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9
10 **IN THE UNITED STATES DISTRICT COURT**
11 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

12 NATURAL IMMUNOGENICS
13 CORP., a Florida corporation,

14 Plaintiff,

15 v.

16 NEWPORT TRIAL GROUP, a
17 California Corporation; SCOTT J.
18 FERRELL, a California resident;
19 RYAN M. FERRELL, an Arizona
20 resident; JAMES B. HARDIN, a
21 California resident; VICTORIA C.
22 KNOWLES, a California resident;
23 ANDREW LEE BASLOW, a
24 California resident; ANDREW
25 NILON, a California resident; SAM
26 PFLEG, a California resident;
27 MATTHEW DRONKERS, a
28 California resident; TAYLOR
DEMULDER, a Nevada resident;
SAM SCHOONOVER, a California
resident; GIOVANNI
SANDOVAL, an Arizona resident;
ISABELLA JANOVICK, a
California resident; DAVID
URZUA, a California resident;
KALEB PATTERSON, a
California resident; and DOES 1-

Case No.

**COMPLAINT FOR DAMAGES AND
INJUNCTIVE RELIEF FOR:**

1. Malicious Prosecution;
2. Violation of the RICO Act (18 U.S.C. §§ 1961, 1962(c), 1964(c)) by:
 - a. Wire Fraud (18 U.S.C. §§ 1343, 1349);
 - b. Mail Fraud (18 U.S.C. §§ 1341, 1349);
 - c. Extortion (18 U.S.C. § 1951);
3. Violation of the RICO Act (18 U.S.C. §§ 1961, 1962(a), 1964(c));
4. Violation of the RICO Act (18 U.S.C. §§ 1961, 1962(d), 1964(c)); and,
5. Unfair Competition (Cal. B&P Code §§ 17200, *et seq.*; Cal. B&P Code §§ 7520, *et seq.*).

JURY TRIAL DEMANDED

1 10, inclusive,
2
3 Defendants.

4 **COMPLAINT FOR DAMAGES AND INJUNCTIVE RELIEF**

5 1. Plaintiff Natural Immunogenics, Corp. (“NIC” or “Plaintiff”), by and
6 through undersigned counsel, files this Complaint for Damages and Injunctive
7 Relief against the above-named Defendants. This is an action for fraud, unfair
8 competition, malicious prosecution, extortion, and other claims brought, in part,
9 under the federal Racketeer Influenced Corrupt Organizations Act (RICO). For at
10 least the past five years, the Defendants have acted in concert and conspired to file
11 state and federal lawsuits against corporate defendants across the country on false
12 pretenses, seeking to extort large payouts in the form of legal fees, damage awards,
13 legal costs, and/or settlements from those defendants. The Defendant Newport
14 Trial Group (NTG) and its above-named attorneys and agents worked in concert to
15 operate an unlawful enterprise by paying individuals to assume the role of
16 plaintiffs, who in fact had no bona fide basis for suit, and to initiate and maintain
17 fabricated class action suits in order to extort money from those defendants. NTG
18 and its agents paid plaintiffs to sign false affidavits, pleadings, and legal filings in
19 support of those actions. NTG and its attorneys suborned perjury. NTG and its
20 attorneys relied on their employees or agents to recruit putative plaintiffs for hire,
21 most often young individuals or recent college graduates in need of money and
22 willing to participate in NTG’s fraudulent scheme. NTG and its attorneys filed
23 demonstrably false statements in support of those fabricated cases, and collectively
24 obtained tens of millions of dollars in settlement payments from those threatened
25 with suits and defendants.

26 2. Plaintiff Natural Immunogenics Corp. (NIC) suffered injury resulting
27 from an NTG lawsuit purportedly sponsored by Andrew Nilon in March 2012.
28 That lawsuit was fraudulent. NTG paid Andrew Nilon approximately \$900 to

1 assume the role of plaintiff in litigation in which NTG fabricated charges against
2 NIC. On information and belief, Defendants NTG have unlawfully obtained more
3 than three hundred million dollars through their lawsuits, much of which can be
4 linked to NTG's scheme to fabricate lawsuits identified in this Complaint. That
5 fraudulent scheme violates federal and state laws.

6 3. The facts underlying this suit define one of the largest frauds
7 perpetrated by lawyers on the courts in American history. This Court should
8 therefore issue the relief requested in this Complaint to protect the integrity of the
9 judicial system, to ensure that those attorneys, associates, and agents who abused
10 the judicial process and engaged in tortious activity are made to account for their
11 wrong-doing and ill-gotten gains, and to halt the abuses and damages stemming
12 from their tortious and unlawful actions.

13 14 I. PARTIES

15 The Plaintiff:

16 4. Plaintiff Natural Immunogenics Corp. ("NIC") is a corporation
17 organized under the laws of Florida with its principal place of business in Sarasota,
18 Florida. NIC is a family-owned and operated company established in 1999. It
19 sells dietary supplements and homeopathic products, including a national line of
20 colloidal silver products, which are marketed under the brand "Sovereign Silver."

21 5. Defendant NTG sued NIC in March 2012 for false advertising, unfair
22 competition, and violations of the California Consumer Legal Remedies Act, Cal.
23 Civ. Code §§ 1750, *et seq.* NTG certified a class action against NIC based on the
24 allegations in its Complaint. *See, e.g., Nilon v. Natural-Immunogenics Corp.*, No.
25 3:12-cv-930-LAB, Dkt. Nos. 1, 41 (S.D. Cal.). That Complaint and the subsequent
26 action were fraudulent. The lead Plaintiff and class representative, Mr. Andrew
27 Nilon, was paid approximately \$900 by the Newport Trial Group to serve as a
28 putative plaintiff and to support false allegations concocted by NTG against

1 Natural Immunogenics. Mr. Nilon did not purchase Natural Immunogenic's
2 product before suit was filed, rendering NTG's allegations in the Complaint
3 fraudulent and fabricated.

4 6. Natural Immunogenics endured more than three years of litigation
5 based on NTG's fraudulent claims. NIC suffered substantial harm to its reputation
6 and goodwill stemming from NTG's false allegations and suffered financial losses
7 resulting therefrom.

8 **The Defendants:**

9
10 7. Defendant Newport Trial Group (NTG) is a professional corporation
11 based in Newport Beach, California with its principal place of business at 4100
12 Newport Pl. Dr., No. 800, Newport Beach, California 92660. NTG's principal
13 business is the practice of law. NTG has been prolific in its filing of class action
14 litigation at the state and federal level, including the promulgation of hundreds of
15 demand letters, threats, and suits against defendants located nationwide. NTG has
16 participated in a pattern of fraudulent litigation, and threats of litigation, in an
17 unlawful scheme to defraud defendants nationwide. NTG and its attorneys and
18 associates have used their professional status to conceal this unlawful enterprise.
19 NTG and its members have profited substantially from NTG's unlawful, fraudulent
20 filings in state and federal court.

21 8. Scott J. Ferrell is an individual and licensed California attorney
22 residing in California. He is the founding member of the Newport Trial Group and
23 a practicing attorney with that firm. Mr. Ferrell has designed, initiated, and
24 pursued fraudulent legal claims in state and federal court. Mr. Ferrell has hired,
25 supervised, and worked with NTG employees (e.g., investigators, support staff,
26 etc.) who have also acted unlawfully by soliciting and paying individuals to be
27 plaintiffs in NTG's fraudulent lawsuits. Mr. Ferrell has filed fraudulent documents
28 in state and federal court and has suborned perjury.

1 9. Ryan M. Ferrell, the brother of Scott J. Ferrell, is an individual and
2 licensed California attorney residing in Maricopa County, Arizona. He is a
3 practicing attorney with the Newport Trial Group. Mr. Ferrell has designed,
4 initiated, and pursued fraudulent legal claims in state and federal court. Mr. Ferrell
5 has supervised and worked with NTG employees (e.g., investigators, support staff,
6 etc.) who have also acted unlawfully by soliciting and paying individuals to be
7 plaintiffs in NTG's fraudulent lawsuits. Mr. Ferrell has filed fraudulent documents
8 in state and federal court and has suborned perjury.

9 10. James B. Hardin is an individual and licensed California attorney
10 residing in California. He is a practicing attorney now with the firm of Hardin &
11 Associates in Newport Beach, California. Mr. Hardin previously worked for the
12 Newport Trial Group until 2015. While at the Newport Trial Group, Mr. Hardin
13 designed, initiated, and pursued fraudulent legal claims in state and federal court.
14 Mr. Hardin supervised and worked with NTG employees (e.g., investigators,
15 support staff, etc.) who also acted unlawfully by soliciting and paying individuals
16 to be plaintiffs in NTG's fraudulent lawsuits. Mr. Hardin has filed fraudulent
17 documents in state and federal court and has suborned perjury.

18 11. Victoria C. Knowles is an individual and licensed California attorney
19 residing in California. She is a practicing attorney with the Newport Trial Group.
20 Ms. Knowles has designed, initiated, and pursued fraudulent legal claims in state
21 and federal court. She has supervised and worked with NTG employees (e.g.,
22 investigators, support staff, etc.) who have also acted unlawfully by soliciting and
23 paying individuals to work as plaintiffs in NTG's fraudulent lawsuits. Ms.
24 Knowles has filed fraudulent documents in state and federal court and has
25 suborned perjury.

26 12. Andrew Lee Baslow is an individual residing in Orange County,
27 California. Mr. Baslow works for the Newport Trial Group as an investigator. Mr.
28 Baslow has filed declarations in federal district court wherein he presents evidence

1 through sworn affidavits and claims to be “an investigator for Newport Trial
2 Group.” *See, e.g., Neal v. NaturalCare, Inc.*, No. 12-cv-531 (C.D. Cal.), Dkt. 17-
3 8; *Shin v. Digi-Key Corporation*, No. 12-cv-5415-PA (C.D. Cal.), Dkt. 11-3 (“I am
4 an investigator for Newport Trial Group”); *Clark v. MyLife.com, Inc.*, No. 12-cv-
5 6889 (C.D. Cal.), Dkt. 12-2 (“I am an investigator for Newport Trial Group”). Mr.
6 Baslow is not licensed to be an investigator and has never been licensed under Cal.
7 Bus. & Prof. Code § 7520 *et seq.* On information and belief, Mr. Baslow’s
8 activities include those that do not qualify for the licensing exemptions in Cal. Bus.
9 & Prof. Code § 7522. On NTG’s behalf, and under supervision of NTG attorneys,
10 Mr. Baslow has solicited, recruited, and paid individuals to serve as plaintiffs in
11 fictitious or fraudulent lawsuits. Mr. Baslow has instructed those individuals to
12 sign falsified documents in support of those fraudulent lawsuits. Mr. Baslow has
13 solicited and recruited at least eight fraudulent plaintiffs, and likely many more.
14 Mr. Baslow has suborned perjury.

15 13. Andrew Nilon is an individual and resident of California. Mr. Nilon,
16 together with his close associates, joined with NTG to file fraudulent lawsuits
17 beginning in 2012. Mr. Nilon was paid by NTG and its agents to participate in
18 fraudulent litigation. He received approximately \$900 in cash to sign legal
19 documents (including statements under oath) that were materially false. *See Nilon*
20 *v. Natural-Immunogenics Corp.*, No. 3:12-cv-00930-LAB-BGS (C.D. Cal. 2012);
21 *Nilon v. Chromadex, Inc.*, No. 56-2013-00436790-CU-MT-VTA (Sup. Ct. Ventura
22 Cnty. 2013). The cash paid to Mr. Nilon had no bearing on legal fees or
23 recovery—NTG recovered no money and received no judgment in the various
24 lawsuits. Mr. Nilon has admitted in written communications that his legal claims
25 were fraudulent, that he was paid by NTG to support fraudulent allegations, and
26 that NTG coerced him into signing false affidavits solely for NTG’s illicit
27 purposes. Mr. Nilon is close personal friends with Matthew Dronkers, Taylor
28 Demulder, and Sam Pflug, who also served as NTG “plaintiffs.” As with Nilon, so

1 too with Dronkers, Demulder, and Pflug, each were paid to create, fabricate, or
2 participate in similar fraudulent legal actions pursued by NTG. In 2012, Nilon,
3 Dronkers, Demulder, and Pflug started a business together known as the Electric
4 Family, LLC.

5 14. Sam Pflug is an individual and resident of California. Mr. Pflug,
6 together with his close associates, joined with NTG to file fraudulent lawsuits
7 beginning in 2012. Mr. Pflug was paid by NTG and its agents to participate in
8 fraudulent litigation. He received cash to sign legal documents (including
9 statements under oath) that were materially false. *See Sam Pflug v. Nature's Way*
10 *Products, Inc.*, No. 37-2012-0051979-CU-MT-NC (Sup. Ct. San Diego Cnty.
11 2012). Mr. Pflug is close personal friends with several other NTG "plaintiffs," all
12 of whom were paid to create, fabricate, or participate in fraudulent legal actions.
13 Those individuals include Matthew Dronkers, Taylor Demulder, and Andrew
14 Nilon. In 2012, those individuals started a business together known as the Electric
15 Family, LLC.

16 15. Matthew Dronkers is an individual and resident of California. Mr.
17 Dronkers, together with his close associates, joined with NTG to file fraudulent
18 lawsuits beginning in 2012. Mr. Dronkers was paid by NTG and its agents to
19 participate in fraudulent litigation. On information and belief, he received cash to
20 sign legal documents (including statements under oath) that were materially false.
21 Mr. Dronkers is close personal friends with several other NTG "plaintiffs," all of
22 whom were paid to create, fabricate, or participate in fraudulent legal actions.
23 Those individuals include Taylor Demulder, Sam Pflug, and Andrew Nilon. In
24 2012, those individuals started a business together known as the Electric Family,
25 LLC.

26 16. Taylor Demulder is an individual and resident of Nevada. Mr.
27 Demulder, together with his close associates, joined with NTG to file fraudulent
28 lawsuits beginning in 2012. On information and belief, Mr. Demulder was paid by

1 NTG and its agents to participate in fraudulent litigation. He received cash to sign
2 legal documents (including statements under oath) that were materially false. Mr.
3 Demulder is close personal friends with several other NTG “plaintiffs,” all of
4 whom were paid to create, fabricate, or participate in fraudulent legal actions.
5 Those individuals include Matthew Dronkers, Sam Pflug, and Andrew Nilon. In
6 2012, those individuals started a business together known as the Electric Family,
7 LLC. Mr. Demulder was separately sued in May 2013 by the Carter-Reed
8 Company, LLC, for earlier pursuing an ostensibly false claim against Carter-Reed,
9 which was filed and litigated by the Newport Trial Group. *See Carter-Reed*
10 *Company, LLC v. Taylor Demulder*, No. 130903002 (Dist. Ct. Salt Lake Cnty.
11 2013).

12 17. Sam Schoonover is an individual and resident of California. Mr.
13 Schoonover, together with his close associates, joined with NTG to file fraudulent
14 lawsuits beginning in 2012. Mr. Schoonover was paid by NTG and its agents to
15 participate in fraudulent litigation. He received cash to sign legal documents
16 (including statements under oath) that were materially false. *See Schoonover v.*
17 *Himalaya Drug Co.*, No. 12-cv-1782 (S.D.Cal. July 19, 2012). Mr. Schoonover is
18 close personal friends with several other NTG “plaintiffs,” all of whom were paid
19 to create, fabricate, or participate in fraudulent legal actions. Those individuals
20 include Matthew Dronkers, Sam Pflug, Andrew Nilon, and Taylor Demulder. Mr.
21 Schoonover began working with and eventually became employed by Electric
22 Family, LLC sometime after the company’s organization in May 2012.

23 18. Isabella Janovick is an individual and resident of California. Isabella
24 Janovick joined with NTG to defraud charitable organizations through fraudulent
25 litigation. Ms. Janovick filed a fraudulent lawsuit against the American Breast
26 Cancer Foundation on November 8, 2013 in the U.S. District Court for the
27 Southern District of California. *See Isabella Janovick*, No. 13-cv-02697-DMS
28 (S.D. Cal. Nov. 8, 2013). Ms. Janovick alleged in her complaint that she donated

1 \$100 to the American Breast Cancer Foundation in reliance on representations
2 made on the foundation's website. *Id.* On information and belief, that allegation
3 was false because NTG had pledged to Ms. Janovick the \$100 for the sole purpose
4 of buying a lawsuit against a charitable organization. Ms. Janovick's husband,
5 through NTG, also filed a fraudulent Complaint in federal court just one month
6 prior. *See Kyle Janovick v. Maximum Human Performance*, No. 13-cv-2129-LAB
7 (S.D. Cal. Sept. 11, 2013).

8 19. David Urzua is an individual and resident of California. Mr. Urzua
9 joined with NTG to defraud charitable organizations through fraudulent litigation.
10 Mr. Urzua filed a fraudulent lawsuit against the National Veterans Services Fund
11 on September 16, 2013 in the U.S. District Court for the Southern District of
12 California. *See David Uruza v. Nat'l Veterans Servs. Fund*, No. 3:13-cv-02217-
13 MMA-KSD (S.D. Cal. Sep. 16, 2013). Mr. Urzua alleged in his complaint that he
14 donated \$100 to the National Veterans Services Fund in reliance on representations
15 made on the fund's website. *Id.* On information and belief, that allegation was
16 false because NTG pledged to Mr. Urzua the \$100 for the sole purpose of buying a
17 lawsuit against a charitable organization.

18 20. Kaleb Patterson is an individual and resident of California. Mr.
19 Patterson joined with NTG to defraud charitable organizations through fraudulent
20 litigation. Mr. Patterson filed a fraudulent lawsuit against the International Union
21 of Police Associations on November 8, 2013 in the U.S. District Court for the
22 Southern District of California. *See Kaleb Patterson v. Int'l Union of Police*
23 *Associations, AFL-CIO*, No. 3:13-cv-02698-JAH-JMA (S.D. Cal. Nov. 8, 2013).
24 Mr. Patterson alleged in his complaint that he donated \$100 to the International
25 Union of Police Associations in reliance on representations made on the
26 association's website. *Id.* On information and belief, that allegation was false
27 because NTG pledged to Mr. Patterson the \$100 for the sole purpose of buying a
28 lawsuit against a charitable organization.

