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11	SUPERIOR COURT OF THE STATE OF CALIFORNIA					
12	FOR THE COUNTY OF ORANGE					
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14	PEOPLE OF THE STATE OF CALIFORNIA <i>ex rel</i> . KAMALA D.	Case No.				
15	HARRIS, ATTORNEY GENERAL,	COMPLAINT FOR INJUNCTION, CIVIL				
16	Plaintiff,	PENALTIES, AND OTHER RELIEF				
17	,					
18	v.	VERIFIED ANSWER REQUIRED PURSUANT TO CALIFORNIA CODE OF				
19	ENSO PLASTICS, LLC; AQUAMANTRA,	CIVIL PROCEDURE SECTION 446				
20	INC.; BALANCE WATER COMPANY LLC; DOES 1 THROUGH 9, INCLUSIVE,					
21	Defendants.					
22						
23	The People of the State of California ("the People"), by and through Kamala D. Harris,					
24	Attorney General, allege on information and belief as follows:					
25	1. The People bring this action against companies that are falsely or deceptively labeling					
26	and/or marketing plastic beverage containers as "biodegradable" and "recyclable," in violation of					
27	California law. The advertising and marketing practices of these companies are misleading to					
28	California consumers and businesses, and potentially harmful to the environment.					
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JURISDICTION AND VENUE

2. This Court has jurisdiction to hear the subject matter of this complaint. This Court also has jurisdiction over each defendant, as the unlawful business practices alleged herein occurred in California. Venue is proper in this Court because all or some of the violations of law alleged herein occurred and are occurring in the County of Orange, as well as elsewhere in California.

PARTIES

- 3. Plaintiff is the People of the State of California, by and through Kamala D. Harris, Attorney General. The Attorney General is constitutionally designated as the chief law officer of the State and has the constitutional authority to ensure that state law is adequately enforced. (Cal. Const., art. V, § 13.) Under statute, the Attorney General has the power and responsibility to act in the name of the People to protect the State's natural resources. (Gov. Code, §§ 12600-12612.) In addition, Business and Professions Code sections 17204 and 17535 provide that actions to enforce sections 17500, 17508, and 17200 may be brought by the Attorney General.
- 4. ENSO Plastics, LLC ("ENSO") is a limited liability company registered in Arizona, with its principal place of business in Mesa, Arizona. ENSO is, and at all relevant times was, in the business of selling or arranging for the sale, directly or indirectly, of plastic beverage containers marketed and/or labeled as "biodegradable" and "recyclable." ENSO products are sold in or into California.
- 5. Balance Water Company LLC ("BALANCE") is limited liability company registered in Delaware, with its principal place of business in West Orange, New Jersey. BALANCE is, and at all relevant times was, in the business of selling bottled water products in plastic beverage containers labeled and otherwise marketed as "biodegradable" and "recyclable." These plastic beverage containers are supplied, directly or indirectly, by ENSO. BALANCE bottled water products are sold in California.
- Aquamantra, Inc. ("AQUAMANTRA") is a California corporation with its principal place of business in Dana Point, California. AQUAMANTRA is, and at all relevant times was, in the business of selling bottled water products in plastic beverage containers labeled and otherwise

marketed as "biodegradable" and "recyclable." These beverage containers are supplied, directly or indirectly, by ENSO. AQUAMANTRA bottled water products are sold in California.

- 7. The true names and capacities of defendants sued herein as DOES 1 through 9 are unknown to the People. The People will amend the complaint to allege the true names, capacities and facts pertaining to these defendants when they have been determined.
- 8. Whenever reference in this complaint is made to any act or transaction of a named Defendant, that allegation shall mean that the named Defendant did or authorized the acts through its principals, officers, directors, employees, members, agents, and representatives while they were acting within the actual or ostensible scope of their authority.

