously named
26	defendants is an agent, employee, affiliate or co-conspirator of one or more of the Defendants and
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	COMPLAINT

1	may be served with process within the state of California and is responsible in some manner for
2	the unlawful conduct herein alleged.
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4	III.
5	<u>JURISDICTION</u>
6	6. The court has jurisdiction over this action pursuant to Civil Code §§3426.1-
7	3426.11. The California Superior Court has jurisdiction over this action pursuant to Article VI,
8	Section 10, of the California Constitution.
9	7. This court has jurisdiction over the Defendants because, based on information
10	and belief, each is a corporation, business entity, or individual that has sufficient minimum
11	contacts in California, is a citizen of California, or otherwise intentionally avails itself of the laws
12	and protections of California so as to render the exercise of jurisdiction over each defendant in
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14	California courts consistent with traditional notions of fair play and substantial justice. Venue is
15	proper in the Orange County Superior Court because the individual defendant, Robinette, resides
16 17	in Orange county and the principal place of business of the corporate defendants is Orange
18	County.
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20	IV.
21	FACTS COMMON TO ALL CAUSES OF ACTION
22	8. Naturade is a wholesaler and direct marketer of dietary supplements. The brand
23	has been in existence since 1926. However, in 2007, it fell upon hard times and filed for
24	protection under the Bankruptcy Code.
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26	9. In or about November 7, 2007, Naturade, Inc. emerged from Chapter 11
27	Bankruptcy protection and was principally owned at that time by Redux, Inc. Despite Naturade,
28	Inc.'s status as a publicly traded company, the Bankruptcy court approved a plan of reorganization
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that called for the purchase of Naturade, Inc.'s assets and certain liabilities by Redux, who would receive a 95% ownership in the company, for a paltry \$700,000. All shareholders of prebankruptcy Naturade, Inc. would own only 5% of the shares. Redux, Inc., also a publicly traded company, was primarily owned by three people, Robinette, Adam Michelin ("Michelin") and Milos Sarcev ("Sarcev").

- 10. As a result of the financial distress of Naturade which lead to the company's bankruptcy filing, Naturade had burned many bridges in the nutraceutical manufacturing industry and either owed significant money to manufacturers who were unwilling to work with Naturade or to work with it on terms. What is more, Naturade had no formulas for its products in its archives since it had not paid the manufacturer's time and effort in their creation. Robinette and Naturade needed to find a manufacturer willing to work on terms and who would formulate products for them.
- 11. In or about late November 2008/early December 2008, Robinette was introduced to Paul Edalat ("Edalat"), a director of Scilabs. Edalat met with Robinette and his partners on several occasions December 2008. During these meetings, the parties discussed the prospect of Scilabs of manufacturing Naturade's products and also serving as the fulfillment house handling sales processing and shipment, because Naturade owed a significant amount of money to its thenfulfillment house and was looking to move to avoid that liability.
- 12. At these meetings in December 2008, Robinette made many representations to Edalat about Robinette's desire to have a long-term manufacturing relationship with Edalat and his manufacturing facility. Edalat had in-house custom formulations that are the exclusive Intellectual Property of Scilabs which Robinette was interested in using to provide the base for Naturade products.

13. In these December meetings, Robinette told Edalat and his company's representatives, including Bryan Coy ("Coy") that the relationship would be prosperous and long-term. Robinette assured Edalat that Edalat's agreement to allow Naturade, Inc. to privately label Edalat's formulas and Edalat's investment into preparing the new formulations would be compensated by repetitive and long-term business from Naturade. Robinette often used the term, "forever" as it related to the business between Naturade and Scilabs. Robinette told Edalat that they will always be "brothers" and "partners." In these December meetings, Robinette specifically acknowledged that the formulas Edalat had for private labeling were owned by Edalat and Robinette promised Edalat that Naturade would do nothing to try and take the formulas away.