1 21. Giovanni Sandoval is an individual and resident of Yuma County,
2 Arizona. On August 25, 2014, Mr. Sandoval entered as a plaintiff in an NTG
3 initiated and prosecuted suit against Natural Immunogenics, substituting himself as
4 the class representative in place of Mr. Andrew Nilon. *See Nilon v. Natural-*
5 *Immunogenics Corp.*, No. 12-cv-930-LAB (S.D. Cal.), Dkt. No. 63. Mr. Sandoval
6 filed a false Complaint wherein he claimed that his residence was in California
7 when it was not. *Id.* Mr. Sandoval actually lived in Arizona, making him
8 ineligible to serve as a class representative against Natural Immunogenics. On
9 information and belief, Mr. Sandoval never purchased or used the Natural
10 Immunogenics’ product. On May 22, 2015, Judge Larry A. Burns of the Southern
11 District of California dismissed Sandoval’s claims against Natural Immunogenics
12 with prejudice. *See id.* at Dkt. 120 (finding that Mr. Sandoval was never an
13 eligible member of the class).

14 22. Defendants DOES 1-10 are presently unidentified or unknown
15 individuals and/or entities who have facilitated, participated, or cooperated in the
16 unlawful enterprise and scheme to defraud corporations nationwide through
17 fraudulent legal claims (or threats of same). The nature and identity of those
18 defendants will become known through discovery.

19
20 **II. JURISDICTION AND VENUE**

21 23. This Court has original subject matter jurisdiction over this action
22 pursuant to the Racketeering Influenced and Corrupt Organizations Act, 18 U.S.C.
23 § 1964 (the “RICO Act” or “RICO”).

24 24. This Court also has original subject matter jurisdiction under 28
25 U.S.C. § 1332 because Plaintiff Natural Immunogenics is a resident of Florida,
26 while no other named Defendant resides in Florida. The matter in controversy is
27 over \$50 million and, thus, substantially exceeds \$75,000.

1 25. This Court has supplemental jurisdiction over all state claims pursuant
2 to 28 U.S.C. § 1367(a).

3 26. This Court has personal jurisdiction over all Defendants and venue is
4 proper in this District because the majority of all named Defendants, except Ryan
5 M. Ferrell, Giovanni Sandoval, Jr. and Taylor Demulder, are residents of the State
6 of California. This Court has personal jurisdiction over Defendant Ryan M. Ferrell
7 because he is employed by Newport Trial Group, a law firm with its principal
8 place of business in the state of California, and Mr. Ferrell regularly conducts
9 business in the state of California. This Court has personal jurisdiction over
10 Defendants Giovanni Sandoval, Jr. and Taylor Demulder because they filed
11 fraudulent complaints and declarations in California District Court in exchange for
12 monetary compensation provided by the Newport Trial Group, a California-based
13 law firm. This Court also has personal jurisdiction over Taylor Demulder because
14 he was an officer in Electric Family, LLC which has its principal place of business
15 in California. Furthermore, the acts and practices of all Defendants described
16 herein occurred in California and this Court has jurisdiction over the controversy
17 which arises out of that conduct.

18 27. Venue is proper under 28 U.S.C. § 1391(b)(2) because Newport Trial
19 Group, the central cog in the fraudulent scheme described herein, has its principal
20 place of business within the Central District of California.

21
22 **III. ALLEGATIONS COMMON TO ALL CLAIMS FOR RELIEF**

23 28. The Newport Trial Group (“NTG”) is a law firm located in Newport
24 Beach, California. The firm was founded in 2010, after which it soon developed a
25 history of questionable class action litigation. NTG has docketed hundreds of class
26 action complaints since it began operations. It has sent hundreds of corporations
27 (and potential defendants) demand letters containing threats of litigation. Those
28 demands have often resulted in lucrative pre-litigation payouts to NTG.

1 29. To fuel its steady and profitable stream of class action litigation, the
2 Newport Trial Group actively recruited, solicited, and paid individuals to front as
3 plaintiffs in prospective NTG lawsuits. The individuals who accepted payment
4 often had little knowledge about NTG’s case, rarely reviewed documents filed on
5 their behalf, often did not purchase the products at issue, and collaborated with
6 NTG to fabricate legal claims that would appear facially legitimate to corporate
7 defendants and the courts.

8 30. When making threats of litigation and when filing suit, NTG operated
9 not as a law firm, representing the interests and defending the rights of bona fide
10 plaintiffs in accordance with the law, but instead as an unlawful and corrupt
11 enterprise, extorting money by targeting defendants and concocting charges against
12 them through fabricated suits, building legal allegations through fraudulent
13 plaintiffs, and concealing its fraudulent conduct through claims of legal privilege
14 (including the attorney/client privilege) and refusals to participate in meaningful
15 discovery.

16 31. Plaintiff Natural Immunogenics (“NIC”) suffered injury as a result of
17 NTG’s fraudulent practices beginning in 2012, when NTG filed a fraudulent
18 lawsuit against NIC. *See Nilon v. Natural-Immunogenics Corp.*, No. 3:12-cv-
19 00930-LAB-BGS (S.D. Cal. 2012). As described more fully herein, that law suit
20 was contrived by NTG and supported by fraudulent allegations. As also set forth
21 more fully below, NTG has demonstrated a pattern and history of similar
22 fraudulent lawsuits for the past five years and perhaps longer.

23
24 **A. Newport Trial Group’s Fraudulent Law Suits**

25 32. NTG began its unlawful and corrupt enterprise in 2010. It started by
26 developing a book of litigation built on *qui tam* lawsuits. The applicable laws
27 allowed NTG to file lawsuits without having a plaintiff who suffered “injury”
28 under the law.

1 33. NTG therefore located individuals willing to serve as named parties,
2 and then pursued multiple lawsuits identifying them as plaintiffs—all without
3 having to prove injury-in-fact. The lax standing requirements in those lawsuits
4 allowed NTG to pursue dozens of lawsuits in NTG’s interest and to derive
5 therefrom a substantial profit.

6 34. In 2010, Newport Trial Group identified a business opportunity
7 predicated on the lax standing requirements in federal False Patent Marking suits
8 brought under 35 U.S.C. § 292. Section 292(b) established standing to sue on
9 behalf of *any* individual through a *qui tam* action, without having to establish an
10 injury-in-fact. Those broad standing rules allowed NTG to send legal demand
11 letters seeking quick payouts without having to first secure new plaintiffs or
12 business. NTG filed multiple claims on behalf of the same group of plaintiffs. For
13 example, it filed at least ten (10) False Patent Marking cases for plaintiff Zachary
14 Hallstrom and an additional four for plaintiff Michael Gonzales.¹

15 35. But, on September 16, 2011, Congress enacted the Leahy-Smith
16 America Invents Act (“AIA”). To curtail litigation of the type described in
17 paragraph 34 above, the AIA eliminated the *qui tam* provision of Section 292 and
18 instead required plaintiffs to show a “competitive injury.” To continue the False
19 Marking lawsuits, NTG would need to find legitimate plaintiffs who suffered a rare
20 competitive injury in the market. None of NTG’s existing plaintiffs could meet
21

22
23 ¹ See, e.g., *Hallstrom v. Aqua Flora, Inc.*, No. 2:10-cv-01459 (E.D. Cal. June
24 14, 2010); *Hallstrom v. Eagle Eye Optics, Inc.*, No. 5:10-cv-02864 (N.D. Cal. June
25 29, 2010); *Hallstrom v. Nutrex Corp.*, No. 8:10-cv-00704 (C.D. Cal. June 2, 2010);
26 *Hallstrom v. Thermolife International, LLC*, No. 2:10-cv-02569 (E.D. Cal. Sept.
27 21, 2010); *Hallstrom v. Arthur Middleton Capital Holdings*, No. 3:10-cv-01177
28 (S.D. Cal. June 1, 2010); *Gonzales v. Health Enterprises, Inc.*, No. 5:11-cv-00732
(C.D. Cal. May 9, 2011); *Gonzales v. Palo Alto Labs, Inc.*, No. 2:10-cv-07633
(N.D. Cal. June 3, 2010); *Gonzales v. Trimedica International, Inc.*, No. 2:10-cv-
01360 (June 3, 2010).

1 that standard. NTG then discontinued filing *qui tam* suits in favor of other causes
2 of action.

3 36. In 2012, Scott J. Ferrell and the Newport Trial Group pursued
4 contrived patent litigation, commonly known as “patent trolling.” To pursue those
5 cases, Attorney Scott J. Ferrell formed a Nevada Limited Liability Company
6 named the “Tawnsaura Group” on June 14, 2012 for the express purpose of
7 earning legal fees and settlement money in patent litigation. *See* Exh. A. Scott J.
8 Ferrell was listed as the first corporate officer in corporate filings submitted by the
9 Tawnsaura group. He also represented the Tawnsaura group in subsequent patent
10 litigation.

11 37. The Tawnsaura Group was organized in Nevada on June 14, 2012. It
12 began filing lawsuits for patent infringement two months later.

13 38. The Tawnsaura group acquired an ownership interest in patents
14 related to two common dietary ingredients. NTG then began prolific litigation
15 against dietary supplement companies for patent infringement based on those two
16 patents.² The case theory was simple enough. Tawnsaura had the rights to two
17 questionable patents of dietary ingredient formulations—chemicals present in most
18 known food sources. That created a basis to allege that most food and dietary
19 supplement companies were infringing Tawnsaura’s shaky patents. Upon
20 information and belief, Scott J. Ferrell and Tawnsaura, through Newport Trial
21 Group, sued at least 87 dietary supplement companies under the patents acquired
22 by Ferrell (patents that were later invalidated on eminently foreseeable grounds).

23 ² *See, e.g., The Tawnsaura Group, LLC v. Physician Formulas, Inc.*, No.
24 8:12-cv-01352 (C.D. Cal. filed on Aug. 21, 2012); *The Tawnsaura Group, LLC v.*
25 *Maximum Human Performance, LLC, et al.*, No. 2:12-cv-07189 (C.D. Cal. filed on
26 Aug. 21, 2012); *The Tawnsaura Group, LLC v. Beautyfit, Inc.*, No. 8:12-cv-01354
27 (C.D. Cal. filed on Aug. 21, 2012); *The Tawnsaura Group, LLC v. Gaspari*
28 *Nutrition, Inc.*, No. 8:12-cv-01353 (C.D. Cal. filed on Aug. 21, 2012); *The*
Tawnsaura Group, LLC v. Serious Nutrition Solutions, LLC, No. 8:12-cv-01396
(C.D. Cal. filed on Aug. 28, 2012).

1 39. While most defendants in the Tawnsaura cases paid NTG and Ferrell
2 to avoid litigation, the defendants in *Tawnsaura Group, LLC v. Maximum Human*
3 *Performance, LLC*, reached a decision on the merits. *See* No. 2:12-cv-07189 (C.D.
4 Cal. filed Aug. 21, 2012). The Court granted summary judgment in favor of all
5 defendants on grounds that the two Tawnsaura patents were invalid and
6 unenforceable. *Id.* at Dkt. No. 281. The court held that those patents involved
7 “obvious” technology under 35 U.S.C. § 103, and failed to meet the utility and
8 enablement requirements for patentability. *Id.* That ended NTG’s patent-trolling
9 enterprise.

10 40. Meanwhile, NTG also began filing California State class action suits
11 under the Unfair Competition Law (Cal. Bus. & Prof. Code §§ 17200, *et seq.*),
12 Consumer Legal Remedies Act (Cal. Civ. Code §§ 1750, *et seq.*), and the False
13 Advertising Law (Cal. Bus. & Prof. Code §§ 17500, *et seq.*). Those statutes eased
14 the standards for class certification, allowing NTG to increase the size of potential
15 settlements and demands in litigation. Class litigation also invoked heightened
16 protections for the claims of so-called class members who were technically
17 represented *in absentia*, thus increasing the projected costs and burdens of
18 litigation for defendants in NTG class action suits. The Newport Trial Group’s
19 UCL/CLRA/FAL lawsuits were profitable, but, to maintain those actions, NTG
20 had to find plaintiffs who could allege an actual and legally sufficient injury.

21 41. To overcome that obstacle, NTG employed attorneys and agents,
22 including Defendant Andrew Baslow, to recruit and pay individuals to act as
23 plaintiffs in the firm’s class action suits. NTG paid those individuals to allege
24 fabricated legal claims against corporate defendants with whom the plaintiffs had
25 no prior connection. The firm had pre-identified those targets for suit. Nearly all
26 of NTG’s class representatives were young individuals in their early- or mid-
27 twenties, in need of financial assistance, and who agreed to allow NTG to list them
28

1 as plaintiffs in exchange for cash payouts from NTG. NTG’s putative “plaintiffs”
2 were often relatives, close friends, or associates of NTG staff and employees.

3 42. On information and belief, discovery will establish that NTG lawsuits
4 in addition to those referenced herein were fraudulent.

5
6 **B. Defendants Recruit Fraudulent Plaintiffs: Nilon and His Associates**

7 43. Defendant Andrew Nilon was one of NTG’s fraudulent plaintiffs. He
8 filed a lawsuit against Plaintiff Natural Immunogenics in 2012.

9 44. In 2012, Andrew Nilon had recently graduated from the Arizona State
10 University (ASU), where he had attended school from 2007 through 2011. During
11 his time at ASU, Mr. Nilon became close friends with several other individuals,
12 including Sam Pflug, Taylor Demulder, and Matt Dronkers.

13 45. After graduation from ASU, Mr. Nilon and Mr. Dronkers moved to a
14 San Diego apartment in August 2011. Several of Nilon’s close friends, including
15 Sam Pflug, also moved to the San Diego area around August 2011. Those
16 individuals remained in contact and shared the same social circles.

17 46. Nilon, Dronkers, Demulder and Pflug were heavily indebted,
18 possessing student loans and liabilities. They also had limited job prospects. By
19 January 2012, they were impecunious.

20 47. Nilon, Pflug, and Dronkers met an individual named Sam Schoonover
21 while living in San Diego. In January 2012, Schoonover’s girlfriend, Talee
22 Rooney, informed Nilon, Pflug, Dronkers, Demulder and Schoonover that she
23 knew of a law firm that paid cash for easy work. Rooney introduced Nilon and his
24 associates to Andrew Baslow, then in the employ of NTG as “an investigator.”
25 Rooney instructed Nilon, Pflug, Dronkers, Demulder, and Schoonover to call
26 Andrew Baslow to obtain employment. Nilon received Baslow’s contact
27 information from Rooney and contacted Baslow at the Newport Trial Group.
28

1 48. Mr. Baslow explained to Nilon and his associates that he, Baslow, was
2 an employee of the Newport Trial Group. Baslow explored Mr. Nilon’s need for
3 employment and then suggested that he and Nilon meet in person. Several days
4 later, Nilon met Baslow at a coffee shop located between Newport Beach and San
5 Diego. Andrew Baslow explained that NTG intended to file legal claims against
6 companies that advertised products. Baslow explained that NTG needed
7 individuals to pursue its plan, and that Nilon could “sign up” if interested. Baslow
8 explained that if Nilon followed Baslow’s instructions and signed paperwork given
9 to Nilon by Baslow, NTG would then compensate Nilon.

10 49. Baslow informed Nilon that NTG’s lawsuits were already in progress
11 or imminent and, so, Nilon would simply need to support those filings and would
12 receive money in return. According to Baslow, Nilon would only be required to
13 sign paperwork that would later be provided by NTG, and potentially purchase
14 products that were identified by Baslow.

15 50. The Newport Trial Group, through Andrew Baslow, then paid Mr.
16 Nilon approximately \$900 in cash, which Nilon used to pay his rent. Contrary to
17 allegations in the NTG Complaint against the Natural Immunogenics Corporation,
18 Nilon did not purchase or use the Sovereign Silver product before NTG filed a
19 lawsuit on his behalf, yet Nilon’s alleged purchase was the subject of the lawsuit
20 filed by NTG against Natural Immunogenics Corporation in which Nilon was
21 named as lead class plaintiff. Nilon made no purchase of a Natural Immunogenics
22 Corporation product based on any advertising claims. NTG never recovered
23 money or legal fees in its lawsuits brought on Nilon’s behalf and, so, none of the
24 money provided to Nilon involved proceeds from the lawsuits.

25 51. Schoonover also met with Andrew Baslow. Baslow offered
26 Schoonover up to \$1,500 to participate in NTG’s scheme. Baslow explained that
27 Schoonover would need to have a company record him without providing a
28 warning that the call was being recorded. Baslow told Schoonover that his “boss”

1 knew exactly what Schoonover needed to say and how he could avoid being
2 warned of the recording. Schoonover agreed to join in NTG's scheme. NTG
3 eventually filed an action on Schoonover's behalf against the Himalaya Drug
4 Company. *Schoonover v. Himalaya Drug Co.*, No. 12-cv-1782 (S.D.Cal. July 19,
5 2012).

6 52. Nilon's other associates also met with Andrew Baslow and also
7 "signed up" in NTG's scheme. Taylor Demulder, Sam Pflug, and Matt Dronkers
8 had substantively the same interaction with NTG and Andrew Baslow as Nilon and
9 Schoonover did. Each was only asked to cooperate with NTG and sign paperwork
10 given to them by NTG to receive compensation from NTG. As outlined below,
11 NTG also named those individuals as class plaintiffs in separate lawsuits. *See*
12 *Demulder v. Carter-Reed Co., LLC*, No. 3:12-cv-0333-BTM (S.D. Cal., filed on
13 September 13, 2012); *Dronkers v. Kiss My Face, LLC*, No. 3:12-01151-JAH (S.D.
14 Cal., filed on May 11, 2012); *Pflug v. Nature's Way, et al.*, No. 3:12-cv-01018-
15 LAB (S.D. Cal., removed on April 25, 2012).