STATEMENT OF THE CASE

- 9. Defendants ENSO, BALANCE and AQUAMANTRA illegally sell, or participate in arranging for the sale of, plastic beverage containers in or into California that are labeled, advertised or otherwise marketed as 100% or completely "biodegradable." Defendants claim that these plastic containers completely biodegrade, leaving only natural remains, and that this process completes itself within one to five years, and can take place in a landfill, compost, or other environment, including by the side of the road. These claims are false, deceptive, and misleading to consumers because the plastic bottles will not biodegrade as claimed, either in a landfill or any other environment. Furthermore, California law restricts use of the claim "biodegradable" on the labeling of plastic beverage containers, as the Legislature determined that this claim is inherently misleading to consumers in reference to a disposable plastic food or beverage container.
- 10. Defendants also claim that these bottles are recyclable. ENSO states that the bottles are made by adding a specially formulated microbial additive to standard polyethylene terephthalate ("PET") plastic, and that the additive will not contaminate the existing curbside and commercial PET recycling stream. Items containing degradable additives, however, are considered contaminants by postconsumer plastic recyclers and, where possible, such items are culled out from recyclable plastics. The claim of recyclability on these bottles is deceptive and misleading to consumers.

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STATUTORY BACKGROUND

A.	Statutory	Restrictions on	Labeling Plastic	"Biodegradable"	or "Compostable

- 11. In 2008, the Legislature enacted A.B. 1972, codified in the Public Resources Code, Division 30, Part 3, Chapters 5.7 and 5.8, sections 42355 et seq. The Legislature found and declared that: "Littered plastic bags and plastic containers have caused and continue to cause significant environmental harm and have burdened local governments with significant environmental cleanup costs." (Stats. 2008, c. 436, section 1, subd. (a) ["A.B. 1972"].) The Legislature declared its intent "to ensure that environmental marketing claims, including claims of biodegradation, do not lead to an increase in environmental harm associated with plastic bag and plastic container litter by providing consumers with a false belief that certain bags and containers are less harmful to the environment if littered." (*Id.*, subd. (b).)
- 12. Section 42359.6, subdivision (b), of the Public Resources Code provides that "a person shall not sell a food or beverage container in this state that is labeled with the term 'biodegradable,' 'degradable,' or 'decomposable,' or any form of those terms, or in any way imply that the food or beverage container will break down, fragment, biodegrade, or decompose in a landfill or other environment."
- 13. Section 42359.6, subdivision (a), of the Public Resources Code provides that "a person shall not sell a food or beverage container in this state that is labeled with the term 'compostable' or 'marine degradable,' unless, at the time of sale, the food or beverage container meets the applicable ASTM standard specification, as specified in subdivision (b) of Section 42359.5."
- 14. Violations of this chapter incur civil liability in the amount of \$500 for the first violation, \$1,000 for the second violation, and \$2,000 for the third and any subsequent violation. Costs incurred by a state agency in carrying out this chapter are recoverable by the Attorney General. (Pub. Res. Code, § 42359.8.)

B. Untrue, Deceptive or Misleading Environmental Marketing Claims

15. Business and Professions Code section 17580.5 makes it "unlawful for any person to make any untruthful, deceptive, or misleading environmental marketing claim, whether explicit or

implied." For the purpose of this section, 'environmental marketing claim' shall include any claim contained in the 'Guides for the Use of Environmental Marketing Claims' published by the Federal Trade Commission [Guides]."

