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Attorneys for Plaintiffs

**IN THE THIRD JUDICIAL DISTRICT COURT IN AND FOR
SALT LAKE COUNTY, STATE OF UTAH**

ARIIX, LLC, a Utah Limited Liability
Company,

Plaintiffs,

v.

YOSHIMI KANNO, an individual residing in
Japan, WATARU KANNO, an individual
residing in Japan, AKIRA KAMINO, an
individual residing in Japan, and TAIGA
TERAGUCHI, an individual residing in Japan,

Defendants.

COMPLAINT

DEMAND FOR JURY TRIAL

Case No. _____

Judge: _____

(TIER 3)

Plaintiff ARIIX, LLC (“ARIIX” or “Plaintiff”) hereby complains and alleges against
Defendants Yoshimi Kanno and Waturu Kanno (collectively, the “Kannos”), Akira Kamino

("Kamino"), and Taiga Teraguchi ("Teraguchi") (hereinafter, collectively the "Defendants") and would respectfully show the Court as follows:

PARTIES

1. ARIIX, LLC is a Utah limited liability company with its principal place of business located in Utah.

2. Wataru Kanno is an individual who, upon information and belief, resides in Tokyo, Japan.

3. Yoshimi Kanno is an individual who, upon information and belief, resides in Tokyo, Japan.

4. Akira Kamino is an individual who, upon information and belief, resides in Osaka, Japan.

5. Taiga Teraguchi is an individual who, upon information and belief, resides in Osaka, Japan.

JURISDICTION AND VENUE

6. This Court has jurisdiction over the subject matter of this action pursuant to Utah Code Annotated Section 78A-5-102.

7. This Court has personal jurisdiction over Defendants, each of whom are parties to an enforceable agreement with ARIIX, LLC, because Defendants agreed that all disputes arising under or connected with the agreement would be resolved solely and exclusively in the courts of appropriate jurisdiction located in Salt Lake County, Utah, and pursuant to the laws of the State of Utah.

8. This Court also has personal jurisdiction over the Defendants because they have expressly aimed tortious activities toward the State of Utah and established sufficient minimum

contacts by virtue of their tortious conduct toward ARIIX as outlined herein, with the knowledge that ARIIX is located in Utah and being harmed in Utah as result of their conduct and by virtue of their having traveled to Utah in connection with the contract at issue in this action.

9. Venue is proper in this Court pursuant to Utah Code Annotated Sections 78B-3-304 and 307.

10. Pursuant to Utah Rule of Civil Procedure 26, this is a “Tier 3” case for purposes of discovery, because the amount of damages alleged exceeds \$300,000.

FACTUAL BACKGROUND

11. ARIIX markets various health and wellness products through a network of independent distributors (“Distributors”) throughout the world.

12. ARIIX began operating in Japan approximately nine years ago.

13. From the beginning, ARIIX’s Japanese market grew steadily, and ARIIX enjoyed consistent organic growth among an increasingly enthusiastic field of Distributors.

14. In 2014, ARIIX introduced its “Founders Club,” a group of top Distributors in each market that would share in the profits of their market.

15. This was a way to recognize and incentivize top Distributors to work with each other and with ARIIX to further develop and increase its presence in its various markets.

16. ARIIX introduced the Founders Club in North America, China, Japan, and Europe. In each market, the Founders Club had between two and four inaugural members.

17. In Japan, the inaugural Founders Club members included Kamino, Teraguchi, and Hiroyuki Ochi (“Ochi”). Kamino and Ochi had been with ARIIX since its founding in 2012.

18. Teraguchi was a young up-and-coming Distributor who had joined ARIIX in 2013 and had gained a substantial following of younger Distributors and customers in the Osaka area.

19. Kamino, Teraguchi, and Ochi each signed ARIIX's Founders Club Member Agreement ("Agreement").

20. In 2015, the Kannos, who are married, joined ARIIX. They too experienced substantial success with ARIIX and commanded a significant following of Distributors and customers in Tokyo and Sendai.

21. After a few years of noteworthy sales growth, the Kannos were invited to join the Founders Club.

22. ARIIX gives Founders Club members ("Members") unprecedented benefits not available to other Distributors.

23. ARIIX features Members at onstage events attended by thousands of Distributors and customers.

24. ARIIX features Members in its publications and marketing materials. Members attend all-expenses paid incentive trips to places like Europe, Thailand, Hawaii, Las Vegas, and Utah.

25. The Defendants each traveled to Utah and spent time at ARIIX's headquarters on such an all-expense paid trip as part of their privileges and responsibilities as Members.