16 53. Nilon, Demulder, Pflug, and Dronkers remained friends throughout.
17 Within several months after NTG filed fraudulent lawsuits naming them as class
18 plaintiffs, they formally incorporated a business together in 2012 called Electric
19 Family LLC, a Nevada entity (organized on May 1, 2012). Electric Family was
20 organized as a clothing/apparel company designed to promote positive community
21 action. The fraudulent lawsuits filed by NTG were inconsistent with the ethical
22 principles of Electric Family, and those of certain founding members who came to
23 appreciate that NTG had involved them in fraudulent activity. In August 2015,
24 Nilon gratuitously disclosed the specific circumstances of NTG's recruiting
25 practices to multiple third parties orally and in writing.
26
27
28

1 **C. NTG Created and Filed Fabricated Lawsuits on Behalf of Nilon and His**
2 **Associates**

3 54. On or about December 27, 2011, before Andrew Nilon or anyone else
4 had committed to serve as an NTG plaintiff, NTG dispatched a demand letter to
5 Natural Immunogenics threatening suit for false advertising allegedly on behalf of
6 an identified plaintiff. *See* Exh. B at 19-20. NTG’s letter dated December 27,
7 2011 stated that NTG was “writing on behalf of an individual California
8 consumer” and that its “client relied on [Natural Immunogenics’ promotional]
9 assertions and did not experience any of the promised benefits.” *Id.* The letter
10 threatened legal action for false advertising claims. *Id.*

11 55. NTG’s December 27, 2011 letter to NIC stated that “[i]n fact, [Natural
12 Immunogenics’] product was completely worthless to **her.**” *Id.* (emphasis added).
13 NTG’s letter plainly referred to a female consumer. No such female consumer
14 existed at the time; indeed, *Mr.* Nilon had not yet agreed to the ruse.

15 56. Nilon, like the other NTG plaintiffs referenced in this Complaint,
16 never “relied” on the advertising claims that were the subject of litigation. To the
17 extent any of the NTG’s plaintiffs herein identified ever purchased the products in
18 question—and there is no evidence of such purchases—those individuals were
19 instructed to buy the products by NTG, or purchased products after the lawsuits
20 were filed, solely to cooperate with NTG’s litigation needs. Accordingly, the NTG
21 lawsuits and demand letters were fraudulent and lacked a reasonable basis.

22 57. Reasonable “reliance” is an essential element under the California
23 Unfair Competition Law, the Consumer Legal Remedies Act, and the False
24 Advertising Law. *Durell v. Sharp Healthcare*, 183 Cal. App. 4th 1350, 1367
25 (2010) (“A misrepresentation is material for a plaintiff only if there is reliance –
26 that is, without the misrepresentation, the plaintiff would not have acted as he
27 did.”) (internal quotations and citations omitted); *see also Buckland v. Threshold*
28 *Enterprises, Ltd.*, 155 Cal. App. 4th 798, 808 (2007), *as modified* (Oct. 22, 2007)
disapproved of on other grounds by Kwikset Corp. v. Superior Court, 51 Cal. 4th

1 310, 246 P.3d 877 (2011) (holding that a plaintiff may not purchase a lawsuit, but
2 instead must actually “repose[] confidence in the *truth* of the relevant
3 representation”). Therefore, without reliance on the advertising claims
4 specifically, NTG’s cases lacked a reasonable basis.

5 58. The cases also lacked a reasonable or properly defined class under
6 Rule 23 of the Federal Rules of Civil Procedure. If there was a proper “class” of
7 consumers at issue, the scope should have been all California residents who were
8 instructed to purchase the products in question by NTG and then paid by NTG for
9 their participation in litigation. NTG’s use of fraudulent plaintiffs therefore calls
10 into question the propriety of prior class certifications.

11 59. Several months later, after Nilon had been paid to serve as a plaintiff,
12 NTG filed a Complaint in California State Court on behalf of “Andrew Nilon,
13 individually, and on behalf of all others similarly situated.” *See Nilon v. Natural-*
14 *Immunogenics Corp.*, No. 12-cv-930 (S.D. Cal., March 5, 2012), Dkt. 1-1 (original
15 state complaint). That Complaint falsely alleged that Mr. Nilon had:

16
17 [P]urchased Sovereign Silver in [San Diego] County. [Mr.
18 Nilon] relied on Defendant’s representations regarding the
19 efficacy of the Product, as detailed herein [the Complaint], and
20 but for those representations, [Nilon] would not have purchased
or paid as much for the product.

21 *Id.* at ¶ 5.

22 60. In fact, Nilon never purchased or consumed Natural-Immunogenics’
23 Sovereign Silver Product before NTG filed its lawsuit and, thus, he never relied on
24 any representations regarding the efficacy of Natural Immunogenics Corporation’s
25 product.

26 61. Nilon never met with an attorney at NTG before the firm filed a
27 lawsuit on his behalf. Nilon never supplied evidence of his alleged “purchase” of
28 the NIC Sovereign Silver product. Nilon never provided a narrative concerning his

1 use of the Sovereign Silver product, making the following allegations in the NTG
2 Complaint against Natural Immunogenics Corporation utterly false:

3
4 Plaintiff purchased the products in reliance on Defendant's
5 marketing claims with respect to efficacy. Plaintiff used the
6 Products as directed, but it did not work as advertised and was not
7 of the quality and standard advertised by Defendant.

8 *See id.* at ¶ 27.

9 62. Nilon's Complaint and each declaration he signed in the case were
10 prepared by agents of NTG and each contained representations of fact known by
11 NTG to be false.

12 63. Nilon had not "relied on" Natural Immunogenics' advertising claims.
13 NTG had paid him to participate in the action, and NTG specified the product to
14 target in the complaint.

15 64. After receiving the NTG Complaint, Natural Immunogenics
16 Corporation (NIC) hired counsel and prepared for litigation. NIC incurred
17 substantial litigation costs and fees. It suffered reputational harm and loss of
18 goodwill following several publications that reported on NTG's "false advertising"
19 allegations contained in NTG's complaint.

20 **D. Nilon Attempts to Withdraw from the Unlawful Scheme**

21 65. Around May 2012, Nilon feared repercussions from NTG's illegal
22 enterprise and objected to the arrangement he made with Baslow. Nilon informed
23 Baslow that he no longer wanted to participate in the fraudulent lawsuit.

24 66. In response, Baslow urged Nilon to allow NTG to continue
25 identifying Nilon as the class representative in the Natural Immunogenics
26 Corporation case. Without Nilon's participation and without a replacement
27 plaintiff, NTG's case against Natural Immunogenics Corporation would certainly
28 have been dismissed.

1 67. Beginning in April 2013, Natural Immunogenics Corporation
2 attempted to take Nilon’s deposition as the class representative in the pending
3 litigation.³ Disenchanted with NTG’s fraudulent action, Nilon refused to appear
4 for deposition. *See, e.g., Nilon v. NIC*, No. 12-cv-930 (S.D. Cal.), Dkt. 55 at 2.
5 Rather than dismiss its case or inform NIC that Nilon had lost interest, NTG told
6 NIC’s counsel that Nilon was simply unavailable at that time for the deposition.
7 *Id.*

8 68. NIC later served NTG with another Notice of Deposition for Nilon
9 scheduled for May 22, 2013 at 10:00 AM. *Id.* On the very day of that scheduled
10 deposition—May 22, 2013—NTG notified NIC’s counsel by email that Nilon
11 would not be produced for deposition, marking Nilon’s second failure to appear.
12 NTG offered no explanation for the failure to appear.

13 69. Despite Nilon’s request to withdraw from the unlawful scheme, and
14 his refusal to appear for deposition, NTG did not honor Nilon’s request or notify
15 Natural Immunogenics of Nilon’s withdrawal. Instead, on May 22, 2013, **the very**
16 **same day** Nilon missed a noticed deposition in NTG’s case against NIC, the
17 Newport Trial Group filed another unrelated case in the Superior Court for Ventura
18 County listing Andrew Nilon as the lead plaintiff in yet another class action
19 lawsuit. *See Andrew Nilon v. Chromadex, Inc.*, No. 56-2013-00436790-CU (Sup.
20 Ct. Ventura Cnty. May 22, 2013), attached as Exh. C.

21 70. The facts alleged by NTG in that *Chromadex* Complaint were utterly
22 false. The Complaint alleged that:

23
24 In February 2013 while located in California, [Nilon] called
25 Defendant at (855) 777-0660 from a wireless telephone. [Nilon]
26 spoke to an employee of Defendant to inquire about a
27 “BlueScience” product he had recently purchased and about the

28

³ Natural Immunogenics Corporation was represented in litigation by the
Law Offices of Carlos Negrete until February 2015.

1 possibility of receiving a discount on future purchases.

2 *Id.* (Exh. C, at ¶ 7). Those allegations, which mirrored many other NTG fraudulent
3 Cal. Section 632.7 Complaints at the time, were fabricated by NTG for the purpose
4 of extorting money from Chromadex. Andrew Nilon never purchased the
5 “BlueScience” product. He never called the Chromadex phone number listed in
6 the Complaint. Nilon never saw or approved of the allegations in NTG’s
7 Chromadex Complaint before the complaint was filed.

8 71. When Nilon discovered NTG’s second false Complaint listing him as
9 lead plaintiff, a complaint which he had never authorized, he demanded that NTG
10 withdraw him from the scheme. On May 22, 2013, Nilon demanded that NTG
11 remove his name from the *Chromadex* lawsuit.

12 72. On the next business day following NTG’s submission of the
13 *Chromadex* Complaint, May 23, 2013, NTG attorney Victoria C. Knowles moved
14 to voluntarily dismiss NTG’s Complaint against Chromadex. *See* Decl. of Victoria
15 C. Knowles in Support of Request for Dismissal of Class Action Lawsuit Pursuant
16 to CRC 3.770, *Nilon v. Chromadex, Inc.*, No. 56-2013-00436790-CU (Sup. Ct.
17 Ventura Cnty., May 23, 2013), Exh. D. In her sworn declaration, Ms. Knowles
18 justified NTG’s decision to dismiss the complaint as follows: “Plaintiff no longer
19 wishes to pursue this case.” *Id.* In fact, Nilon never wished to pursue the case, and
20 never authorized the filing of the Complaint in the first instance. The declaration
21 was therefore misleading at best, drafted to avoid admission of the damning fact
22 that the NTG Complaint was fraudulent *ab initio*.

23 73. NTG dismissed its *Chromadex* lawsuit. It never refiled against
24 Chromadex. But despite Nilon’s demand to be removed from all NTG suits, NTG
25 did not remove Nilon’s name from the Natural Immunogenics Corporation matter
26 because it did not then have another “plaintiff” to replace him. NTG’s litigation
27 against NIC continued.
28

1 74. NIC again sought Nilon’s deposition in matter No. 12-cv-930 (S.D.
2 Cal.). It served an additional two notices of deposition. NTG failed to produce
3 Nilon for deposition on February 7, 2014. *See Nilon v. NIC*, No. 12-cv-930 (S.D.
4 Cal.), Dkt. 55 at 2-3. On April 29, 2014, NIC scheduled yet another deposition for
5 May 16, 2014. *Id.* On May 13, 2014, NTG informed NIC by letter that Nilon
6 would not be produced for deposition. At no time did NTG inform NIC that Nilon
7 had withdrawn from the suit.

8 75. NTG never informed Natural Immunogenics that Nilon’s
9 unavailability stemmed from his desire to withdraw from NTG’s unlawful scheme.

10 76. On August 11, 2014, District Court Judge Burns (Southern District of
11 California) sanctioned NTG for its failure to make Nilon available for depositions,
12 noting that NTG’s conduct “was clearly part of a pattern of unjustified
13 cancellations over the course of an entire year.” *Id.* at Dkt. 59, at 2. NTG was
14 ordered to pay \$5,000 in fees for that conduct. *Id.*

15 77. To preserve its lawsuit against Natural Immunogenics Corporation,
16 NTG began a search for another individual willing to enroll in the NTG scheme.
17 By July 2014, NTG had found Mr. Giovanni Sandoval to be a substitute plaintiff.
18 NTG filed a Motion to Substitute its class representative, finally dismissing Nilon
19 from the suit. *See id.* at Dkt. 51-1. But to justify Nilon’s late departure from the
20 case, and to defeat NIC’s Opposition to that motion after two years of litigation,
21 NTG propounded yet another falsehood concerning Nilon, alleging that he had a
22 sick grandmother who required his attention and financial support. *See id.* at Dkt.
23 51-2. The declaration filed by NTG on Nilon’s behalf explained that Nilon had:

24
25 [R]elocated to Northern California in order to help both
26 financially and with the physical care of my grandmother. My
27 grandmother’s health has recently become very poor and she
28 requires additional care that she is unable to provide for herself.

See id., Dkt. 51-2 at ¶ 5. Thus, according to NTG, Nilon “no longer [had] the time

1 or the energy to devote to this case and [he] wish[ed] to be removed from [his]
2 position as class representative.” *Id.* NTG therefore claimed that Nilon’s absence
3 from litigation was owed to a sick grandmother. Those representations were false
4 and fabricated to cover the true reason for dismissal of Nilon, his objection to
5 continued participation in NTG’s fraudulent scheme, wherein Nilon was not a bona
6 fide plaintiff but had been paid by NTG to sign onto a fraudulent class action
7 lawsuit.

8 78. Nilon’s June 23, 2014 affidavit was utterly false and drafted by NTG
9 aware of the falsehoods contained therein. Nilon’s grandmother was not then sick
10 and did not need his physical assistance or financial support. Nilon did not
11 relocate to Northern California to care for his sick grandmother. He did not begin
12 new employment to “be nearer to [his] grandmother.”

13 79. Mr. Baslow presented Nilon with the affidavit written by NTG.
14 Baslow explained that to get out of the case Nilon had to sign the affidavit.
15 Believing it the only way to get out of the lawsuit, Nilon signed the affidavit.

16 80. The Court granted NTG’s request to withdraw Andrew Nilon from the
17 lawsuit on August 20, 2014. *See Nilon v. Natural-Immunogenics*, No. 12-cv-930
18 (S.D. Cal.), Dkt. 62. NTG’s representation of Andrew Nilon effectively terminated
19 by August 2014 (and likely before that date when Mr. Nilon broke off
20 communication with NTG).

21 81. On August 12, 2014, NTG then filed a motion to withdraw as Nilon’s
22 attorney. *See id.* at Dkt. 61. In a companion memorandum of points and
23 authorities, backed by the sworn testimony of NTG attorney Ryan Ferrell, NTG
24 explained that “despite repeated attempts to contact [Nilon], Plaintiff became
25 unresponsive to his counsel.” *Id.* at 61-1 (citing Ferrell Decl.). Mr. Ferrell claimed
26 to have dispatched at least “3 letters” to Nilon at his last known address, and to
27 have contacted Nilon repeatedly. *Id.* at 61-2 ¶ 6. Mr. Ferrell never corroborated
28 those claims with documentary evidence.

1 **E. NTG Maintains The Nilon Case Through Another Fraudulent Plaintiff**

2 82. To save its class action against Natural Immunogenics Corporation,
3 NTG hired Giovanni Sandoval Jr. to serve as the new class representative
4 (replacing Nilon). Sandoval claimed that he, too, had purchased and used NIC’s
5 dietary supplement, and that it was ineffective for him.

6 83. But Giovanni Sandoval was not a proper class plaintiff. NTG stated
7 in the amended complaint that Sandoval was a resident of San Diego County and,
8 thus, an eligible class member. *Id.* at Dkt. 63 ¶ 5. In fact, Sandoval was not a
9 resident of San Diego County. He was a resident of Yuma, Arizona, meaning he
10 could not serve as the class representative.

11 84. Following Natural Immunogenics Corporation’s presentation of proof
12 of Sandoval’s actual place of residence in Arizona, U.S. District Court Judge Larry
13 Alan Burns held on May 12, 2015, that Mr. Sandoval was never a proper plaintiff,
14 and that NTG had violated FRCP 11 by failing to conduct any meaningful
15 background investigation of Sandoval. Judge Burns stated that NTG’s complaint
16 contained “false statement[s].” The Court explained that “[b]ut for [NTG’s] false
17 statement about Sandoval’s residency, the Court would not have granted the
18 motion for substitution” and the case would have ended with Andrew Nilon’s
19 departure. *See Nilon v. NIC*, No. 12-cv-930, Dkt. 117 at 4-5 (S.D. Cal. May 12,
20 2015).⁴

21 85. Judge Burns commented on NTG’s conduct in context with the false
22 statements:

23
24 [T]his isn’t an isolated occurrence—Plaintiff’s counsel has
25 displayed a cavalier attitude towards discovery obligations
26 practically from the get-go. Based on counsel’s demonstrated

27 ⁴ NIC was later denied monetary relief on procedural grounds after briefing
28 a sanctions motion before Magistrate Judge Skomal. *See Nilon v. NIC*, No. 12-cv-
930, Dkt. 122 (S.D. Cal. May 12, 2015).

1 shortcomings, it would be reasonable for the Court to dismiss this
2 case with prejudice.

3 *Id.* at 5.

4 86. Sandoval’s deposition testimony also revealed that he was not a
5 legitimate or credible plaintiff. When considered in context with NTG’s unlawful
6 recruitment practices, Sandoval appeared to have been led by NTG to testify
7 falsely in furtherance of NTG’s unlawful scheme.

8 87. Giovanni Sandoval was NTG’s chosen replacement for Nilon. He
9 was chosen to help NTG prolong litigation against NIC. Sandoval was a career
10 criminal. At age 28, he had been arrested at least fifteen times and served multiple,
11 prolonged periods of incarceration. He testified falsely during his deposition,
12 particularly concerning his criminal record and his residence. In an attempt to fit
13 within NTG’s identified Rule 23 class, Sandoval testified that he was a California
14 resident when he was not. He was actually a resident of Yuma, Arizona—a fact
15 known to NTG counsel who represented Sandoval at the deposition.