- 16. The Guides specify that use of the claim "biodegradable" should be "substantiated by competent and reliable scientific evidence that the entire product or package will completely break down and return to nature, *i.e.*, decompose into elements found in nature within a reasonably short period of time after customary disposal." (16 C.F.R. Part 260, § 260.7, subd. (b) (2009).)
- 17. For use of the claim "compostable," the Guides require that the claim "be substantiated by competent and reliable scientific evidence that all the materials in the product or package will break down into, or otherwise become part of, usable compost (e.g., soil-conditioning material, mulch) in a safe and timely manner in an appropriate composting program or facility, or in a home compost pile or device." (16 C.F.R. Part 260, § 260.7, subd. (c) (2009).)
- 18. The Guides do not allow the claim "recyclable" to be used on a product or package "unless it can be collected, separated or otherwise recovered from the solid waste stream for reuse, or in the manufacture or assembly of another package or product, through an established recycling program." (16 C.F.R. Part 260, § 260.7, subd. (d) (2009).) The Guides further provide that: "a product or package that is made from recyclable material, but, because of its shape, size or some other attribute, is not accepted in recycling programs for such material, should not be marketed as recyclable." (*Ibid.*)
- 19. Each violation of section 17580.5 is a misdemeanor that carries a potential imprisonment not to exceed six months or a fine not to exceed \$2,500. (Bus. & Prof. Code, § 17581.) Alternatively, a civil penalty may be assessed under section 17536, in an amount not to exceed \$2,500 for each violation.

C. Untrue or Misleading Advertising Claims

20. Business and Professions Code section 17508, subdivision (a), makes it unlawful to make any false or misleading advertising claim, including claims that "(1) purport to be based on factual, objective, or clinical evidence, (2) compare the product's effectiveness or safety to that of

other brands or products, or (3) purport to be based on any fact."

- 21. Business and Professions Code section 17500 provides that it is unlawful to "make or disseminate or cause to be made or disseminated before the public in this state . . . any statement . . . which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading," for the purpose of inducing the public to enter into an obligation relating to goods or services.
- 22. In an action by the Attorney General, persons violating these provisions are subject to injunctive relief and to a civil penalty not to exceed \$2,500 for each violation of section 17500 and 17508, except that if the same act is a violation of both sections 17500 and 17508, a civil penalty is assessed for that violation once. (Bus. & Prof. Code, §§ 17508, subd. (g), 17535, and 17536, subd. (a).) Otherwise, "the remedies or penalties are cumulative to each other and to the remedies or penalties available under all other laws of this state." (*Id.*, § 17534.5.)
- 23. Section 17535 of the Business and Professions Code provides that any person, corporation, firm, partnership, etc. "which violates or proposes to violate this chapter may be enjoined by any court of competent jurisdiction."

D. The Unfair Competition Act

- 24. Business and Professions Code section 17200 provides that "unfair competition shall mean and include any unlawful, unfair or fraudulent business practice." Unlawful acts under the statute include any act that is unlawful that is conducted as part of business activity, and includes violations of state laws and regulations.
- 25. Section 17203 of the Business and Professions Code provides that "(a)ny person performing or proposing to perform an act of unfair competition within this state may be enjoined in any court of competent jurisdiction."
- 26. Business and Professions Code section 17206, subdivision (a), provides that any person violating section 17200 "shall be liable for a civil penalty not to exceed two thousand five hundred dollars (\$2,500) for each violation, which shall be assessed and recovered in a civil action brought in the name of the people of the State of California by the Attorney General. . . ." Under section 17205, these penalties are "cumulative to each other and to the remedies or

penalties available under all other laws of this state."

DEFENDANTS' BUSINESS PRACTICES

- 27. ENSO claims to have developed a resin, or resin component, that contains microbial agents that will render a standard PET plastic bottle into a "biodegradable" plastic bottle. ENSO states and/or implies on its website, in its product brochure, and in other marketing materials that plastic bottles made from this resin will break down, fragment, biodegrade, or decompose in a landfill or other environment.
- 28. ENSO markets and sells its resin to plastic bottle manufacturers and beverage companies for the purpose of enabling such companies to manufacture or obtain "biodegradable" plastic bottles. ENSO sells or otherwise provides this resin, directly or indirectly, to BALANCE and AQUAMANTRA, as well as other companies selling beverages in "biodegradable" plastic bottles in California. ENSO knowingly participates, directly or indirectly, in arranging for the sale of plastic bottles in or into California that are labeled, or intended for labeling as, "biodegradable," in violation of California law.
- 29. ENSO has made and continues to make false, deceptive, and/or misleading statements regarding the biodegradability of plastic bottles made with the resin it sells, without competent and reliable evidence to substantiate those statements. Such statements include, but are not limited to:
 - a. The statement in ENSO's product brochure and on its website that ENSO plastic bottles are "truly biodegradable."
 - b. The statement on ENSO's website that "ENSO bottles are plastic containers that biodegrade in anaerobic (landfill) environments, breaking down through microbial action into biogases and inert humus leaving behind no harmful materials."
 - c. ENSO's statement in its product brochure that "ENSO bottles biodegrade through natural microbial digestion in both aerobic (compost) and anaerobic (landfill) environments."
 - d. The statement in the ENSO product brochure and on the ENSO website that "Once placed in an active microbial environment, ENSO bottles naturally biodegrade into