26. In addition to global visibility, prestige, recognition, and benefits by virtue of their Founders Club membership, Members are granted access to ARIIX's global operations and management not provided to other Distributors.

27. For example, Members are included in ARIIX's most confidential planning sessions with its executive management team.

28. As Members, the Defendants were offered a "seat at the table" for discussions and decisions about important strategic and operational matters regarding the Japanese market.

29. The Defendants were given access to highly sensitive, confidential information regarding products, formulas, sales incentives, suppliers, and marketing strategies, financial information, and other sensitive matters regarding their market.

30. The Defendants were mentored by ARIIX's experienced management team regarding how to successfully operate, market, sell, and grow a network marketing business. Regular access to ARIIX's executive team was a highly coveted benefit that further raised the profile of Defendants in their market.

31. Importantly, Members shared in the financial success of ARIIX and are granted "profits," which are monetary benefits above and beyond those afforded to other Distributors under ARIIX's compensation plan.

32. In exchange for these valuable benefits, the Defendants as Members agreed to various services, activities, obligations, and limitations, which are spelled out in the Agreement and the Founders Club Bylaws.

33. For example, the Defendants agreed that they would not participate in, consult for, or own, either directly or indirectly, any other network marketing opportunities and activities, including the manufacture, marketing, sale, or offering of other direct sales businesses that are competitive with ARIIX.

34. The Defendants agreed that they would not engage in any activities that are a conflict of interest with their duties to ARIIX or that may be perceived by ARIIX's field of Distributors as a conflict of interest.

35. The Defendants agreed that they would be held to a higher standard of professional and personal conduct than Distributors who are not Members, which includes maintaining high

integrity, and not disparaging ARIIX's products, its opportunity, its corporate officers and employees, or other Distributors, in public or in private.

36. The Defendants agreed to be available for ARIIX-sponsored activities, and to motivate, inspire, and train ARIIX's field of Distributors. These activities include: in-person speaking events at regional events, celebrations, reunions, and other gatherings of Distributors; video, internet, and telephone conference calls; and appearing in training materials and other media that provide publicity and visibility to the Defendants as Members.

37. As Members the Defendants are also required to promote and endorse ARIIX, its products, and its network marketing opportunity. This includes wearing ARIIX-branded clothing and the appropriate use of ARIIX's trademarks.

38. As Members, the Defendants agreed to protect the good name, reputation, and viability of ARIIX and to take no action would jeopardize ARIIX in any way.

39. ARIIX supplied the Defendants with various materials and information at its expense due to the Defendants status as Members, including:

- a. Periodic briefings on the business and operations of ARIIX;
- b. Copies of minutes of all Founders Club meetings;
- c. Materials that are required under the Bylaws; and
- d. Other materials that ARIIX developed to assist the Defendants in performing their duties.

40. Because of the sensitivity of much of this information, ARIIX required the Defendants and its other Members to adhere to the highest standards of confidentiality. The Defendants agreed to safeguard and carefully protect all confidential, proprietary, and private information and communications shared by ARIIX.

41. Confidential, proprietary, and private information refers to knowledge, data, and/or know-how related to the parties' business operations, including, but not limited to, trade secrets, new inventions, designs, specifications for current and new products, plans and processes, customer and supplier lists, financials, and other data concerning the manner in which the business is operated, as well as plans for its future development ("Information").

42. In addition to their non-disparagement obligations, the Defendants agreed to forbear from publishing, ratifying, or endorsing any third parties' disparaging remarks, derogatory statements, or comments, and to forbear from making any public or non-confidential statement with respect to any claim or complaint against ARIIX without its prior consent.

43. The Defendants agreed and acknowledged that they have substantial influence as a result of their membership status, and that any negative remarks or comments would have far-reaching effects. This substantial influence also required the Defendants to avoid any action that would be a cause public embarrassment, scrutiny, or harm to ARIIX (*i.e.*, harm to the good name and reputation of ARIIX, the Founders Club, or the welfare of the other Distributors).

44. The Defendants agreed as Members to comply with their obligations in their Distributor agreements with ARIIX, including maintaining their active status and eligibility to receive commissions under ARIIX's compensation plan.

45. In November 2020, rumors began to circulate that at least four of the five Japanese Founders Club Members (Kamino, Teraguchi, and the Kannos) were planning to defect to a new business they were reportedly creating.

46. ARIIX's executive management met repeatedly with the Defendants to persuade them to stay with ARIIX and honor their contractual obligations, including those in the Agreement.

47. ARIIX began to receive evidence from loyal Distributors that Defendants Kamino and Teraguchi were recruiting ARIIX Distributors into a new company.