14. Despite these comments to Edalat and his company's representatives, in private, Plaintiff has since learned that Robinette was making drastically different comments to his colleagues behind Edalat's back. Indeed, from the period immediately after the parties' first meeting, Robinette specifically stated that he would know how to outsmart Edalat if they were to do business together. From that time forward, Robinette frequently discussed in private with his colleagues how he was looking for ways to get out of working with Scilabs. Robinette was saying that he believed he could ask Edalat for better terms than Naturade could get from other manufacturers and request the best pricing from Edalat stating that "Robinette can eat this kind of businessman for breakfast," and that Robinette could tell Edalat what to do. Robinette also stated that he could teach Edalat a lesson he would never forget. Robinette said he did not have time for "losers and thieves like [Edalat]." Robinette even used other derogatory religious and racist insults when referring to Edalat, such as "mother-fucking Muslim," "mother-fucking Arab," and "cocksucker." When referencing Edalat, Robinette said that he would not "touch a nut even with the shell on it out of Edalat's hands."

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- 15. In late 2008, in reliance on the representations of Robinette, Edalat and Scilabs began the process of creating and fine-tuning formulations that Naturade needed. Shortly after doing so, however, Edalat and Scilabs learned that in order to obtain relief from its debt obligations to Naturade's primary secured lender, Laurus Master Funds, Ltd. ("Laurus"), Robinette and the other officers of Naturade agreed to an Article 9 friendly foreclosure of Naturade's assets. Originally, Robinette told Edalat that he was looking for investors to buy the assets of Naturade in order to pay off Laurus at the foreclosure sale or take Naturade out of its default status with Laurus. Because of Robinette's promises of a partnership between the two companies, Edalat even located investors for the purpose of buying the assets or paying off the debt through equity acquisition.
- 16. Unbeknownst to Edalat, Robinette had no interest in Edalat's investors or in utilizing their money to pay off the debt. Robinette all along was interested in turning over the assets to Laurus with whom Robinette had formed an alliance. Thus, Robinette kept lying to Edalat about the date and time of the foreclosure sale noticed by Laurus to ensure that Edalat and his investors could not purchase the assets at the sale. Ultimately, on or about January 16, 2009, Laurus obtained the assets through the foreclosure and held them in the name of Naturade Operating Corp. ("NOC").
- 17. NOC continued to express interest in doing business with Scilabs and Robinette continued to make the same representations concerning the long-term nature of the business. It was at this time that Robinette convinced Edalat to build the powder filling room solely for the production of Naturade's products. This facility required an investment in excess of \$500,000 by Scilabs. Edalat and his staff worked for nearly 6 months and thousands of man hours fine-tuning the formulations to meet Naturade's tastes and specifications.

- 18. Ultimately, Scilabs completed the formulations and the products began to be marketed and sold. They were instant hits for Naturade. Naturade was selling the products at a clip equivalent to six million dollars annually. During this time, specifically in April and September 2009, Robinette requested that Scilabs give Naturade much more favorable billing terms than Scilabs' standard terms with its customers. Robinette promised continued and large volume production with Scilabs if it agreed to reduce the deposit amounts (from the standard 50% to 25%) and give Scilabs terms for payment after receiving the shipment instead of paying COD or in advance of the shipment of product for the balance like most customers.
- 19. In retrospect, there were occasions during this start-up time of creating inventory and formulations where the plan of Robinette and Drezner, the current CFO of Naturade (the former loan officer for the Naturade obligation with Laurus), to "move" their business to another manufacturer when the formulations were completed and the sales stabilized was revealed. At the time, however, it was not clear. These events included an April 2009 email from Drezner where he threatens to pull all of Naturade's business with Scilabs if Edalat does not do what Drezner wants.
- 20. During the period of growth of the products for Naturade, due to the representations of Robinette, Scilabs did not aggressively pursue new customers and reduced the manufacturing for existing customers in order to accommodate Naturade's needs and expected future growth.
- 21. In or about September 2009, the assets of NOC were sold to NNC LLC, an entity controlled by Vertex Corporation, a corporation associated with Laurus.
- 22. Then, finally, in or about December 8, 2009, after Naturade had placed new orders with Scilabs, Naturade objected to Scilabs' billing terms and after lengthy discussions, by December 24, 2009, it was clear that Naturade would no longer do business with Scilabs. During