period of time after customary disposal.

- b. ENSO's statement in its product brochure and on its website that "ENSO bottles are recyclable with traditional PET [plastic]," even though manufacturers of products made from recycled PET plastic state that they do not accept degradable bottles or any anything containing a degradable additive.
- 41. BALANCE has violated and continues to violate Business and Professions Code section 17580.5 by making untrue, deceptive, or misleading environmental marketing claims. Such claims include, but are not limited to:
 - a. The statement on BALANCE beverage container labels that "This bottle is completely biodegradable (leaving only natural remains)," made without having competent and reliable scientific evidence that the entire container will completely break down and return to nature, *i.e.*, decompose into elements found in nature, within a reasonably short period of time after customary disposal.
 - b. The statement on BALANCE beverage container labels that "This bottle will break down in a typical landfill or compost environment in less than 5 years," made without having competent and reliable scientific evidence that the entire container will completely break down and return to nature, *i.e.*, decompose into elements found in nature, within the stated timeframe or within a reasonably short period of time after customary disposal.
 - c. The statement on BALANCE beverage container labels claiming that the containers are "100% RECYCLABLE."
- 42. AQUAMANTRA has violated and continues to violate Business and Professions Code section 17580.5 by making untrue, deceptive, or misleading environmental marketing claims. Such claims include, but are not limited to:
 - a. The statement on AQUAMANTRA beverage container labels that "OUR BOTTLES ARE MADE OF 100% BIODEGRADABLE PLASTIC," made without having competent and reliable scientific evidence that the entire container will completely break down and return to nature, *i.e.*, decompose into elements found in nature, within

- a reasonably short period of time after customary disposal.
- b. The statement on AQUAMANTRA beverage container labels that AQUAMANTRA bottles "will biodegrade and transform into biogas and inert biomass, a process that only takes 1-5 years," made without having competent and reliable scientific evidence that the entire container will completely break down and return to nature, *i.e.*, decompose into elements found in nature, within the stated timeframe or within a reasonably short period of time after customary disposal.
 - c. The statement on the hang tag on AQUAMANTRA beverage containers that the containers are "COMPOSTABLE," and that they "can be composted and will break down in around 240 days," made without having competent and reliable scientific evidence that all the materials in the container will break down into, or otherwise become part of, usable compost in a safe and timely manner in an appropriate composting program or facility, or in a home compost pile or device.
 - d. The statement on the hang tag on AQUAMANTRA beverage containers claiming that the containers are "100% RECYCLABLE."

THIRD CAUSE OF ACTION

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE 17508 (False or Misleading Advertising Claims Based on Factual, Objective or Clinical Evidence)

- 43. The People incorporate paragraphs 1 42, as if fully stated herein.
- 44. ENSO has violated and continues to violate Business and Professions Code section 17508 by making false or misleading advertising claims that purport to be based on factual, objective, or clinical evidence, or on any fact. Such claims include, but are not limited to, any or all of the statements referenced in Paragraphs 27 through 29.
- 45. BALANCE has violated and continues to violate Business and Professions Code section 17508 by making false or misleading advertising claims that purport to be based on factual, objective, or clinical evidence, or on any fact. Such claims include, but are not limited to, any or all of the statements referenced in Paragraphs 30 and 31.
 - 46. AQUAMANTRA has violated and continues to violate Business and Professions