16 88. NTG counsel attempted to mask Sandoval’s true residence from NIC
17 and the Court. Consistent with NTG’s insistence that Sandoval was a San Diego
18 County resident, NIC scheduled Sandoval’s deposition in Newport Beach,
19 California (more than five hours by car from Sandoval’s actual residence). NTG
20 counsel paid for Sandoval’s hotel at the deposition to accommodate his travel from
21 Arizona to California to maintain the appearance of California residence. NTG
22 counsel compelled NIC’s attorneys, whose offices were near Phoenix, Arizona, to
23 travel to California *from Arizona* for the deposition when they could have simply
24 driven a short distance from NIC counsels’ Arizona office to Yuma. But
25 scheduling the deposition in Yuma would have raised suspicion that Sandoval was
26 not a resident of California and thus not a proper class plaintiff. *See id.* at 4 (the
27 court later explained that “Public records verify this, showing that Sandoval fell
28 outside the class definition well before the class was certified.”).

1 89. NTG counsel refused repeatedly to produce Sandoval’s full name and
2 physical address despite the clear obligation to do so under Rule 26(a)(1) and
3 despite repeated demands from NIC’s counsel that NTG counsel do so. *Id.* (the
4 Court later found that “Plaintiff never updated his Initial Disclosures in light of the
5 substitution, and Sandoval was never named on any Fed. R. Civ. P. 26
6 disclosure.”); *see also id.*, at Dkt. 119-1 ¶¶ 4-6.

7 90. When pressed at his deposition, Sandoval testified that although he
8 was a resident of California he had “forgotten” his California address. *See id.* at
9 Dkt. 117, at 3. He testified that he possessed a California driver’s license, when in
10 fact he did not, and he refused to provide any driver’s license whatsoever when
11 requested to do so at the deposition. *Id.*

12 91. Sandoval’s testimony also included disingenuous statements
13 concerning his alleged purchase and use of NIC’s Sovereign Silver product. He
14 resided in Yuma, Arizona (not California) at the same time he claimed to have
15 lived in California and purchased the product from a local California market. Dkt.
16 113-3 at ¶¶ 16, 19–23; Exh. E (Sandoval Deposition Transcript) at 6:25–7:23.
17 Although he claimed to have purchased the product in California, he later testified
18 that he kept the product packaging in Arizona. Exh. E at 79:20–22.

19 92. Sandoval’s testimony was consistent with an individual who, like
20 NTG’s other “plaintiffs,” became familiar with the product only for litigation
21 purposes. Sandoval testified that, before allegedly buying NIC’s product, he had
22 never before shopped at the Sprouts grocer where he claimed to have purchased the
23 product. *Id.* at 38:8–10. He had never purchased that type of product before (or
24 any nutritional supplement, for that matter). *Id.* at 34:15–17. He claimed to have
25 paid cash for his purchase, but did not retain a receipt and never produced the
26 product or receipt in litigation. *Id.* at 42:5–13. He had no reasoned explanation for
27 why he chose Natural Immunogenics’ product over other similar products on the
28 same store shelf. *Id.* at 45:1–9. He had no explanation for why he allegedly

1 appeared in a Sprouts grocery store (where he never shopped); why he bought a
2 type of product that had he had never purchased before (to wit, a dietary
3 supplement for immune support); why he chose the NIC product from among other
4 similar products on the shelf without having performed any background research or
5 investigation of the product; and why he allegedly spent substantially more money
6 on that purchase than he spent on any other grocery product.

7 93. At deposition Sandoval repeatedly misnamed the Defendant's
8 product. *Id.* at 27:13–21. He had no understanding or knowledge of the specific
9 product or of dietary supplements in general. *Id.* at 43:22–44:6. He knew of no
10 other person who had used the NIC product. *Id.* at 46:15–17. He had not
11 researched or investigated the product before purchasing it. *Id.* at 46:8–14.
12 Sandoval, who claimed to make less than \$20,000 annually and spent just \$60 per
13 week on food, claimed to have spent at least \$15 for a short supply of the Natural
14 Immunogenics' dietary supplement at a store he never before visited, for a product
15 he did not understand or research, and at a location hours away from his residence
16 in Arizona. *Id.* at 26:17–27:4, 69:14–16, 77:15–24.⁵

17 94. NTG improperly asserted the attorney/client privilege to preclude
18 any investigation into Sandoval's role as a plaintiff. For example, NIC counsel
19 asked Mr. Sandoval at deposition if he had "produced any receipts for products to
20 [his] counsel?" NTG counsel Ryan Ferrell responded: "Objection, privilege. Do
21 not answer." *See* Exh. E at 20:9–21:6.

22 95. Sandoval also testified inconsistently concerning the timing of his
23 engagement by NTG counsel. NTG counsel, Mr. Ryan Ferrell, again concealed
24 the circumstances related to Sandoval's entrance as a plaintiff in the case.⁶ NIC

25 ⁵ When confronted with the fact that the NIC's product is the most expensive
26 of the silver products sold, Sandoval claimed that price was unimportant to him.
27 Exh. E at 58:7–14.

28 ⁶ NIC never had an opportunity to depose Nilon as he was not produced for
deposition.

1 counsel had asked Sandoval to describe under oath how he became aware of the
2 NTG case against NIC. Mr. Ferrell responded: “Objection, it’s privileged, if it
3 comes from counsel, don’t answer.” Exh. E at 24:23—25:19.

4 96. On information and belief, Sandoval was paid by the Newport Trial
5 Group to serve as a plaintiff against NIC and to conform his fraudulent allegations
6 against NIC to fit within NTG’s statement of the case. In fact, Sandoval repeatedly
7 made false allegations under oath at his deposition. When NIC brought that
8 information before the Court, NTG blamed its client, stating that dismissal was
9 proper because NTG had developed “concerns about [Sandoval’s] credibility after
10 his failure to accurately reflect his criminal record in his deposition.” *See Nilon v.*
11 *NIC*, No. 12-930, Dkt. 123 at 21 n.8 (S.D. Cal. July 17, 2015) (quoting NTG’s
12 memorandum).

13 97. The Court dismissed Sandoval’s case against Natural Immunogenics
14 Corporation with prejudice, thus ending that class action litigation. *Id.* at Dkt. 120,
15 at 1.

16
17 **F. NTG’s Similar Pattern of Misrepresentation in Other Cases**

18 98. The false representation of Sandoval’s place of residence in the case
19 against Natural Immunogenics Corporation is not an isolated event. NTG has
20 engaged in a pattern of falsely representing the residencies of its purported class
21 action plaintiffs. *See Demulder v. Carter-Reed Co., LLC*, No. 3:12-cv-0333-BTM
22 (S.D. Cal., filed on September 13, 2012). Defendant Taylor Demulder is one of
23 Andrew Nilon’s close associates. Nilon and Demulder started a business together
24 in 2012. Both Demulder and Nilon served as hired plaintiffs for NTG (Nilon being
25 the original plaintiff against NIC).

26 99. With NTG’s oversight, Demulder was named as a plaintiff in a
27 lawsuit against the Carter-Reed Company, LLC on September 13, 2012, alleging
28 therein that Carter-Reed had recorded Demulder during a customer service phone

1 call without first providing Demulder notice, an alleged violation of California
2 Penal Code Section 630, *et seq.* See *Demulder v. Carter-Reed Co.*, No. 3:12-cv-
3 0333 (S.D. Cal.) at Dkt. 1.

4 100. Those “Section 632.7” allegations were common at the time for NTG,
5 as the law firm filed many such actions in 2012-2015, all asserting substantially the
6 same facts. The fraudulent *Chromadex* complaint filed by NTG on Andrew
7 Nilon’s behalf contained allegations that were nearly identical to those contained in
8 Taylor Demulder’s Section 632.7 Complaint.

9 101. Those “Section 632.7” NTG Complaints were all nearly identical,
10 with just the names and minor facts changed. See *Nilon v. Chromadex, Inc.*, No.
11 56-203-436790 (Sup. Ct. Ventura Cnty.) (Exh. C); *see also David Gamez v.*
12 *National Guardian Lif Ins. Co.*, No. 2:15-cv-5070 (C.D.Cal. July 6, 2015) (same
13 Section 632.7 allegations); *Jasmine Gamez v. Americo Financial Life & Annuity*
14 *Ins. Co.*, No. 2:15-cv-5071 C.D.Cal. July 6, 2015) (same Section 632.7
15 allegations); *Katie Ray v. Buy Insta Slim, Inc.*, No. BC549571 (Sup. Ct. Los
16 Angeles Cnty. June 24, 2014) (same Section 632.7 allegations); *Stephen Ray v.*
17 *Branders.com, Inc.*, No. BC529716 (Sup. Ct. Los Angeles Cnty. Dec. 6, 2013)
18 (same 632.7 allegations); *Schoonover v. Himalaya Drug Co.*, No. 12-cv-1782
19 (S.D.Cal. July 19, 2012) (same Section 632.7 allegations); *Hurst v. Columbia*
20 *Sportswear Co.*, No. BC529555 (Sup. Ct. Los Angeles Cnty. Dec. 5, 2013) (same
21 Section 632.7 allegations); *George Gonzalez v. Mercer, LLC*, No. CIVDS1402062
22 (Sup. Ct. San Bernardino Cnty. Feb. 25, 2014) (same Section 632.7 allegations);
23 *Julie Martinez v. Carmax, Inc.*, No. BC533870 (Sup. Ct. Los Angeles Cnty. Jan.
24 22, 2014) (same Section 632.7 allegations); *Maria Martinez v. Medtech Products,*
25 *Inc.*, No. 2:14-cv-02624 (C.D.Cal. March 2014) (same Section 632.7 allegations).

26 102. Demulder alleged that he had contacted Carter-Reed’s customer
27 service telephone number on September 6, 2012, and during that call Carter-Reed
28 violated California Penal Code Section 632.7. Just **seven days later**, on

1 September 13, 2012, Demulder’s attorneys (including the Newport Trial Group)
2 filed suit against Carter-Reed Co. The timing between the alleged events and
3 Demulder’s Complaint strongly suggest that Demulder’s phone call was solely
4 designed by NTG to create standing for a legal action.⁷

5 103. Demulder, like Sandoval, was not actually a resident of California
6 when he filed his Complaint, but NTG falsely represented him to be a California
7 resident in the complaint. The Defendants in Carter-Reed demonstrated that
8 Demulder had contacted the Defendant from a Nevada-based phone line traced
9 back to Demulder’s employer. *See Demulder v. Carter-Reed*, No. 3:12-cv-02232-
10 BTM-MDD (S.D. Cal. 2013), Dkt. 6 at 2-6. To establish standing, NTG’s
11 Complaint represented that Demulder was a “California citizen and resident of San
12 Diego County, California...” *See Demulder v. Carter-Reed Co.*, No. 3:12-cv-0333
13 (S.D. Cal.) at Dkt. 1 ¶ 1. In fact, Demulder’s registered address at the time was in
14 Nevada, and he worked for a company called Stryker Orthopedics with offices at
15 5905 Decatur Blvd., Suite 8, Las Vegas, Nevada. *Id.* (Dkt. 6 at 4). His residency
16 precluded his ability to serve as a valid class representative.

17 104. Corporate documents filed with the Nevada Secretary of State also
18 show that Demulder served as a Manager with Electric Family LLC while in
19 Nevada. Nilon and Demulder are both founders of the Electric Family LLC
20
21

22 ⁷ For instance, assuming *arguendo* that Demulder’s action was legitimate (it
23 was not), he would have had to contact Carter-Reed on September 6, become
24 aware of the recording violation under Section 632.7, discover that the violation
25 was unlawful and actionable, contact an attorney, retain that attorney, and then
26 have that law firm prepare and file a complaint on his behalf—all within one week.
27 The facts and circumstances suggest that NTG put Demulder up to the phone call
28 and then filed immediately after Demulder’s confirmation of the result. Pleadings
filed by Carter-Reed describing the Demulder phone call describe an unidentified
person heard coaching Demulder while he was on the phone with Carter-Reed’s
customer service.

1 business, along with Sam Pflug, Matt Dronkers, and Steve Brudzewski (all
2 participants in NTG fraudulent lawsuits).

3 105. NTG's use of for-hire plaintiffs has caused substantial legal trouble
4 for individuals named as plaintiffs in NTG's lawsuits. False representations were
5 contained in the Complaint which listed Demulder as lead class plaintiff.
6 Demulder used false information when contacting Carter-Reed. As a result,
7 Carter-Reed filed suit against Taylor Demulder in April 2013 for his part in NTG's
8 unlawful scheme. *See Carter-Reed Company, LLC v. Demulder*, No. 130903002
9 (Dist. Ct. Salt Lake Cnty., May 2013). Carter-Reed alleged Wrongful Use of Civil
10 Proceedings and Abuse of Process concerning Demulder's fraudulent lawsuit.
11 NTG represented Demulder and removed the matter to federal court. After a
12 dispute over jurisdictional issues, the matter was remanded to state court where
13 NTG allowed Demulder to default rather than defend the action.

14 106. In its action for abuse of process against Demulder, Carter-Reed
15 explained that NTG's allegations contained material factual allegations that were
16 utterly false. Demulder had contacted Carter-Reed's customer service line solely
17 to generate a lawsuit. He had provided a false name to Carter-Reed during the
18 phone call. He had falsely stated in his Complaint that the operator never informed
19 him of the recording when, in fact, the operator's first notification was a disclosure
20 that the call would be recorded. The Defendant produced an actual transcript of
21 the conversation wherein the call center clearly identified that the call was
22 recorded. *Demulder v. Carter-Reed*, No. 3:12-cv-02232-BTM-MDD (S.D. Cal.
23 2013), Dkt. 6 at 2-6. According to allegations that were not refuted in litigation,
24 "the true purpose of Demulder's telephone call was not to obtain information about
25 Carter-Reed's products but, instead, was to try to manufacture a basis for the
26 putative class action lawsuit he subsequently filed against Carter-Reed, which
27 lawsuit he hoped would cause Carter-Reed to pay him money instead of subjecting
28 himself to the significant risks associated with class action litigation." *See Carter-*

1 *Reed Co., LLC v. Demulder*, No. 130903002 (Utah Dist. Ct., Salt Lake Cnty.), at 2;
2 *see also Carter-Reed Co. v. Demulder*, No. 13-1098 (D.Utah).

3 107. Nilon and DeMulder were also close friends with Defendant Sam
4 Pflug, who had graduated from ASU with Mr. Nilon and moved to San Diego with
5 Nilon in 2011. Nilon and DeMulder were also close friends with Defendant Matt
6 Dronkers, who had graduated from ASU with Mr. Nilon and had moved to San
7 Diego with Nilon in 2011. Nilon, Dronkers, DeMulder, and Pflug started a
8 clothing apparel business together in 2012 known as the Electric Family LLC.

9 108. Defendants Pflug and Dronkers also had the same interaction with Mr.
10 Andrew Baslow—a representative of NTG—in which Baslow offered to pay Pflug
11 and Dronkers in exchange for their signatures on papers in support of NTG
12 lawsuits, all without having suffered an injury or valid legal claim before NTG
13 designed and filed those actions listing them as lead class plaintiffs.

14 109. NTG filed Pflug’s case against Nature’s Way Product, Inc. on March
15 16, 2012, the very next day after filing the Nilon lawsuit against Natural
16 Immunogenics on March 15, 2012. *See Pflug v. Nature’s Way Products, Inc.*, No.
17 37-2012-00051979-CU-MT (Sup. Ct. San Diego Cnty. Mar. 16, 2012). In the
18 Nature’s Way Complaint, NTG alleged that Mr. Pflug had “purchased several ...
19 products including Arnifolora Arnica Gel, Triflora Arthritis Gel, Florasone Cream,
20 Aciatic Aid, B&T Nighttime Cough & Bronchial Syrup, and Cough & Bronchial
21 Syrup in San Diego County.” Those allegations were false.

22 110. Prior to filing that suit, NTG had contacted Nature’s Way Products
23 with a demand letter threatening legal action. *See Pflug v. Nature’s Way Products,*
24 *Inc.*, No. 3:12-cv-01018-LAB (S.D. Cal, removed on April 25, 2012), Dkt. 1-4 at
25 20. NTG sent that demand for payment allegedly on behalf of a person victimized
26 but, in fact, NTG had authored that letter before it had a purported plaintiff willing
27 to join its unlawful scheme. Like Mr. Nilon’s demand letter, the NTG demand
28 letter referenced a female—not Mr. Pflug: “Your misleading marketing and

1 advertising of this, and similar products caused our client to purchase this product
2 but she did not experience any of the promised benefits. In fact, the product was
3 completely useless to her.” *Id.* (emphasis added).

4 111. NTG also filed a Complaint on behalf of Nilon’s friend Defendant
5 Dronkers on May 10, 2012. *See Dronkers v. Kiss My Face, LLC*, No. 12-cv-1151-
6 JAH, Dkt. 1 (S.D. Cal. May 10, 2012). As with the Nilon and Pflug Complaints,
7 NTG alleged that Dronkers had “purchased Kiss My Face products in early 2012”
8 and “relied on Defendant’s representations that the Kiss My Face personal care
9 products he purchased were organic, ... and but for those representations, Plaintiff
10 would not have purchased or paid as much for such products.” *Id.* at 2. Those
11 allegations were utterly false. Dronkers had been paid to support those statements
12 which were fabricated by NTG.

