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EAZE TECHNOLOGIES, INC.

**SUPERIOR COURT OF THE STATE OF CALIFORNIA****COUNTY OF SAN FRANCISCO**

HERBAN INDUSTRIES CA LLC,

Plaintiff,

v.

EAZE TECHNOLOGIES, INC.,

Defendant.

EAZE TECHNOLOGIES, INC.,

Cross-Complainant,

v.

DIONYMED HOLDINGS INC.; HERBAN  
INDUSTRIES CA LLC d/b/a CHILL;  
HOMETOWN HEART; and DOES 1-20,  
inclusive,

Cross-Defendants.

Case No. CGC-19-576443

**EAZE TECHNOLOGIES, INC.'S CROSS-  
COMPLAINT FOR:****(1) BREACH OF CONTRACT;  
(2) INDUCING BREACH OF  
CONTRACT;  
(3) TORTIOUS INTERFERENCE WITH  
PROSPECTIVE ECONOMIC  
ADVANTAGE; AND  
(4) VIOLATION OF CALIFORNIA  
UNFAIR COMPETITION LAW, CAL.  
BUS. & PROF. CODE § 17200, ET SEQ.***Complex Designation Requested*

Action Filed: June 4, 2019

Trial Date: None

1 Pursuant to Code of Civil Procedure section 428.10, Defendant and Cross-Complainant  
2 Eaze Technologies, Inc. (“Eaze”) brings this Cross-Complaint against Cross-Defendants  
3 DionyMed Holdings Inc. (“DionyMed”), Herban Industries CA LLC (doing business as “Chill”)  
4 (“Herban”), Hometown Heart, and John Does 1-20 (collectively, “DYME”), and alleges as  
5 follows:

6 **NATURE OF THE ACTION**

7 1. This case is about an aggressive Canadian cannabis company’s efforts to unseat a  
8 successful homegrown California competitor by any means necessary, including those that are  
9 unfair, fraudulent, and fall far outside of the boundaries of the law. It began when a Canadian  
10 company, DionyMed, acquired Eaze’s partner dispensary Hometown Heart in late 2018. It  
11 accelerated when DionyMed, its affiliates, and its employees induced that partner dispensary to  
12 breach its contract with Eaze without notice and without justification, timing the breach to inflict  
13 the maximum possible damage on Eaze’s business. It accelerated when—after that breach did not  
14 wipe out Eaze—DionyMed began a campaign of dirty tricks designed to confuse Eaze’s customers  
15 and direct them to DionyMed’s competing platform. And when those aggressive, unfair, and  
16 increasingly improper tactics failed to achieve their desired effect, DionyMed and its subsidiaries  
17 turned to the courts to attempt through litigation what they could not do through fair competition:  
18 to kneecap Eaze.

19 2. Eaze is the premier technology platform connecting independent, authorized  
20 cannabis dispensaries (“retailers”) with verified users, providing consumers with safe and secure  
21 access to legal cannabis. Retailers license a range of technology services from Eaze, including  
22 logistics, data analysis, and customer support.

23 3. One such retailer (Cross-Defendant Hometown Heart) successfully used the Eaze  
24 platform to grow its business over several years. Indeed, Hometown Heart has stated that it was  
25 receiving approximately \$2.9 million of revenue per month from orders placed through the Eaze  
26 platform. Hometown Heart expressed no problems with its lucrative relationship with Eaze during  
27 this period of growth or with Hometown Heart’s decision to accept cashless payments.  
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1           4.       But trouble started in the summer of 2018, when DionyMed, looking to make  
2 inroads in the United States, began to investigate Hometown Heart as a potential acquisition.  
3 DionyMed viewed Hometown Heart as a singular opportunity to launch an aggressive campaign to  
4 monopolize the lucrative Northern California cannabis delivery market. In December 2018, after  
5 a long courtship and due diligence, DionyMed acquired Hometown Heart for millions of dollars,  
6 paid in a combination of cash and stock in DionyMed. DionyMed, a publicly traded Canadian  
7 company, admitted in public statements that Hometown Heart was part of its ambitions to expand  
8 in California and that it viewed Eaze as a competitor to its website arm Chill, which is operated by  
9 DionyMed's wholly-owned subsidiary Herban. DionyMed, however, never publicly disclosed  
10 Hometown Heart's relationship with Eaze, that sales generated through the Eaze Platform  
11 represented the vast majority of Hometown Heart's revenue, or that a substantial portion of  
12 payments for those sales were paid for with credit and debit cards through a separate payment  
13 processor (not Eaze), and certainly did not disclose these facts in their public financial disclosures  
14 during the period of its acquisition of Hometown Heart.