48. ARIIX obtained documents, photographs, audio recordings, and other evidence demonstrating that Kamino and Teraguchi had formed a new company to compete with ARIIX.

49. This company, named was named Qualia K.K., (“Qualia”) located in Osaka, Japan.

50. Further, ARIIX received evidence that made it clear that Kamino and Teraguchi were targeting the ARIIX Distributors in their sales networks to recruit them to Qualia.

51. On November 19, 2020, members of ARIIX’s executive management team held a video conference with Kamino and Teraguchi to attempt to persuade them to remain with ARIIX.

52. Kamino and Teraguchi were non-committal, and the next day, Kamino and Teraguchi began to openly and notoriously recruit ARIIX Distributors to join Qualia.

53. ARIIX also received evidence that the Kannos had joined Qualia and that Qualia was prominently using Wataru Kanno’s image in its advertisements and marketing materials.

54. ARIIX received evidence that Kamino, Teraguchi, and the Kannos were disparaging ARIIX by stating that ARIIX was unwilling to help its Distributors.

55. The Defendants spoke disparagingly about ARIIX and its executive team and disclosed the contents of confidential communications ARIIX’s executive team had with them regarding retaining them as Distributors.

56. Defendants had access to ARIIX’s Distributor and customer lists, its financials, information on its incentives and marketing initiatives, information about the areas of strength within Japan, and sales data for its various product lines, all by virtue of their Founders Club membership status. Upon information and belief Defendants have used that highly confidential information to launch and maintain Qualia.

57. Defendants also used and piggybacked on the goodwill of ARIIX to elevate their market recognition in front of thousands of ARIIX Distributors, including those in Japan and in other markets internationally. ARIIX's public platform and the Defendants' Founders Club membership resulted in personal notoriety for the Defendants at ARIIX's expense.

58. On information and belief, many of the Distributors in Defendants' sales organizations have left ARIIX and become Distributors and customers of Qualia.

59. On information and belief, Defendants used ARIIX's marketing materials, products, and other confidential information as described above, for the illegitimate purpose of setting up a competing business, in violation of their contractual obligations to ARIIX.

60. All of this proprietary information was gained through their association with ARIIX's executive team and access to ARIIX's trade secrets and confidential business strategies and subject to the limitations in the Agreement.

61. On information and belief, Defendants actions were a coordinated attack on ARIIX by which they successfully and substantially damaged ARIIX's business in Japan.

FIRST CAUSE OF ACTION
Breach of the Founders Club Member Agreement

62. ARIIX hereby repeats and incorporates by reference the preceding allegations in this Complaint as if fully set forth herein.

63. Defendants and ARIIX were parties to the Founders Club Member Agreement, which is a binding and enforceable agreement.

64. ARIIX performed, tendered performance, or was excused from performance of under the Agreement.

65. On information and belief, Defendants breached the Agreement by, among other things, (a) using and disclosing ARIIX's confidential information to compete with ARIIX; (b)

recruiting ARIIX's Distributors to another competing business; (c) disparaging ARIIX publicly and privately; (d) endorsing, marketing, and owning a competing network marketing business; and (e) misrepresenting ARIIX's products, its management, and its network marketing opportunity.

66. Defendants' egregious misconduct constitutes material breaches of the Agreement.

67. As a result of these breaches, ARIIX has been damaged in an amount to be determined at trial.

SECOND CAUSE OF ACTION
Tortious Interference with Existing Contract

68. ARIIX hereby repeats and incorporates by reference the preceding allegations above in this Complaint as if fully set forth herein.

69. ARIIX and Defendants are parties to the Agreement, which is valid and enforceable.

70. The Agreement prohibits Defendants from, among other things, selling, marketing, or endorsing or owning, directly or indirectly, another network marketing business or its products.

71. As Distributors who are parties to Distributor agreements themselves, Defendants knew of the Distributor agreements between ARIIX and all of its independent Distributors in its sales organization in ARIIX's market in Japan.

72. Notwithstanding this knowledge, Defendants willfully, intentionally, and knowingly interfered with these contractual and business relationships between ARIIX and its Distributors. In breach of the Agreement, the Defendants recruited ARIIX's Distributors away from ARIIX and to Qualia by, among other things, disparaging ARIIX and its products, opportunity, and executive team, and disclosing confidential information belonging to ARIIX.

73. As a result, Defendants intentionally and wrongfully induced breaches or disruptions in ARIIX's Distributor agreements, including through the improper means of misrepresentation and deceit.