13 112. Sam Schoonover was a resident of San Diego in 2011-2012 who
14 worked as an event promoter in the area. He met Nilon, Pflug, and Dronkers while
15 in San Diego and was involved in similar social circles. His work and interests
16 overlapped Nilon’s upstart clothing apparel business. Schoonover later accepted a
17 position in Nilon’s Electric Family LLC business as the Director of Events,
18 whereby he organized certain corporate events. Schoonover also participated in
19 the NTG scheme along with Dronkers, Nilon, Demulder, and Pflug. *See*
20 *Schoonover v. Himalaya Drug Company*, No. 12-cv-1782-JLS (S.D. Cal. 2012).
21 NTG filed a complaint listing Schoonover as the lead plaintiff on July 19, 2012.
22 NTG alleged that Schoonover had called Himalaya to inquire about organic
23 personal care products, and was then recorded without permission. Schoonover
24 was instructed by Baslow and NTG to contact Himalaya and compensated for his
25 efforts. Thus, Schoonover’s complaint contained materially false statements of
26 fact.

1 **G. Electric Family, LLC Members Benefitted from NTG’s Fraudulent**
2 **Scheme**

3 113. Defendant Electric Family was formed in May 2012. At that time, the
4 company was an undercapitalized and unprofitable startup managed by five recent
5 college graduates.

6 114. Electric Family had no formal headquarters or offices, but was instead
7 operated and managed out of the residences of its managers, Andrew Nilon, Sam
8 Pflug, Taylor Demulder, Matthew Dronkers, and Steve Brudzewski. Matthew
9 Dronkers and Andrew Nilon performed their duties as managers from their joint
10 residence in San Diego, CA. Sam Pflug, Taylor Demulder, and Steve Brudzewski
11 performed their duties as managers from their joint residence in Las Vegas, NV.

12 115. Upon information and belief, from 2012 to 2013, Electric Family’s
13 managers oversaw and conducted nearly every facet of the company’s operations.
14 Generating cash and capital for the company’s operations was of paramount
15 importance to the company’s survival. Keeping the company’s expenses low was
16 of similar import.

17 116. Also in 2012, the Electric Family group learned of NTG’s fraudulent
18 scheme and easy cash payments to for-hire plaintiffs. Managers Andrew Nilon,
19 Sam Pflug, Taylor Demulder, and Matthew Dronkers all filed fraudulent
20 complaints through NTG in the same six-month window from March through
21 September of 2012 in exchange for cash. NTG paid those corporate members
22 between \$900 and \$1500 several months after each NTG Complaint was filed.
23 Some of those individuals were paid more than once by NTG for their services.
24 Those payments were not related to the outcome or settlement of the matters.

25 117. Electric Family, LLC benefited directly and indirectly from the ill-
26 gotten funds which its managers received for their participation in NTG’s
27 fraudulent scheme.

28 118. Andrew Nilon used a portion of his NTG payment to pay rent for his
apartment and Electric Family home-office. Upon information and belief, Andrew

1 Nilon also used a portion of his NTG payment to perform various functions as
2 manager of Electric Family.

3 119. Taylor Demulder used a portion of his NTG payment to pay rent for
4 his apartment and/or Electric Family home-office.

5 120. Sam Pflug used a portion of his NTG payment to pay rent for his
6 apartment and/or other Electric Family home-office.

7 121. Matthew Dronkers used a portion of his NTG payment to pay rent for
8 his apartment and/or Electric Family home-office.

9
10 **H. NTG's Attempt to Defraud Charities**

11 122. On June 6, 2013 the Tampa Bay Times published an article titled
12 "America's Worst Charities" which summarized the findings of the Tampa Bay
13 Times, the California Center for Investigative Reporting, and CNN in a
14 collaborative investigative piece. The article identified the so-called "50 worst
15 charities" according to the findings.⁸

16 123. NTG became aware of the Times article shortly after its publication
17 and then designed causes of action against the listed charities. NTG then initiated
18 a series of fraudulent class-action lawsuits against at least three of the charities
19 alleging that they violated California's false advertising law, Business &
20 Professions Code § 17500, and California's unfair competition law, Business &
21 Professions Code § 17200. *See David Urzua v. Nat'l Veterans Servs. Fund*, Case
22 No. 3:13-cv-02217-MMA-KSD (S.D. Cal. Sep. 16, 2013); *Kaleb Patterson v. Int'l*
23 *Union of Police Associations, AFL-CIO*, Case No. 3:13-cv-02698-JAH-JMA (S.D.
24 Cal. Nov. 8, 2013); *Isabella Janovick v. Am. Breast Cancer Found., Inc.*, Case No.

25
26
27 ⁸ Hundley, Kris, "America's Worst Charities," Tampa Bay Times. Available
28 at <http://www.tampabay.com/topics/specials/worst-charities1.page> (last visited
Nov. 30, 2015).

1 3:13-cv-02697-DMS-KSC (S.D. Cal. Nov. 8, 2013). The allegations in all three
2 lawsuits were nearly identical.

3 124. The factual circumstances surrounding the NTG charity suits were
4 highly suspicious.

5 125. All three plaintiffs allegedly donated \$100 to the respective defendant
6 charities. Those donations all occurred after the publication of the Times article.
7 Defendant Urzua donated exactly \$100 to the defendant charity, National Veterans
8 Services Fund, Inc. on July 29, 2013. Defendant Janovick donated exactly \$100 to
9 the defendant charity, American Breast Cancer Foundation, Inc., just two days later
10 on August 1, 2013. Defendant Patterson donated exactly \$100 to the defendant
11 charity, International Union of Police Associations, AFL-CIO, two months later on
12 October 1, 2013.

13 126. All three complaints make substantially similar allegations and
14 reference the Times article. NTG filed the complaints on behalf of Janovick and
15 Patterson on the exact same day, November 8, 2013. NTG filed the complaint on
16 behalf of Urzua less than two months prior.

17 127. The three lawsuits against the National Veterans Services Fund, the
18 International Union of Police Associations, and the American Breast Cancer
19 Foundation, were premised on false statements of fact. To have standing to bring
20 those lawsuits, the plaintiffs needed to allege that they relied on representations
21 made by the charities before deciding to make their donations. To that end, all
22 three lawsuits alleged that the “Plaintiff donated to Defendant [charity] after
23 reviewing Defendant [charity]’s website, [] and relying on the representations
24 contained therein.”

25 128. On information and belief, not one of the plaintiffs reviewed or relied
26 on the defendants’ websites before suit was filed. Not one decided to make a
27 donation based on the representations on those websites.
28

1 129. On information and belief, each was a fraudulent plaintiff listed in the
2 respective complaints by NTG solely to initiate a class action lawsuit against the
3 defendant charities. NTG recruited all three plaintiffs for that purpose. NTG
4 instructed those individuals to make donations in a specific dollar amount, and
5 pledged to all three plaintiffs the \$100 to make donations to the defendant charities
6 for the sole purpose of obtaining standing to sue those charities.

7 130. All three lawsuits were also based on untenable legal claims. The
8 core allegations in those three lawsuits were that the charities misrepresented to
9 donors that donation proceeds would be used to help those in need, but instead that
10 the donation proceeds were used to pay employee salaries, rent, overhead, and
11 other necessary expenses. Prior to filing those three lawsuits, however, the
12 Supreme Court had expressly rejected those legal bases because “the bare failure to
13 disclose the high cost of fundraising directly to potential donors does not suffice to
14 establish fraud.” *See Urzua v. Nat’l Veterans Servs. Fund, Inc.*, Case No. 13-cv-
15 2217-MMA (KSC) (Jan. 28, 2014) (Order Granting Motion to Dismiss and Strike)
16 (quotations and citations omitted). The District Court in *Urzua* therefore granted
17 the National Veterans Services Fund’s Motion to Dismiss and Strike with
18 prejudice. *Id.*

19 131. Almost immediately after the District Court in *Urzua* dismissed that
20 action with prejudice, the plaintiffs and defendants in the remaining two cases
21 entered into “settlement agreements,” wherein the plaintiffs agreed to voluntarily
22 dismiss their claims with prejudice in exchange for asking the defendants to pay
23 their own litigation costs and fees.

24 132. NTG’s attempt to sue charities was part of its fraudulent scheme
25 perpetuated by NTG that was intended to use the pressure of a lawsuit to force
26 settlement on factually false and legally meritless claims.
27
28

1 **I. NTG’s History of Other Questionable Litigation**

2 133. On information and belief, the Newport Trial Group and its attorneys,
3 employees, and agents have an established pattern of fraudulent litigation through
4 the use of NTG hired plaintiffs. Just as they made false allegations against Natural
5 Immunogenics Corporation and paid Defendants Nilon, Demulder, Pflug,
6 Dronkers, Schoonover, Urzua, Patterson, and Janovick to advance those allegations
7 in litigation, so, too, they have compensated other individuals to serve as
8 “plaintiffs” in other actions.

9 134. Evidence suggests that NTG compensated other for-hire plaintiffs,
10 witnesses, or litigants (other than compensation paid for success in litigation or
11 settlement). The evidence reveals that NTG’s pay-to-play scheme was consistent
12 with its prior conduct.

13 135. In 2009, attorney Scott J. Ferrell filed a class action using Nicole
14 Forlenza as the lead plaintiff. Scott Ferrell—who would later start the Newport
15 Trial Group—claimed in 2009 that Ms. Forlenza had purchased a dietary
16 supplement that was ineffective for her. *See Nicole Forlenza v. Dynakor*
17 *Pharmaceutical, LLC, et al.*, No. 2:09-cv-03730-AG, Dkt. 1-2 (C.D. Cal. 2009).

18 136. In exchange for her services as a plaintiff, the Newport Trial Group
19 and Scott Ferrell later paid Ms. Forlenza \$2,000 to cover her legal fees in an
20 unrelated, personal bankruptcy matter. *See* Exh. F (Bankruptcy Court Disclosure
21 of Compensation, *In re Forlenza*, No. 8:10-bk-11410-TA (Bankr. C.D. Cal.
22 2010)).

23 137. In 2014, NTG represented defendant Public Storage in a class action
24 pending in the United States District Court for the Southern District of Florida.
25 *See Bowe v. Public Storage*, No. 1:14-cv-21559-UU (S.D. Fla. 2014). Plaintiff’s
26 counsel later moved to disqualify NTG, in part, for providing “financial
27 inducement to at least one witness who provided favorable testimony...” *See id.* at
28 Dkt. 100, at 1. Plaintiff’s counsel produced evidence that NTG arranged to pay a

1 witness and member of the putative class in exchange for favorable testimony that
2 would benefit NTG's client. *Id.*

3 138. In *Public Storage*, the plaintiffs had requested an evidentiary hearing
4 to vet those significant concerns with NTG's conduct in litigation. Plaintiffs had
5 alleged that NTG sent "Wynn Ferrell—the father of lead counsel Scott Ferrell, who
6 is apparently not a lawyer, paralegal or investigator employed by Newport Trial
7 Group—across the country to solicit Public Storage customers to support the
8 company's defense and opt out of [the] class action." *Id.* at Dkt. 100, at 3. NTG in
9 *Public Storage* convinced at least one class member to sign a declaration that
10 ostensibly supported Public Storage, despite prior statements demonstrating the
11 individual's unhappiness with the service. *Id.* "The e-mail correspondence ...
12 reveal[ed] that [the witness] received a credit from Public Storage regarding rental
13 fees" in exchange for his favorable affidavit. *Id.*

14 139. When confronted with those allegations, NTG promptly filed a motion
15 to withdraw from the case. The Court granted that request, thus mooted the
16 plaintiff's allegations in the Motion to Disqualify. NTG never provided an
17 evidentiary rebuttal to those allegations. The Court never had occasion to reach
18 the issues raised concerning NTG's conduct.

19 140. NTG has filed many suits for so-called "plaintiffs" who NTG
20 compensated to serve as plaintiffs, and who were previously connected to NTG
21 members, associates, or agents via social or family ties. Those so-called
22 "plaintiffs" were used by NTG because they were willing to participate in the
23 unlawful scheme. The public records reveal many such connections. The
24 circumstances surrounding those lawsuits are impossibly coincidental for any
25 legitimate client or plaintiff. When considered *in toto*, these connections undercut
26 any suggestion that NTG's lawsuits were sourced from legitimate plaintiffs. These
27 appear consistent with the NTG unlawful enterprise of paying individuals to "sign
28

1 on” to be civil plaintiffs against companies with which they have had no prior
2 dealings.

3
4 **J. NTG’s Use of Andrew Baslow to Recruit Plaintiffs**

5 141. Andrew Baslow was NTG’s agent for contacting and recruiting
6 individuals who would later join NTG in its fraudulent scheme. Baslow has filed
7 declarations in federal court supporting NTG cases as NTG’s “investigator.” *See*
8 *Delarosa v. Boiron, Inc.*, No. 8:10-cv-01569, Dkt. No. 52-5 (C.D. Cal. filed on
9 October 14, 2010); *see also Neal v. Naturalcare, Inc.*, No. 5:12-cv-00531, Dkt. No.
10 17-8 (C.D. Cal. filed on April 11, 2012); *Shin v. Digi-Key Corp.*, No. 2:12-cv-
11 05415, Dkt. 11-3 (C.D. Cal. filed on June 21, 2012); *Clark v. MyLife.com, Inc.*,
12 No. 2:12-cv-06889, Dkt. 12-2 (C.D. Cal. filed on August 9, 2012). Baslow has
13 referred to himself as NTG’s Director of Field Operations in other contexts. As
14 explained above, Andrew Baslow secured Nilon’s, Pflug’s, Demulder’s, Dronkers’,
15 and Schoonover’s participation in NTG’s fraudulent lawsuits.

16 142. Andrew Baslow attended Chatsworth High School in Chatsworth,
17 California where he played baseball. Baslow later attended college at Cal. State
18 Dominguez Hills, where he also played baseball for the school’s team. Baslow
19 often relied on his friendships to recruit willing individuals. He used high school
20 friends and acquaintances to help sell other young adults into the idea of easy cash
21 in exchange for fabricated allegations. The names and identities of those
22 individuals are presently unknown, but are expected to be revealed in discovery.

23 143. Kasey Toven played baseball for Chatsworth High in 2006-2007 and
24 was Andrew Baslow’s teammate. Baslow and Toven remained in contact after
25 high school. Baslow recruited Toven to serve as a hired plaintiff in a 2012 class
26 action against True Power, LLC. *See Toven v. True Power, LLC*, No. 37-2012-
27 00093832-CU-MT (Sup. Ct. San Diego Cnty., Mar. 13, 2012). On information and
28 belief, NTG paid Toven for his participation in the lawsuit and used Toven’s name

1 to file fraudulent legal claims. NTG filed its Complaint on Toven's behalf on
2 March 13, 2015, also within days of the Nilon and Pflug complaints.

3 144. Martin Conde played baseball with Andrew Baslow at Cal. State
4 Dominguez Hills in 2008. Conde was a catcher for the team when Baslow was
5 also rostered. Martin Conde remained in contact with Baslow after college.
6 Baslow recruited Martin Conde to serve as a hired plaintiff in a matter filed by
7 NTG on January 19, 2012. *See Martin Conde v. Obesity Research Institute, LLC*,
8 No. 12-cv-0413-RSWL (C.D. Cal., Jan. 19, 2012). That lawsuit concerned a
9 weight loss product. NTG had alleged that Martin Conde would not have
10 purchased the product "but for" Obesity Research's advertising claims. On
11 information and belief, that action was also fraudulent and Martin Conde was
12 induced by Baslow and NTG to serve as the plaintiff.

13 145. On April 23, 2014, NTG filed yet another lawsuit on behalf of
14 Baslow's friend Martin Conde. *See Martin Conde v. Bio-Engineered Supplements*
15 *& Nutrition, Inc.*, No. 8:14-cv-00945, Dkt. No. 1 (C.D. Cal removed on June 19,
16 2014). As in Martin's prior suit, NTG alleged that "but for [defendants']
17 representations, [Martin] would not have purchased or paid as much for the
18 Product." *Id.* As in his previous lawsuit, that statement was false because Martin
19 Conde, if he purchased the product at all, did so only to buy into a lawsuit and,
20 therefore, he did not "rely" on the representations as alleged. Martin Conde's
21 second lawsuit was substantially more technical, alleging that "High Pressure
22 Liquid Chromatography (HPLC)" testing showed no presence of certain dietary
23 ingredients and, so, the target product was likely inefficacious.

24 146. Just *eleven days* after filing Martin Conde's original lawsuit in
25 January 2012, NTG filed a suit on behalf of Jimmy Conde, Martin's brother. *See*
26 *Jimmy Conde v. Therabiogen*, No. BC478051 (Sup. Ct. Los Angeles Cnty., Jan.
27 30, 2012). NTG had alleged that Jimmy Conde suffered injury when he purchased
28 a cold and cough remedy that failed to alleviate his symptoms. On information and

1 belief, those allegations were false and fraudulent. As with his brother, Martin,
2 Andrew Baslow had directly or indirectly induced Jimmy Conde to serve as a
3 plaintiff in exchange for compensation from NTG. Moreover, Jimmy Conde
4 entered the litigation with full knowledge of his brother's prior action, and did so
5 with the intent to profit from the fabricated lawsuit just as his brother had profited
6 before him.

7 147. NTG later brought allegations on behalf of a third Conde brother, Jose
8 Conde, in a lawsuit filed January 7, 2014. *See Jose Conde v. Sensa Products, LLC*,
9 No. 14-cv-0051-JLS (S.D. Cal. 2014). As with Jimmy and Martin, NTG alleged
10 that Jose Conde had purchased a weight loss product that was ineffectual. On
11 information and belief, those allegations were utterly false. As in the case of his
12 two brothers, Martin and Jimmy, Andrew Baslow of NTG had induced Jose Conde
13 to serve as a plaintiff in exchange for compensation from NTG. Moreover, Jose
14 Conde entered the litigation with full knowledge of his two brothers' prior actions,
15 and did so with the intent to profit from the fabricated lawsuit just as his two
16 brothers had profited before him.

17 148. Andrew Baslow even recruited his own wife (then his girlfriend) to
18 advance a class action claim through NTG concerning deceptive charging practices
19 at Automated Teller Machines. *See Jamie Loop v. Hotel Palomar Los-Angeles*,
20 No. SC118073 (Sup. Ct. Los Angeles, Aug. 14, 2012).