51. The People incorporate paragraphs 1 - 50, as if fully stated herein.

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(Unlawful, Unfair and/or Deceptive Business Practices)

- 52. Within the previous four years, ENSO has engaged in unfair and/or unlawful business practices constituting unfair competition within the meaning of Business and Professions Code section 17200. Such unfair competition includes, but is not limited to, one or more of the following acts or practices:
 - a. ENSO has violated, and continues to violate, Public Resources Code section 42359.6,
 as alleged in the First Cause of Action, Paragraph 35.
 - b. ENSO has violated, and continues to violate, Business and Professions Code section 17580.5, as alleged in the Second Cause of Action, Paragraph 40.
 - c. ENSO has violated, and continues to violate, Business and Professions Code section17508, as alleged in the Third Cause of Action, Paragraph 44.
 - d. ENSO has violated, and continues to violate, Business and Professions Code section 17500, as alleged in the Fourth Cause of Action, Paragraph 48.
- 53. Within the previous four years, BALANCE has engaged in unfair and/or unlawful business practices constituting unfair competition within the meaning of Business and Professions Code section 17200. Such unfair competition includes, but is not limited to, one or more of the following acts or practices:
 - a. BALANCE has violated, and continues to violate, Public Resources Code section
 42359.6, as alleged in the First Cause of Action, Paragraph 36.
 - b. BALANCE has violated, and continues to violate, Business and Professions Code section 17580.5, as alleged in the Second Cause of Action, Paragraph 41.
 - c. BALANCE has violated, and continues to violate, Business and Professions Code section 17508, as alleged in the Third Cause of Action, Paragraph 45.
 - d. BALANCE has violated, and continues to violate, Business and Professions Code section 17500, as alleged in the Fourth Cause of Action, Paragraph 49.
- 54. Within the previous four years, AQUAMANTRA has engaged in unfair and/or unlawful business practices constituting unfair competition within the meaning of Business and Professions Code section 17200. Such unfair competition includes, but is not limited to, one or more of the following acts or practices:

- a. AQUAMANTRA has violated, and continues to violate, Public Resources Code section 42359.6, as alleged in the First Cause of Action, Paragraphs 37 and 38.
- b. AQUAMANTRA has violated, and continues to violate, Business and Professions Code section 17580.5, as alleged in the Second Cause of Action, Paragraph 42.
- c. AQUAMANTRA has violated, and continues to violate, Business and Professions Code section 17508, as alleged in the Third Cause of Action, Paragraph 46.
- d. AQUAMANTRA has violated, and continues to violate, Business and Professions Code section 17500, as alleged in the Fourth Cause of Action, Paragraph 50.

PRAYER FOR RELIEF

WHEREFORE, the People pray for the following relief:

- 1. That Defendants, their successors, agents, representatives, employees, assigns, and all persons who act in concert with Defendants be enjoined from selling in or into California any beverage containers labeled or otherwise marketed as "biodegradable;"
- 2. That Defendants, their successors, agents, representatives, employees, assigns, and all persons who act in concert with Defendants be enjoined from selling in or into California any beverage containers labeled or otherwise marketed as "compostable," unless and until the beverage container meets the applicable ASTM standard specification for a "compostable" claim, as provided in Public Resources Code section 42359.5;
- 3. That Defendants, their successors, agents, representatives, employees, assigns, and all persons who act in concert with Defendants be enjoined from making any untrue or misleading statements in violation of Business and Professions Code section 17500, including, but not limited to, the untrue or misleading statements alleged in this complaint, under the authority of Business and Professions Code section 17535;
- 4. That the Court make such orders or judgments as may be necessary to restore to any person in interest any money or property, real or personal, which may have been acquired by means of any practice which violates section 17500 of the Business and Professions Code, under the authority of Business and Professions Code section 17535;
 - 5. That Defendants, their successors, agents, representatives, employees, assigns, and all

1	Dated: October, 2011	Respectfully Submitted,
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