74. Defendants had no legal right, privilege, or justification for this conduct.

75. Defendants' actions caused and continue to cause injury to ARIIX for which ARIIX is entitled to compensatory damages in an amount to be proven at trial. Specifically, as a proximate result of Defendants' actions, ARIIX has suffered damage including loss of Distributors, sales, and damage to its existing contractual and business relations.

76. ARIIX is also entitled to punitive damages because Defendants acted in such a conscious and deliberate disregard of the interests of others that their conduct is properly considered willful or wanton.

THIRD CAUSE OF ACTION
Misappropriation of Trade Secrets

77. ARIIX hereby repeats and incorporates by reference the preceding allegations above in this Complaint as if fully set forth herein.

78. Pursuant to the Utah Uniform Trade Secrets ACT ("UUTSA"), Utah Code Annotated Section 13-24-1 *et al.*, ARIIX sues Defendants for misappropriation of trade secrets.

79. ARIIX has trade secrets that include, but are not limited to its formulas, patterns, compilations, programs, devices, methods, techniques, and process.

80. ARIIX derives actual or potential independent economic value from its trade secrets because they are not generally known and not readily ascertainable by proper means by other persons who can obtain economic value from their disclosure or use.

81. ARIIX has made reasonable efforts to maintain the security of its trade secrets by, among other things, prohibiting the disclosure of ARIIX's trade secrets outside of Defendants' legitimate business use on behalf of ARIIX and its interests.

82. ARIIX's trade secrets are not known outside of its business and access to such information is limited to a small group of trusted individuals, including Defendants as Members of the Founders Club.

83. ARIIX has taken numerous measures to protect its trade secrets, including but not limited to, restricting access to such information from its regular field of Distributors and requiring Founders Club Members to adhere to strict confidentiality agreements.

84. The network marketing business is extremely competitive, and ARIIX is one of many such businesses in the Japanese market. As a result, ARIIX's trade secrets are of extreme value to its competitors.

85. ARIIX has spent almost ten years developing and refining the trade secrets to which Defendants had access, including market statistics and information, financial information, product sales information, profitability information, the identity and sales information relating to each Distributor and customer, as well as other types of non-public information regarding successfully operating a network marketing company in Japan.

86. Without the mentorship by ARIIX's executive team and Defendants' direct access to ARIIX's trade secrets, Defendants would not have been able to establish a competing business or duplicate ARIIX's trade secrets.

87. As a result of Defendants improper taking, use, and disclosure of ARIIX's trade secrets, ARIIX has been substantially injured.

88. Defendants' actions caused and continue to cause injury to ARIIX for which it is entitled to compensatory damages in an amount to be proven at trial. Specifically, as a proximate result of Defendants' actions, ARIIX has suffered damage including loss of sales and damage to its existing contractual and business relations.

89. ARIIX is also entitled to exemplary damages because Defendants misappropriation was willful and malicious.

FOURTH CAUSE OF ACTION
Civil Conspiracy

90. ARIIX hereby repeats and incorporates by reference the preceding allegations above in this Complaint as if fully set forth herein.

91. On information and belief, the Kannos, Kamino, and Teraguchi acted in concert to misappropriate ARIIX's trade secrets and establish a competing direct sales business in violation of their various obligations and contractual, statutory, and common-law duties to ARIIX.

92. On information and belief, the Kannos, Kamino, and Teraguchi had a meeting of the minds on the object or course of action, which included one or more unlawful, overt acts, including the various breaches of duties outlined herein, including but not limited to, misappropriating ARIIX's trade secrets to found and operate a competing network marketing business bolstered by their disparaging statements about ARIIX and tortiously interfering with ARIIX's Distributor agreements by soliciting Distributors to leave ARIIX and move to Qualia.

93. ARIIX has sustained damages as a proximate result of the Defendants' underlying civil conspiracy in an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff ARIIX, LLC respectfully requests that the Court enter judgment in favor of ARIIX, LLC and against Defendants Yoshimi Kanno, Waturu Kanno, Akira Kamino, and Taiga Teraguchi, as follows: judgment in favor of ARIIX and against Defendants in an amount to be determined at trial including, but not limited to, compensatory damages, statutory damages, exemplary damages, and pre-judgment and post-judgment interest, attorney's fees, and injunctive relief, as permitted by law; and such other and further relief to which ARIIX may show itself justly entitled in law or in equity.

Dated: January 8, 2021.

Respectfully Submitted,

/s/ Bryan P. Stevens

Bryan P. Stevens (pro hac vice forthcoming)

R. Jeremy Adamson

**ATTORNEYS FOR PLAINTIFF
ARIIX, LLC**