21 149. NTG's pattern of related family member lawsuits extends beyond the
22 Conde brothers. The use of these lawsuits is particularly nefarious because the
23 subsequent family members assuredly understood that any purchase of a product or
24 cooperation with NTG is by design and intended solely to support NTG's
25 manufactured litigation.

26 150. NTG filed a lawsuit for Stephen Ray on December 6, 2013. *See*
27 *Stephen Ray v. Branders.com, Inc.*, No. BC529716 (Sup. Ct. Los Angeles Cnty.,
28 Dec. 6, 2013). Stephen's sister, Katie Ray, filed her Complaint through the

1 Newport Trial Group approximately six months later on June 24, 2014. *See Katie*
2 *Ray v. Buy Insta Slim, Inc.*, No. BC549571 (Sup. Ct. Los Angeles Cnty., June 24,
3 2014). The brother and sister combo were plaintiffs in nearly identical Complaints
4 that alleged phone conversations recorded in violation of California Penal Code
5 section 632.7.

6 151. On September 11, 2013, NTG filed suit on behalf of Kyle Janovick.
7 *See Kyle Janovick v. Maximum Human Performance*, No. 12-cv-2129-LAB (S.D.
8 Cal. 2013). At the time, Kyle Janovick worked at a warehouse stocking surfboards
9 and needed money. In his Complaint, NTG alleged that Mr. Janovick suffered
10 injury when he purchased a workout formula containing L-Arginine AKG. NTG
11 alleged that Janovick was wronged because “a laboratory analysis conducted
12 utilizing state-of-the-art High Pressure Liquid Chromatography (HPLC) protocol
13 shows that Dark Rage contains no AKG, and thus cannot provide the results
14 promised.” *See id.*, Complaint at ¶ 1. NTG never explained how Janovick came to
15 initiate that highly technical claim for false advertising.

16 152. About three months later, as described above, NTG filed suit on
17 behalf of Kyle Janovick’s wife, Defendant Isabella Janovick. *See Isabella*
18 *Janovick v. American Breast Cancer Foundation, Inc.*, No. 3:13-cv-02697-DMS
19 (S.D. Cal., Jan. 2, 2014). Ms. Janovick’s fraudulent action is described in greater
20 detail in paragraphs 122 through 132.

21 153. NTG filed suit on behalf of Carl Winzen in 2009. *See Nicole*
22 *Forlenza, et al. v. Dynakor Pharmacal, LLC, et al.*, No. 2:09-cv-03730-AG-SS
23 (C.D. Cal. filed on May 26, 2009). Then, on August 26, 2010, NTG filed another
24 suit on behalf of Carl Winzen in California Superior Court, this time alleging
25 violations of the CLRA and UCL. *See Carl Winzen v. Experian Information*
26 *Solutions, Inc., et al.*, No. 8:10-cv-1783-JVS-RZ (C.D. Cal. removed on Nov. 19,
27 2010). That action was dismissed with prejudice after the parties entered into a
28 confidential settlement agreement. *Id.*, at Dkt. 34.

1 154. The Court has condemned similar unethical conduct under similar
2 circumstances, including cases wherein NTG was involved. *See Moheb v.*
3 *Nutramax Laboratories, Inc.*, No. 12-3633, 2012 WL 6951904, at * 5 (C.D. Cal.
4 Sep. 4, 2012). In *Moheb*, the Court denied the plaintiff’s attempt to certify a class
5 action because of the relationship between the Plaintiff and her lawyer. In denying
6 the motion to certify a class, the Court explained:

7
8 Plaintiff became class representative in this action through her
9 long-time friendship with the mother of one of her counsel, and
10 that **counsel had been researching the possibility of a class**
11 **action with respect to Cosamin prior to Plaintiff becoming a**
12 **client.** While Plaintiff denies that a conflict exists, it is the
13 appearance of a conflict that is inescapable. *See, e.g., Kayes v.*
14 *Pacific Lumber Co.*, 51 F.3d 1449 1465 (9th Cir. 1995) (“[t]he
15 ‘appearance’ of divided loyalties refers to differing and potentially
16 conflicting interests and is not limited to instances manifesting
17 such conflict.”); *Bodner v. Oreck Direct, LLC*, 2007 WL 1223777,
18 *3 (N.D. Cal. Apr.25, 2007) (denying motion for class certification
19 where plaintiff’s counsel admitted he had researched the
20 functionality of the air purifier at issue and then went in search of a
21 plaintiff and holding that “[t]o grant class certification in such
22 circumstances would be to place this court’s imprimatur on
23 litigation practices which it **finds abhorrent and inconsistent**
24 **with the standards of federal class action suits**”).

25 *Moheb v. Nutramax Labs. Inc.*, No. CV 12-3633-JFW JCX, 2012 WL 6951904, at
26 *5 (C.D. Cal. Sept. 4, 2012) (emphasis added).

27 155. Accordingly, NTG was well aware that use of for-hire plaintiffs with
28 substantial connections to the law firm rendered class litigation unlawful. *See*
Buckland, 155 Cal. App. 4th at 808 (holding that a plaintiff does not have standing
where the plaintiff attempted to buy a lawsuit). Yet NTG continued its unlawful
scheme. The *Moheb* court was highly critical of those “abhorrent” practices, and
yet the Courts had no idea that NTG actually paid individuals to be plaintiffs and to
fabricate testimony.

1 156. In later efforts to conceal the more obvious connections between NTG
2 and its plaintiffs, NTG adopted the practice of having Baslow informally pay
3 unrelated individuals to participate in litigation. NTG successfully maintained
4 dozens of class actions that had been initiated, drafted, and conceived well before
5 NTG's plaintiffs for pay ever spoke with NTG representatives. Those purported
6 "plaintiffs" suffered no economic or physical harm. Rather, they "signed on" to be
7 plaintiffs in complaints crafted by NTG in exchange for cash from NTG.

8 157. NTG's plaintiffs-for-pay approach to litigation has been expressly
9 condemned in California district court:

10
11 It is clear from the record that plaintiff's counsel, and not plaintiff,
12 is the driving force behind this action. Such a "cart before the
13 horse" approach to litigation is not the proper mechanism for the
14 vindication of legal rights... That plaintiff's counsel constructed
15 this lawsuit before it had a plaintiff cannot be denied... Indeed,
16 counsel himself admitted at the hearing that he or his firm had the
17 research performed on the product at issue and had a theory about
18 the product's deficiencies. *Then*, armed with that information they
19 went in search of a plaintiff, never mind the lack of a fitting
20 plaintiff or lack of ethical scruples. The instant action is nothing
21 more than [counsel]... continuing its practice of selecting stand-in
22 plaintiffs, even ones who are inappropriate... In short, the conduct
23 in this action does not look good, does not sound good, and does
24 not smell good. In fact, it reeks. The court will not participate in
25 this scheme by certifying a class.

26 *Bodner*, 2007 WL 1223777, at *2-3 (emphasis in original). Therefore, NTG has, at
27 all times relevant to this Complaint, been aware that the use of a "stand-in"
28 plaintiff who lacks knowledge of the claims, experience with the product, and
whose individual experience does not form the basis for the complaint, renders
class certification untenable. Thus, NTG has, at all time relevant to this
Complaint, understood that its method of operation produces inherently meritless
class actions.

1 158. Many such plaintiffs never actually purchased or used the products
2 despite their sworn statements and pleadings to the contrary. Most of the putative
3 “plaintiffs” cannot provide evidence that they actually purchased the products at
4 issue. Some claim to have purchased the products in cash and have no receipts or
5 packaging (thus, no proof that the products were purchased before litigation).

6 159. Through the filing of numerous false complaints and the threat of
7 even more settled before the filing of suits or shortly thereafter, NTG has received
8 a windfall of tens of millions of dollars, largely from coercive settlements
9 following NTG shakedowns. Indeed, NTG claims to have collected more than
10 \$300 million.⁹

11 160. The record reveals no instance in which NTG prosecuted one of its
12 false advertising claims to a final judgment on the merits and prevailed.

13 161. NTG also masked its unlawful scheme using the protections of the
14 legal system, including the attorney-client privilege, which NTG wrongly asserted
15 to conceal critical information concerning the circumstances by which NTG
16 induced individuals to serve as plaintiffs.

17 162. NTG has abused legal process as a means to intimidate, threaten, and
18 cajole corporate defendants into paying lucrative sums in settlement of claims.

19 163. Operating often through Defendant Andrew Baslow, NTG targeted for
20 involvement as plaintiffs in its concocted suits those in dire need of money,
21 including young adults in their early- to mid-twenties who had significant debts
22 and limited job prospects. NTG enlisted groups of connected individuals within
23 certain social circles, like those in the Electric Family LLC, by encouraging their
24 friends to participate as plaintiffs.

25
26 ⁹ *Newport Trial Group Homepage: About Newport Trial Group*,
27 www.trialnewport.com (last visited November 30, 2015). That seemingly
28 impressive windfall is advertised on NTG’s website as “record-setting” and
“remarkable.” *Id.*

1 164. NTG paid most of its participants in cash in an effort to avoid
2 traceability. However, bank records of deposits and withdrawals provide evidence
3 of the unlawful scheme preserved in the institutional records. Telephone and email
4 records also reveal the interactions of the parties. Testimony from whistleblowers
5 will reveal the payments and fabrication of claims.

6 165. NTG's prior plaintiffs have explained NTG's operations in written
7 and verbal interactions with third parties. NTG's former strawmen plaintiffs have
8 provided voluntary, gratuitous accounts of NTG's unlawful scheme, by describing
9 their interactions with Baslow in furtherance of the scheme and their receipt of
10 cash in exchange for participation.

11 166. NTG's use of those plaintiffs was marked by frequent reliance on
12 non-attorney agents like Baslow. For example, Nilon, Pflug, and Dronkers never
13 spoke with NTG counsel directly—and never met their NTG attorneys—yet
14 NTG's counsel drafted fraudulent affidavits and complaints for their signatures.

15 167. NTG used boilerplate complaints and allegations, and used the exact
16 same expert opinions in case after case, changed only to substitute the names of
17 defendants and the names of products.

18 168. In several cases, for example, NTG attorneys Ryan and Scott Ferrell
19 attempted to overcome problems in cases by having their brother, Brit Ferrell,
20 submit expert opinion. Brit Ferrell is an emergency room physician in Arizona and
21 has participated in fraudulent suits with his brothers Ryan and Scott. He authored
22 expert reports in at least three NTG cases, which reports are substantively
23 indistinguishable. *See* Brit W. Ferrell Expert Report in *Nilon v. Natural-*
24 *Immunogenics*, attached as Exh. G and compare to *Delarosa v. Boiron, Inc.*, No.
25 8:10-cv-01569-BRO-CW, Dkt. 152-55 (C.D. Cal. filed on Aug. 31, 2010)
26 (revealing identical expert reports in all material respects and indicating that Brit
27 Ferrell essentially used a “replace all” function to simply switch the names of
28 products in his reports). Those reports were substantially lacking in support

1 through citations or exhibits. *Id.* Moreover, Brit Ferrell was largely unqualified to
2 opine as an expert in the sophisticated areas of nutritional science that were at
3 issue. *Id.*¹⁰

4 169. NTG also involved Scott and Ryan Ferrell's father in the capacity of
5 an unlicensed private investigator on several occasions in the *Public Storage*
6 matter (and potentially other cases). On information and belief, Wynn Ferrell had
7 participated in other NTG matters, often filling the role of a "private investigator"
8 despite having no private investigator license in California or elsewhere.

9 170. Viewed in the context of a single case, NTG's tactics have evaded
10 opponents who might not have suspected that attorneys would create fraudulent
11 litigation. But in this matter, the testimony and documentary evidence will fully
12 reveal NTG's use of paid plaintiffs in NTG fabricated legal controversies that were
13 engineered by NTG for the profit of NTG and its members, associates, and agents.
14 NTG paid plaintiffs to sign onto fraudulent complaints and support false affidavits
15 and testimony. NTG filed lawsuits sometimes without the knowledge of the
16 plaintiffs it listed in complaints. NTG filed lawsuits knowing that its purported
17 plaintiffs could not support the legal claims advanced. NTG's plaintiffs were
18 given little information about the status of their cases once filed. Unquestionably,
19 NTG has operated a fraudulent, criminal enterprise under the RICO statute (18
20 U.S.C. §§ 1961, 1962, 1964(c)), and the California Unfair Competition Law (Cal.
21 B&P Code §§ 17200, *et seq.*; Cal. B&P Code §§ 7520, *et seq.*).

22 171. The fabrication of Nilon's action against Natural Immunogenics
23 constitutes the tort of malicious prosecution. NTG's continuation of Nilon's
24 fraudulent action after he abandoned the unlawful scheme constituted malicious
25 prosecution.

26
27 ¹⁰ Not only was Brit Ferrell biased through familial relations with NTG
28 attorneys, but he was also in business with them at the time. *See* Articles of
Organization for BWF Enterprises, LLC, attached as Exh. H.

1 172. The use of Giovanni Sandoval as a plaintiff constitutes a separate
2 count for malicious prosecution, in part because Sandoval was never an eligible
3 plaintiff and because he was hired to serve as a plaintiff solely to prolong NTG's
4 fraudulent lawsuit against NIC.

5 173. The use of hired plaintiffs violates countless professional rules and
6 ethical standards, and constitutes fraud subject to the RICO Act.

7
8 **COUNT ONE**

9 **Malicious Prosecution**

10 174. The allegations of paragraphs 1 through 173 are incorporated herein
11 by reference.

12 175. Defendants Newport Trial Group, Scott J. Ferrell, Ryan M. Ferrell,
13 Victoria C. Knowles, James B. Hardin, Andrew Baslow, Andrew Nilon, and
14 Giovanni Sandoval (collectively "NTG") are liable for malicious prosecution as
15 described herein.

16 **Malicious Prosecution: Andrew Nilon v. NIC**

17 176. NTG initiated a fraudulent action against Natural-Immunogenics
18 Corporation (NIC) in San Diego County Superior Court on March 5, 2012,
19 alleging violations of the Consumer Legal Remedies Act (CA Civ. Code §§ 1750,
20 et seq.), California's False Advertising Law (Cal. Bus. & Prof. Code §§ 17500, et
21 seq.), and Unlawful, Fraudulent & Unfair Business Practices (Cal. Bus. & Prof.
22 Code §§ 17200, et seq.). *See Nilon v. Natural-Immunogenics Corp.*, No. 3:12-cv-
23 930-LAB, Dkt. No. 1-1 (S.D. Cal.).

24 177. NIC removed the case to the United States District Court for the
25 Southern District of California on April 16, 2012. *Id.* at Dkt. No. 1.

26 178. More than three years after NTG filed its state court complaint against
27 NIC, the case legally terminated in NIC's favor when Judge Burns vacated class
28 certification and dismissed the action with prejudice on grounds that NTG

1 “repeatedly failed to nominate a proper class representative.” *Id.* at Dkt. Nos. 117,
2 120, 121.

3 179. Defendants lacked probable cause to bring the action initially and
4 lacked probable cause to continue the action after substitution of a new class
5 representative became necessary.

6 180. NTG recruited the original plaintiff Andrew Nilon, paid him money to
7 be the named plaintiff in the fraudulent lawsuit, and had him execute false
8 affidavits and legal papers without having first purchased or used NIC’s product,
9 and/or relied on NIC’s advertising claims as represented in the Complaint.

10 181. Nilon’s allegations against NIC were fabricated and false. He served
11 as a paid strawman so that NTG could assert fraudulent legal claims against NIC,
12 all with the intent and goal of procuring money from NIC through settlement.

13 182. NTG knew that Nilon could not serve as a valid plaintiff under the
14 allegations in the original Complaint, in part, because at the time the Complaint
15 was filed he (a) had not purchased and used the NIC product as alleged in the
16 complaint and (b) had not relied on NIC’s advertising to make a purchase.
17 Because NTG paid Nilon to act as a plaintiff, it knew that he had not “relied” on
18 NIC’s advertising claims or suffered an injury in fact, meaning that Nilon could
19 not meet two essential elements in NTG’s case against NIC.

20 183. With knowledge or reckless disregard of the truth, NTG submitted
21 false statements in its Complaint to establish Nilon’s standing to sue NIC. It
22 authored false statements for Andrew Nilon to sign, which were designated “under
23 oath” and subject to perjury (thus exposing Nilon to potential liability without his
24 knowledge) and thus suborning perjury.

25 184. Certainly after Nilon missed four duly noticed depositions, NTG knew
26 that it required a valid class representative if it intended to continue with the
27 fraudulent lawsuit.

1 185. NTG withdrew Nilon from the case by means of a false declaration
2 that NTG drafted and subsequently filed a Motion to Substitute its Class
3 Representative whom it represented to be a resident of San Diego County when he
4 was not, and later filed a Second Amended Complaint. *See Nilon v. NIC*, No.
5 3:12-cv-00930-LAB-BGS (C.D. Cal. 2012), Dkt. 51, 51-1, 63. The motion and
6 amended complaint contained materially false statements which NTG made
7 knowingly, or at least recklessly, in order to prolong the fraudulent action, to wit,
8 false statements concerning Giovanni Sandoval’s residency. *See id.* Absent those
9 false and fraudulent statements, NTG would not have been able to continue its
10 action against NIC. *Id.* at Dkt. 117 (“But for the SAC’s false statement about
11 Sandoval’s residency, the Court would not have granted the motion for
12 substitution.”).

13 **Malicious Prosecution: Giovanni Sandoval**

14 186. After NTG became aware that its lawsuit would end unfavorably
15 without Nilon’s participation in the unlawful scheme, NTG sought out a
16 replacement for Nilon. NTG secured Giovanni Sandoval, a career criminal
17 residing in Yuma, Arizona.