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copyright, trademark or other intellectual property whether now existing or subsequently developed by Seller at its own cost during the term of this agreement and does not assign to or license same to Buyer, unless expressly agreed to otherwise in a separate written agreement signed by both parties."

- 27. In each Quotation for the purchase of product by Naturade, Naturade's officers executed the Quotation and accepted the terms thereof. Moreover, Robinette acknowledged verbally that unless he paid for the formulations, they were to be owned solely by Scilabs.
- 28. Under Cal. Civ. Code 3426.1 to 3526.11, California's Trade Secrets act, proprietary information owned by one party may not be hypothecated by another without permission or compensation. The Quotation specifically provides that ownership to the formulas is vested in Scilabs and that Naturade's only rights with regard to the formulas is through a license to sell the particular products that were manufactured by Scilabs.
- 29. Naturade has misappropriated and indeed stolen the formulas owned by Scilabs to the products that were formulated by Scilabs. These products include: Bavarian Chocolate; Veggie Protein; Soy Free Veg; Pea Protein Vanilla; Pea Protein Chocolate; Weight Gain; 100% Whey Vanilla; 100% Whey Chocolate; Complete Cleanse; Cherry Chewables; Pineapple, Orange, and Root Beer Chewables. Selling products utilizing Scilabs' formula (regardless if it was reverse-engineered by another nutraceutical manufacturing facility or they attempted to knock-it-off, but are now passing it off as the same product Scilabs' manufactured) is damaging Scilabs. Scilabs is not only being damaged by the lost profits on the sales of the product it would have sold to Naturade, but which Naturade is now buying improperly from another company, but Naturade is now competing improperly against Scilabs who has the right to manufacture and market the products made from its formulations exclusively.

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set forth in full herein.

1	1.	For compensatory damages in	n an amount to be proven at the time of trial but which
2		is alleged to be in excess of \$	5,000,000.00;
3	2.	For an injunction preventing	g Naturade from selling products utilizing Scilabs'
4		formulas, or a reverse engin	neered form of the formula, or selling the products
5		bearing the names used for th	e formulas; and
7	3.	For punitive damages;	
8	ON THE SE	COND CAUSE OF ACTION	
9	4.	For damages related to the ca	nceled orders in the sum of \$65,988.01;
10	5.	For damages from the misap	propriation of Scilabs' formulas in amount to be set at
11	the time of tri	al, but which is alleged to be in	n excess of \$500,000.00.
12 13	6.	For attorneys' fees and costs	of suit, pursuant to contract;
14	ON THE TH	IIRD CAUSE OF ACTION	
15	7.	For Restitution in a sum to be	e determined at the time of trial;
16	8.	For Injunctive Relief; and	
17	9.	For any other relief as the Co	urt may deem appropriate to fashion;
18	ON ALL CA	USES OF ACTION	
19	10.	For costs of suit; and	
2021	11.	For all other and further dama	ages as the Court deems just and proper.
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23	DATED:	February, 2010	YOUNESI & YOSS, LLP
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25			By:
26			JAN A. YOSS Attorneys for Plaintiff, SCILABS
27			NUTRACEUTICALS, INC.
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DEMAND FOR JURY TRIAL	
Plaintiff hereby demands a trial by jury on all claims so triab	le.
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DATED: February, 2010 YOUNESI & YOSS, LLP	
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8 By:	
JAN A. YOSS Attorneys for Plaintiff SCILA	BS
NUTRACEUTICALS, INC.	
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