18 187. NTG knew or should have known that Sandoval was not an
19 appropriate member of the class. The Rule 23 class (as defined by NTG in its own
20 pleadings) would have excluded Sandoval. District Court Judge Larry A. Burns
21 held that Sandoval was never a legitimate member of the class. *Id.* at 4 (“Public
22 records verify ... that Sandoval fell outside the class definition well before the
23 class was certified”).

24 188. NTG was also aware that Sandoval had not purchased or used the
25 product before he agreed to participate as a putative plaintiff in the action.
26 Sandoval had never produced evidence that he purchased NIC’s product. *Id.* at 3
27 (finding that the “evidence indicates that Sandoval may have made several other
28 false statements during his deposition testimony”).

1 189. NTG nonetheless proceeded with Sandoval, and held him out as a
2 legitimate class representative. NTG undertook efforts to conceal Sandoval’s true
3 residence to avoid premature dismissal of its lawsuit.

4 190. NTG refused to supply Sandoval’s address and full name despite four
5 NIC demands for the information and despite having an affirmative obligation to
6 do so under Federal Rule of Civil Procedure 26(a)(1).

7 191. NTG had Sandoval travel from Arizona to California, and paid for his
8 accommodations while in California, in an effort to deceive NIC and the court into
9 believing that Sandoval actually resided in California. NTG scheduled Sandoval’s
10 deposition in California even though all attorneys involved were from Arizona, and
11 Sandoval himself resided in Arizona.

12 192. As with the Nilon lawsuit, NTG’s maintenance of its fraudulent
13 claims through Sandoval—at a time when the lawsuit would have otherwise
14 terminated—also comprises an additional and distinct instance of Malicious
15 Prosecution. NTG was at least reckless with regard to the veracity and plausibility
16 of its legal claims.

17 193. Because NTG maintained its action through knowingly false
18 allegations and improper class representatives, NTG brought its original action
19 with the understanding that its claims were invalid (i.e., with malice).

20 194. NTG brought and maintained its fraudulent action against NIC for the
21 purpose of extracting a settlement. The action was brought as part of an unlawful
22 business enterprise to extort funds from unsuspecting businesses through the threat
23 and institution of legal proceedings that lacked a reasonable basis. Thus, the action
24 was not brought for the purpose of vindicating the rights of consumer plaintiffs,
25 but was instead brought with malice for the sole purpose of generating revenue for
26 NTG.

27 195. As a direct and proximate result of NTG’s intentional, knowing, or
28 reckless malicious prosecution described in paragraphs 174 through 194 herein,

1 Plaintiff has been injured in its business and property. Plaintiff NIC suffered the
2 excessive and unjustified cost of three years of litigation, harm to NIC’s reputation
3 through the publication of false and fraudulent court papers, and decreased sales
4 resulting from the loss of good will generated by the fraudulent lawsuit.

5 196. WHEREFORE, Plaintiff requests that this Court enter judgment
6 against Defendants as follows: actual damages, punitive damages, and attorneys’
7 fees.

8
9 **COUNT TWO**
10 **Violation of RICO Section 1962(c)**
11 **(18 U.S.C. §§ 1962(c), 1964(c))**

12 197. The allegations of paragraphs 1 through 195 are incorporated herein
13 by reference.

14 198. The Defendants have engaged and /or continue to engage in the
15 following acts which qualify as predicate acts under the RICO act:

16 **Predicate Acts: Mail Fraud**
17 **(18 U.S.C. §§ 1341, 1349)**

18 199. The Defendants voluntarily and intentionally devised a scheme to
19 defraud unsuspecting businesses through the fabrication of lawsuits, and the
20 making of threats of suit, that lacked bona fide plaintiffs under the law. They
21 devised, conducted, and/or participated in a scheme to recruit young, financially
22 bereft, and impressionable individuals to serve as plaintiffs in lawsuits, paid those
23 individuals to be plaintiffs in said lawsuits, and obtained payments from
24 unsuspecting businesses in the form of settlement money. Defendants participated
25 directly in that scheme, either by operating the scheme, or advancing unlawful
26 claims alongside other defendants. All defendants were aware of their role in the
27 scheme to defraud businesses. Those who served as strawmen plaintiffs
28

1 understood that their legal claims were fraudulent and that allegations contained in
2 their complaints were materially false.

3 200. To execute the fraudulent scheme, the Defendants sent fraudulent
4 demand letters via mail or common carrier and email to the unsuspecting
5 businesses, often before a valid plaintiff had been identified or obtained.
6 Defendants instituted fraudulent legal actions when their demands for pre-litigation
7 payment failed. The demand letters sent to various businesses across state lines
8 were legally baseless and designed to extort money from businesses in furtherance
9 of the scheme.

10 201. Defendants dispatched their demands for payment through the United
11 States post, common carrier, and email and across state lines. Defendants used
12 interstate mails or common carrier to file or submit false statements to the courts
13 for the purpose of furthering their unlawful scheme.

14 **Specific Acts of Mail Fraud:**

15 202. Defendants NTG, Scott Ferrell, Ryan Ferrell, Victoria Knowles, and
16 James Hardin devised and executed a fraudulent lawsuit in the case of *Nilon v.*
17 *Natural-Immunogenics Corp.*, whereby NTG and its agent, Defendant Andrew
18 Baslow, recruited Andrew Nilon with the knowledge of Scott Ferrell, Ryan Ferrell,
19 Victoria Knowles, and James Hardin, to serve as a plaintiff for the purpose of
20 obtaining settlement monies from NIC. The fraudulent complaint against NIC was
21 served on NIC, a corporation with its principal place of business in Florida,
22 through the use of the interstate mails. Defendants later filed a subsequently false
23 complaint against Chromadex Inc. using Andrew Nilon again as a strawman
24 plaintiff. Both complaints involving Andrew Nilow were fabricated, false, and
25 designed to extract money from the putative defendants in those cases.

26 203. Defendants used the interstate mails to send fraudulent demand letters
27 to their intended victims, Natural Immunogenics and Chromadex Inc., before filing
28

1 fraudulent lawsuits. *See* Exh. B. Defendants sent that demand for the purpose of
2 extorting settlement monies from NIC and Chromadex Inc.

3 204. Defendants NTG, Scott Ferrell, Ryan Ferrell, Victoria Knowles and
4 James Hardin devised and executed fraudulent lawsuits in the cases of *Dronkers v.*
5 *Kiss My Face, LLC, Schoonover v. Himalaya Drug Company, Demulder v. Carter-*
6 *Reed Company, LLC, and Pfleg v. Nature's Way Products, Inc.*, whereby NTG and
7 its agents, including Defendant Andrew Baslow, recruited Matt Dronkers, Sam
8 Schoonover, Taylor Demulder, and Sam Pfleg with the knowledge of Scott Ferrell,
9 Ryan Ferrell, Victoria Knowles, and James Hardin, to serve as plaintiffs for the
10 purpose of obtaining settlement monies from Kiss My Face, LLC (located in New
11 York), Himalaya Drug Company (located in Texas), Carter-Reed Company, LLC
12 (located in Utah), and Nature's Way Products, Inc. (located in Utah). The
13 fraudulent complaints against these businesses were served through the use of the
14 interstate mails. Defendants further used the interstate mails to send fraudulent
15 demand letters to their intended victims before filing the fraudulent lawsuits.
16 Defendants sent those demand letters for the purpose of extorting settlement
17 monies from the victim businesses.

18 205. Defendants NTG, Scott Ferrell and Victoria Knowles devised and
19 executed fraudulent lawsuits in the cases of *Urzua v. Nat'l Veterans Services Fund,*
20 *Inc., Patterson v. International Union of Police Associations, AFL-CIO,* and
21 *Janovick v. American Breast Cancer Foundation, Inc.*, whereby NTG and its
22 agents recruited Defendants David Urzua , Kaleb Patterson, and Isabella Janovick
23 with the knowledge of Scott Ferrell, Ryan Ferrell, Victoria Knowles, and James
24 Hardin, to serve as plaintiffs for the purpose of obtaining settlement monies from
25 National Veterans Services Fund, Inc. (a Connecticut corporation), International
26 Union of Police Associations (a Florida corporation), and the American Breast
27 Cancer Foundation (a Maryland corporation). The fraudulent complaints against
28 these charitable organizations were served through the use of the interstate mails.

1 Defendants further used the interstate mails to send fraudulent demand letters to
2 their intended victims before filing the fraudulent lawsuits. Defendants sent those
3 demand letters for the purpose of extorting settlement monies from the victim
4 charities.

5 **Predicate Acts: Wire Fraud**
6 **(18 U.S.C. §§ 1343, 1349)**

7 206. The allegations in paragraph 199 are incorporated herein by reference.

8 207. To execute their unlawful and fraudulent scheme, the Defendants filed
9 fraudulent pleadings and documents in federal court using the ECF/PACER
10 electronic filing system. Those electronically transmitted pleadings and documents
11 instituted and perpetuated fraudulent lawsuits for the purpose of exacting
12 settlement monies from the unsuspecting defendants.

13 208. The Defendants used electronic, interstate instrumentalities to effect
14 their unlawful fraudulent scheme as described in this Complaint, including the use
15 of email correspondence and electronic filings in federal and state courts.

16 **Specific Acts of Wire Fraud:**

17 209. The allegations in paragraph 202 are incorporated herein by reference.

18 210. After NTG recruited Nilon as a paid strawman plaintiff, the
19 Defendants used the federal ECF/PACER electronic filing system to maintain and
20 pursue the fraudulent lawsuit against Plaintiff NIC.

21 211. Defendants electronically filed a fraudulent Motion to Certify Class
22 on February 26, 2013 with the intent to further their unlawful scheme described in
23 paragraphs 197 through 199 herein. In that motion NTG falsely stated, *inter alia*,
24 that “Plaintiff [Nilon] and class members have all suffered the same injury – they
25 have lost money or property as a result of Defendant’s unfair business practices
26 and have purchased worthless products they would not have purchased but for
27 those practices.” Dkt. 21-1, at 6. In fact, Nilon never purchased the NIC product
28 before filing his lawsuit, and never relied on NIC’s advertising claims. He was

1 therefore never in the same position as other California consumers. He was in a
2 class of his own (an unlawful class), which included those persons who had been
3 paid by NTG to purchase NIC's product for litigation purposes.

4 212. NTG electronically filed a fraudulent Declaration in Support of its
5 Motion for Class Certification on February 26, 2013. They filed that motion to
6 further their unlawful scheme as described in paragraphs 197 through 199 herein.
7 *See* Dkt. 21-2. In that Declaration, purportedly sponsored by Andrew Nilon, NTG
8 made knowingly false statements in each of the six enumerated paragraphs therein.
9 *Id.* In fact, Andrew Nilon did not draft that affidavit or its contents, and the
10 allegations therein were false.

11 213. Defendants electronically filed a fraudulent First Amended Complaint
12 against NIC on October 15, 2013 with the intent to pursue their scheme described
13 in paragraphs 197 through 199 herein. *See Nilon v. NIC*, No. 12-930 (S.D.Cal.),
14 Dkt. 34. In that First Amended Complaint, the Defendants made knowingly false
15 statements for the purpose of fraudulently obtaining settlement monies from NIC.
16 *Id.*

17 214. NTG electronically filed similarly fraudulent pleadings, motions and
18 declarations through the ECF/PACER system with the intent to pursue the scheme
19 described in paragraphs 197 through 199 herein. Those electronically transmitted
20 documents included a Motion to Substitute Class Representative supported by the
21 fraudulent declarations of Mr. Nilon, Giovanni Sandoval, and Ryan M. Ferrell (*see*
22 Dkt. 51); a Motion to Withdraw as Attorney for Andrew Nilon supported by
23 fraudulent declaration (*see* Dkt. 61); and a Second Amended Complaint supported
24 by fraudulent declarations (*see* Dkt. 63).

25 215. Defendants NTG, Scott Ferrell, Ryan Ferrell, Victoria Knowles, and
26 James B. Hardin electronically filed fraudulent pleadings, motions and declarations
27 through the ECF/PACER system in the cases identified in paragraphs 204 through
28 205 herein with the intent to pursue the scheme described in paragraphs 197

1 through 199 herein. The plaintiff Defendants in each of the cases identified in
2 paragraphs 204 through 205 herein supported by false declaration the fraudulent
3 complaints in those actions. The Defendants made knowingly false statements in
4 these documents for the purpose of fraudulently obtaining settlement monies from
5 the victim businesses and charities.

6 216. In each of the cases identified in paragraphs 209 through 215 herein,
7 the Defendants conspired to, and did, electronically file fraudulent pleadings,
8 papers, and declarations through the ECF/PACER system with intent to pursue the
9 scheme described in paragraphs 197 through 199 herein.

10 217. Upon information and belief, the fraudulent cases referenced in
11 paragraph 215 herein did result in the receipt of fraudulently obtained settlement
12 monies through the use of interstate wires.

13 218. It was reasonably foreseeable that interstate wire communications
14 would be used because NTG has offices in both California and Arizona. To file
15 documents through ECF/PACER in California District Courts, NTG attorneys
16 working and residing in Arizona knew that interstate wires were necessary to effect
17 the unlawful scheme. Furthermore, service of electronically filed documents to the
18 victim businesses and charities was made through wire communications, and those
19 victims or their counsel of record were located in states other than California or
20 Arizona. Indeed, NTG's victims were located in jurisdictions nationwide. Natural
21 Immunogenics is a Florida corporation with its principal place of business in
22 Florida. Natural Immunogenics received mail and wire communications from
23 NTG during NTG's attempt to defraud and extort NIC.

24 219. Interstate wires were, in fact, used by Defendants when executing the
25 fraudulent scheme described in paragraph 197 through 216 herein. Defendants
26 filed papers described in paragraph 210 through 216 using the ECF/PACER
27 system. In doing so, the Defendants transmitted information from Arizona to
28 California and from California to Arizona through interstate wires. Defendants

1 also transmitted correspondence and information necessary to the scheme between
2 and among themselves. Those wires travelled interstate and relied on interstate
3 channels and instrumentalities.

4 220. Defendants transmitted the wired information with the specific intent
5 to perpetrate a fraudulent scheme and extract settlement and/or judgment monies
6 from NIC.

7 **Predicate Act: Extortion**
8 **(18 U.S.C. § 1951)**

9 221. The Defendants obstructed and/or affected commerce and affected the
10 movement of commodities in commerce through extortion.

11 222. Defendants' extortionate acts affected or obstructed commerce and the
12 movement of commodities in each instance described in paragraphs 199 through
13 220 herein. Defendants used the threat of fraudulent litigation to extract settlement
14 monies from victims nationwide.

15 223. The Defendants extracted settlement monies from unsuspecting
16 businesses, with their consent, by inducing fear of economic loss through the threat
17 of litigation or embarrassment resulting from same.

18 224. Defendants, however, did not threaten legitimate litigation, or have a
19 lawful right to make threats of litigation, in part, because they had no valid basis
20 for suit absent viable plaintiffs. Unbeknownst to NTG's victims, the threat of
21 litigation was predicated on fictitious and fraudulent plaintiffs—individuals who
22 were compensated by NTG to fabricate legal allegations. Thus, monies were
23 consensually extracted from NTG's victims under color of authority and fear.

24 225. NTG's victims believed (erroneously) that NTG had a right to assert
25 legal claims. If NTG's victims had known of NTG's unlawful scheme, they would
26 not have capitulated to NTG's demands or relinquished money.

27 226. Many examples of fraudulent pleadings have been documented in this
28 Complaint. For instance, on July 19, 2012, through a fraudulent plaintiff, NTG

1 filed a Complaint with Jury Demand against the Himalaya Drug Company. *See*
2 *Schoonover v. Himalaya Drug Company*, No. 3-12-cv-01782-GPC (S.D. Cal., filed
3 on Jul. 19, 2012). Upon information and belief, through the threat of economic
4 losses associated with that fraudulently instituted lawsuit, the Defendants extracted
5 settlement monies from the Himalaya Drug Company. Upon receipt of the
6 extorted funds, the Defendants voluntarily dismissed the case on November 13,
7 2012, four months after initiating the suit. *Id.* at Dkt. No. 11.

8 227. On September 11, 2013, through a fraudulent plaintiff, NTG and Kyle
9 Janovick filed a Complaint with Jury Demand against Maximum Human
10 Performance, Inc. *See Kyle Janovick v. Maximum Human Performance*, No. 13-
11 cv-2129-LAB (S.D. Cal. Sept. 11, 2013). Upon information and belief, through
12 the threat of economic losses associated with that fraudulently instituted lawsuit,
13 the Defendants extracted settlement monies from Maximum Human Performance,
14 Inc. Upon receipt of the extorted funds, the Defendants voluntarily dismissed the
15 case on November 20, 2013, two months after initiating the suit. *Id.* at Dkt. No.
16 10.

17 228. On January 17, 2012, the Defendants, through a fraudulent plaintiff,
18 Martin Conde, filed a Complaint with Jury Demand against Obesity Research
19 Institute, LLC. *See Martin Conde v. Obesity Research Institute, LLC*, No. 12-cv-
20 413 (C.D. Cal. 2012). Upon information and belief, through the threat of
21 economic losses associated with that fraudulently instituted lawsuit, the
22 Defendants extracted settlement monies from Obesity Research Institute, LLC.
23 Upon receipt of the extorted funds, the Defendants voluntarily dismissed the case
24 on January 27, 2012, ten days after initiating the suit. *Id.* at Dkt. No. 5.

25 229. On May 22, 2013, the Defendants, through Defendant Andrew Nilon,
26 a fraudulent plaintiff, filed a Complaint with Jury Demand against Chromadex,
27 Inc. *See Exhibit C*. Even after the voluntary dismissal of that claim on May 23,
28 2013, the Defendants, through the threat of economic losses associated with the

1 refiling of that fraudulently conceived lawsuit, extracted settlement monies from
2 Chromadex, Inc.

3 230. Upon information and belief, and based on the allegations contained
4 in paragraphs 197 through 229 herein, the Defendants extracted settlement monies
5 through the extortion scheme described herein on more than twenty occasions over
6 the course of more than four years from 2011 to present.

7 **Injury Stemming from Predicate Acts**

8 **(18 U.S.C. § 1962(c))**

9 231. The Defendants are engaged in an enterprise in, and activities that
10 affect, interstate commerce. Defendants' fraudulent lawsuits affect corporate
11 victims which are principally located within, and do business, in all fifty states.
12 The Defendants are employed or associated with the unlawful enterprise described
13 in this Complaint.

14 232. Defendants agreed to conduct, and did conduct or participate in the
15 enterprise's affairs through a pattern of racketeering activity. That activity was
16 intended to defraud Plaintiff and other similarly situated corporate victims.
17 Defendant Newport Trial Group was established as a legitimate law firm, and
18 operated to appear as a legitimate law firm, but in reality NTG became a pleading
19 mill for fraudulent and unsupported lawsuits. It operated in violation of legal
20 ethics and standards of law. Defendants Ryan M. Ferrell, Scott J. Ferrell, Victoria
21 C. Knowles, and James B. Hardin (the "Attorneys") constructed and carried out the
22 racketeering schemes knowingly and willfully.

23 233. Those attorneys created, or directed others to create, fraudulent court
24 papers and letters sent through the mails and wires for the purpose of defrauding
25 unsuspecting businesses. Those attorneys investigated and developed potential
26 legal claims for which plaintiffs would later be recruited to execute the scheme.
27 The attorneys instructed their agents to pay individuals for their participation as
28

1 putative plaintiffs in the fraudulent lawsuits or, at minimum, they were aware of
2 the practice and pursued the fraudulent cases nonetheless.

3 234. Defendant Andrew Baslow recruited fraudulent plaintiffs on behalf of
4 those attorneys by promising remuneration for participation by the putative
5 plaintiffs in litigation. Once recruited, Defendants Giovanni Sandoval, Andrew
6 Nilon, Sam Pflug, Matthew Dronkers, Taylor Demulder, Sam Schoonover, Isabella
7 Janovick, Kaleb Patterson, and David Urzua voluntarily and knowingly signed and
8 executed false pleadings, papers, and declarations in support of the fraudulent
9 scheme and in exchange for monetary payment.

10 235. The NTG attorneys were at all times aware of Mr. Baslow's conduct,
11 and benefited from his conduct in furtherance of their scheme. NTG attorneys
12 used their licenses, status as attorneys, and putative legal privileges to file
13 fraudulent papers without suspicion of the courts or their victims. Those attorneys
14 used putative legal privileges to protect their strawmen plaintiffs, and to conceal
15 evidence of the unlawful scheme from their victims.

16 236. Perhaps most troubling, the NTG attorneys have exposed their
17 strawmen plaintiffs to considerable personal liability including, for example,
18 liability for perjury, abuse of process, and malicious prosecution. They placed
19 those individuals at risk without properly advising them of the consequences, and
20 through the assurances of licensed legal counsel. As referenced hereinabove at
21 paragraph 16, one such individual, Taylor Demulder, has already been sued in his
22 individual capacity for his role in an NTG fraudulent lawsuit against the Carter-
23 Reed Company.

24 237. The attorneys have also injured the legal profession as a whole by
25 threatening and pursuing frivolous "shakedown" lawsuits against countless
26 corporate victims. NTG has violated countless ethical rules and rules of
27 professional responsibility.
28

1 238. NTG and its attorneys have accepted money from settlements and
2 judgments extracted from corporate victims, all without having a legitimate basis
3 to maintain lawsuits. NTG's fraudulent allegations therefore created leverage
4 against those corporate businesses, which was furthered and enforced by the NTG
5 pattern of racketeering activity.

6 239. Pursuant to and in furtherance of their fraudulent scheme, the
7 Defendants committed multiple related acts of mail fraud, wire fraud, and
8 extortion, the details of which are set forth in paragraphs 197 through 229
9 hereinabove.

10 240. The acts of wire fraud, mail fraud, and extortion set forth in
11 paragraphs 197 through 229 herein constitute a pattern of racketeering activity
12 pursuant to 18 U.S.C. § 1961(5).

13 241. Defendants have directly and indirectly conducted and participated in
14 the conduct of the enterprise's affairs through the pattern of racketeering and
15 activity set forth in paragraphs 197 through 229 hereinabove and in violation of 18
16 U.S.C. § 1962(c).

17 242. As a direct and proximate result of the Defendants' racketeering
18 activities and multiple violations of 18 U.S.C. § 1962(c), Plaintiff NIC has been
19 injured in its business and property. It has incurred excessive and unjustified costs
20 of three years of fraudulent litigation; harm to its reputation through the
21 publication and promotion of false and fraudulent court papers; and lost customers
22 or prospective customers as a result of diminished goodwill and reputational harm.

23 243. Defendants' conduct is unjustifiable, egregious, and in blatant
24 disregard for the law. The willful and intentionally fraudulent activity documented
25 herein justifies punitive damages in an amount to be determined.

26 244. WHEREFORE, Plaintiff requests that this Court enter judgment
27 against the Defendants as follows: actual damages, treble damages, exemplary or
28 punitive damages, and attorney fees.

COUNT THREE

Violation of RICO SECTION 1962(a)

(18 U.S.C. §§ 1962(a), 1964(c))

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2
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4 245. The allegations of paragraphs 1 through 230 are incorporated herein
5 by reference.

6 246. Defendants are engaged in an enterprise in, and activities that affect,
7 interstate commerce. The Defendants are employed or associated with the
8 enterprise, and have participated in the unlawful enterprise with the common
9 purpose of defrauding corporate victims nationwide.

10 247. The Defendants used and invested income derived from their pattern
11 of interstate racketeering activity. Defendants used and invested income derived
12 from the common unlawful enterprise, to wit, the scheme to file (or threaten to file)
13 fraudulent lawsuits against corporate victims nationwide. Defendants have
14 coerced or procured settlement monies resulting from their fraudulent activities
15 described in paragraphs 1 through 230 herein. Defendants have used proceeds
16 from their unlawful enterprise to pay other individuals in furtherance of their
17 scheme, including the payment of cash in exchange for false and fraudulent legal
18 allegations. The Defendants have used proceeds from the unlawful enterprise to
19 fund those lawsuits, including payments to putative plaintiffs for executing false
20 papers and court documents (including affidavits) filed in federal and state
21 proceedings.

22 248. Specifically, in just one of many such instances, NTG paid Andrew
23 Nilon approximately \$900 to allege false claims against Natural Immunogenics
24 concerning his alleged purchase and use of its dietary supplement product,
25 Sovereign Silver. On information and belief, the Defendants paid or pledged to
26 pay Giovanni Sandoval to submit false claims against Natural Immunogenics
27 concerning his alleged purchase and use of NIC's dietary supplement. NTG paid
28 Sam Pflug between \$900 and \$1500 to assert false claims against Nature's Way

1 Products, Inc. concerning his alleged purchase and use of its homeopathic
2 products, to wit: Arniflora Arnica Gel, Triflora Arthritis Gel, Florasome Cream,
3 Aciatic Aide, B&T Nighttime Cough & Bronchial Syrup, and Cough & Bronchial
4 Syrup. NTG paid Matthew Dronkers between \$900 and \$1500 to assert false
5 claims against Kiss My Face, LLC concerning his alleged purchase and use of its
6 personal care products. NTG paid Taylor Demulder to contact the Carter-Reed
7 Company, LLC for the purpose of establishing a fraudulent legal claim. NTG paid
8 Sam Schoonover between \$900 and \$1500 to assert false claims against the
9 Himalaya Drug Company. NTG compensated Nicole Forlenza for her role as a
10 fraudulent plaintiff in a separate matter against the Carter-Reed Company in 2009.

11 249. NTG has paid or otherwise compensated many similarly situated
12 individuals solely to have them serve as fraudulent plaintiffs in NTG legal actions.
13 Many of those individuals are closely connected with NTG's employees, staff, and
14 agents. Those individuals are often closely connected with each other, which is
15 how NTG recruited. NTG relied on those social connections to informally spread
16 word of NTG's fraudulent scheme, and the promise of quick money for
17 participants.

18 250. Some of the other individuals potentially implicated in NTG's scheme
19 include the following people, all of which have filed separate complaints through
20 NTG (some have filed multiple complaints, and most were filed generally between
21 2011-2014):

- 22 a. David Gamez;
- 23 b. Jasmine Gamez;
- 24 c. Isabella Janovick;
- 25 d. Kyle Janovick;
- 26 e. Kasey Toven;
- 27 f. Katie Ray;
- 28 g. Stephen Ray;

- 1 h. Martin Conde (2 complaints);
- 2 i. Jose Conde;
- 3 j. Jimmy Conde;
- 4 k. Armando Gonzalez;
- 5 l. George Gonzalez;
- 6 m. Henry Gonzalez;
- 7 n. Josephine Gonzalez;
- 8 o. Rina Gonzalez;
- 9 p. Michael Gonzalez (4 complaints);
- 10 q. Edward Martinez;
- 11 r. Gilbert Martinez;
- 12 s. Julie Martinez (2 complaints);
- 13 t. Maria Martinez; and
- 14 u. Zachary Hallstrom (11 complaints, at least 2 Prop 65 notices).

15 On information and belief, discovery will reveal other instances of similarly
16 fraudulent legal actions brought by putative plaintiffs having substantial
17 connections to NTG or other such “plaintiffs.”

18 251. The racketeering activity described in paragraphs 197 through 250
19 above constitutes a pattern of racketeering activity pursuant to 18 U.S.C. §
20 1961(5).

21 252. As a direct and proximate result of the Defendants’ racketeering
22 activities in violation of 18 U.S.C. § 1962(a), Plaintiffs have been injured in their
23 business and property as described in paragraph 242 herein.

24 253. Electric Family, LLC is an enterprise which affects interstate
25 commerce. Electric Family advertises and sells apparel through its internet store to
26 individuals throughout the United States. Defendants Sam Pflug, Taylor
27 Demulder, Matt Dronkers, and Andrew Nilon received income derived, directly or
28 indirectly, from the pattern of racketeering activity identified in paragraph 251 and

1 used or invested part or all of that income in the operation or establishment of
2 Electric Family, LLC.

3 254. WHEREFORE, Plaintiff requests that this Court enter judgment
4 against Defendants as follows: actual damages, punitive or exemplary damages,
5 treble damages, and attorneys' fees.

6
7 **COUNT FOUR**

8 **Conspiracy to Violate RICO Section 1962(d)**

9 **(18 U.S.C. §§ 1962(d), 1964(c))**

10 255. The allegations of paragraphs 197 through 253 are incorporated herein
11 by reference.

12 256. As alleged, *supra*, the Defendants agreed and conspired to violate 18
13 U.S.C. §§ 1962(a) and (c). Specifically, Defendants agreed and conspired to
14 systematically and continuously defraud corporate and individual victims through
15 their unlawful use of the California State and Federal Court system, the protections
16 of the attorney-client privilege, and the class certification process. NTG and its
17 attorneys developed a racketeering enterprise using the mails and wires to extort
18 businesses through fraudulent litigation. NTG and its attorneys relied on and
19 entrusted Defendant Baslow (and other similar agents) to recruit fraudulent and
20 ineligible plaintiffs so that NTG could continue to fuel its unlawful enterprise. On
21 information and belief, NTG entrusted additional agents, employees, or associates
22 to similarly recruit fraudulent plaintiffs in other matters, the names of those
23 accomplices will be determined in discovery.

24 257. The Defendants voluntarily conspired to defraud corporate victims by
25 drafting and submitting false statements under oath and in legal pleadings with the
26 intent to obtain money through quick settlements. Defendants reinvested proceeds
27 from their unlawful scheme into additional shakedown lawsuits which had little
28 chance of success. NTG would commonly dismiss its fraudulent claims with

1 prejudice whenever opposing counsel learned of potential flaws, or after procuring
2 settlements from counsel under false pretenses.

3 258. The Defendants have intentionally conspired and agreed to directly or
4 indirectly use or invest income derived from a pattern of racketeering activity in an
5 interstate enterprise, and they conducted and participated in the conduct or affairs
6 of the enterprise through a pattern of racketeering activity. Defendants knew that
7 their conduct described in paragraphs 197 through 253 herein was part of a pattern
8 of racketeering activity and they agreed to the commission of those acts in
9 furtherance of the scheme described above. They entered into agreements, formal
10 and informal, express and implied, to carry on the affairs of the scheme, and to
11 take steps necessary to meet the unlawful scheme's objectives. That conduct
12 constitutes a conspiracy to violate 18 U.S.C. §§ 1962(a) and (c), in violation of 18
13 U.S.C. § 1962(d).

14 259. Defendants at various times and places conspired to conduct and
15 participate in the aforementioned RICO enterprise through a pattern of
16 racketeering activity.

17 260. During the ten (10) calendar years preceding this Complaint, all
18 Defendants did cooperate jointly and severally in the commission of at least two
19 (2) of the predicate acts that are listed hereinabove in Count Two.

20 261. As a direct and proximate result of Defendants' conspiracy, the overt
21 acts taken in furtherance of that conspiracy, and violations of 18 U.S.C. § 1962(d),
22 Plaintiffs have been injured in their business and property as described in
23 paragraph 242 herein.

24 262. WHEREFORE, Plaintiff requests that this Court enter judgment
25 against Defendants as follows: actual damages, treble damages, and attorneys'
26 fees.
27
28

COUNT FIVE

California State Unfair Competition

(California Business and Professions Code §§ 17200, *et seq.*)

263. The allegations of paragraphs 1 through 261 are incorporated herein by reference.

264. Defendants Newport Trial Group, Scott J. Ferrell, Ryan M. Ferrell, Victoria C. Knowles, James B. Hardin, and Andrew Baslow (collectively “NTG”) are liable for violations of the California unfair competition laws.

265. Plaintiff NIC brings this Count pursuant to the Unfair Competition Law at Business & Professional Code §§ 17200, *et seq.* The Defendants’ conduct described in Counts One, Two, Three, and Four constitutes unfair, unlawful and/or fraudulent business practices within the meaning of Business & Professional Code § 17200.

266. Plaintiff NIC brings this Cause of Action on behalf of themselves and on behalf of the public as private attorneys general pursuant to Business & Professional Code § 17204.

267. Pursuant to Business & Professional Code § 17203, NIC seeks from the Defendants restitution and disgorgement of all earnings, profits, compensation, benefits and other ill-gotten gains obtained by the Defendants as a result of the their conduct in violation of Business & Professional Code §§ 17200, *et seq.*

268. Pursuant to Business & Professions Code § 17204, NIC seeks an order of this Court enjoining Defendants from continuing to engage in the acts as set forth in Counts One, Two, Three and Four, which acts constitute violations of Business & Professions Code § 17200 *et seq.* NIC and the public will be irreparably harmed if such an order is not granted.

PRAYER FOR RELIEF:

WHEREFORE, NIC prays for judgment in its favor and against Defendants and requests that this Court award NIC the following:

A. An award of exemplary or punitive damages under Cal. Civ. Code § 3294 and other applicable laws and statutes for Defendants’ conduct undertaken with intent to injure Plaintiff, or with a willful and conscious disregard of Plaintiff Natural Immunogenics’ rights. This is an exceptional case that involves deliberate abuse of the judicial system by those individuals entrusted most to uphold and follow the law. The Newport Trial Group (NTG) has advertised that its firm recovered more than \$300 million over the past half-decade from unsuspecting victims, much of which was reaped from lawsuits designed by NTG and fabricated through false strawman plaintiffs. An award of punitive damages sufficient to deter and prevent future conduct is appropriate in this case;

B. An award of threefold damages sustained by Plaintiff pursuant to RICO, 18 U.S.C. § 1964(c);

C. A permanent injunction enjoining the Defendants, their officers, shareholders, agents, servants, employees, attorneys, successors and assigns, subsidiaries, affiliated companies or entities, all those in privity with same, and all those in active concert or participation who receive actual notice of the judgment, from providing or receiving any payment, compensation, remuneration or otherwise in exchange for the provision of testimony, evidence, or statements for use in litigation, other than such payments expressly permitted by law and applicable rules of professional responsibility;

D. A preliminary Order barring NTG and its attorneys from continuing to furnish legal services or legal advice to the individually-named defendants during the pendency of this litigation;

E. An Order requiring the Defendants to file with this Court a compliance plan under oath describing the method and manner in which

1 Defendants intend to comply with the injunction(s), including a description of any
2 new operating procedures and policies, to be filed within 30 days after service of
3 an injunction;

4 F. An award of costs and reasonable attorney fees and expenses incurred
5 by NIC in connection with this action pursuant to 18 U.S.C. § 1964(c), 15 U.S.C.
6 §§ 1116-1117, Cal. Code Civ. Proc. § 1021.5, Cal. B&P Code § 14250;

7 G. An accounting of all Defendants’ profits, revenues, accounts, and
8 proceeds received or obtained, directly or indirectly, or arising out of Defendants
9 history of malicious prosecution, unfair competition, RICO violations, and all other
10 allegations presented hereinabove, including a full accounting of all gross revenues
11 derives from NTG’s alleged “legal services” after January 1, 2009.

12 H. General damages for loss of goodwill or harm to NIC’s reputation
13 stemming from the publication and dissemination of fraudulent allegations against
14 NIC during the course of three years in litigation.

15 I. Pre-judgment and post-judgment interest on the above damage
16 awards;

17 J. An order adjudging all Defendants jointly and severally liable, as the
18 law allows, under each cause of action asserted by Natural Immunogenics Corp.
19 and for all damages awarded against any Defendant;

20 K. Such other relief as this Court may deem just.

21
22 DATED: December 7, 2015

23 Respectfully submitted,

24
25 NATURAL-IMMUNOGENICS CORP.

26
27 By: /s/ Peter A. Arhangelsky
28 Peter A. Arhangelsky, Esq. (SBN 291325)

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¹¹ Plaintiff's out-of-state counsel intend to promptly move for pro hac admission subject to Local Rules 83-2.