15           5.       *Four months* after being acquired and *almost a year* after using the credit card  
16 processor targeted in Herban's complaint, Hometown Heart unilaterally breached its contract with  
17 Eaze at DionyMed's inducement and behest and abruptly ceased fulfilling orders on March 29,  
18 2019. Hometown Heart's conduct was a clear violation of the three-year term of the contract, as  
19 well as its contractual obligation to give at least thirty days' notice before terminating (even for an  
20 alleged material breach). Hometown Heart abandoned numerous consumers and left Eaze with no  
21 time to find a comparable replacement retailer who could meet the same demand, causing  
22 significant lost sales and damage to Eaze's brand as a reliable platform. Not only did Hometown  
23 Heart rebuff Eaze's prompt efforts to meet to discuss any concerns—both before and after the  
24 attempted termination—Hometown Heart timed its stoppage in the days leading up to April 20,  
25 2019, in an effort to cripple Eaze's platform at the busiest time of the year for the cannabis  
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1 industry.<sup>1</sup>

2         6.         DionyMed then used this improper termination as an excuse to smear Eaze's  
3 reputation with other retailers and the public. Among other misconduct, DionyMed demanded  
4 Eaze's customer lists when Eaze called to discuss any concerns; DionyMed had a press release  
5 ready when it induced Hometown Heart to unilaterally terminate, which it published that very day  
6 in a prominent cannabis website; and, on information and belief, DionyMed contacted other  
7 retailers on the Eaze platform to alert them of Hometown Heart's termination and to suggest that  
8 Eaze was somehow offering improper payment processing systems, in an attempt to induce them  
9 to terminate their contracts with Eaze as well.

10         7.         The excuse given for DionyMed and Hometown Heart's actions was the sudden  
11 "discovery" of information about their own payment processing systems, which Hometown Heart  
12 had been using for almost a year at that point. This conveniently timed discovery was not  
13 supported by any actual facts.

14         8.         Eaze is not a payment processor. The fact that processors are third parties is  
15 disclosed expressly in Eaze's Terms of Service—"EAZE CANNOT AND WILL NOT PLAY  
16 ANY ROLE IN MANAGING PAYMENTS BETWEEN YOU AND A THIRD PARTY,  
17 INCLUDING THIRD-PARTY PROVIDERS." Eaze's Master Services Agreement with retailers  
18 also expressly states that Eaze is not a payment processor and does not offer such  
19 services. Therefore, payment processing remains the responsibility of retailers, like Hometown  
20 Heart. For example, whether payment is accepted via cash or electronically is up to the individual  
21 retailer. If individual retailers choose to accept electronic transactions, they must enter a direct  
22 relationship with a payment processor who can facilitate the transactions that the individual  
23 retailer seeks. And if individual retailers choose to accept electronic transactions, they are the  
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26 <sup>1</sup> "420, 4:20, or 4/20 (pronounced four-twenty) is slang in cannabis culture for the consumption of  
27 cannabis, especially smoking cannabis around the time 4:20 p.m. and also refers to cannabis-  
28 oriented celebrations that take place annually on April 20 (which is 4/20 in U.S. form)."  
[https://en.wikipedia.org/wiki/420\\_\(cannabis\\_culture\)](https://en.wikipedia.org/wiki/420_(cannabis_culture)).

1 designated merchant of record with any payment processor, are listed on any receipts, and receive  
2 such funds directly.

3 9. Hometown Heart had a long and direct relationship with its payment processors  
4 prior to its acquisition. DionyMed conducted months of due diligence about Hometown Heart  
5 before the final acquisition. And DionyMed made numerous securities disclosures about  
6 Hometown Heart in its public filings. This attempt to shift the responsibility for Hometown  
7 Heart's chosen payment processors onto Eaze, and to profess lack of awareness about those  
8 processors, was a pretext for their desire to cripple Eaze and bolster their competitor website.

9 10. DionyMed and its subsidiaries—including both Herban and Hometown Heart—  
10 have resorted to unfair business practices to harm Eaze and beg, borrow, and steal Eaze's partners  
11 and consumers for their alternative platform. To be clear, Eaze would welcome a fair race with  
12 DionyMed to offer consumers the best cannabis platform experience. And Eaze has no interest in  
13 reviving any relationship with retailers like Hometown Heart. But Eaze has every right to defend  
14 itself against tortious conduct, contract violations, and actions made illegal by statute. Eaze asks  
15 this Court to make it whole after Cross-Defendants' misconduct.

#### 16 PARTIES

17 11. Cross-Complainant Eaze Technologies, Inc. is a Delaware corporation with its  
18 principal place of business in San Francisco, California.

19 12. Cross-Defendant DionyMed Holdings Inc. is a Canadian corporation that is  
20 currently operating as DionyMed Brands Inc. DionyMed's principal activity is to brand,  
21 manufacture, and distribute cannabis products in select states within the United States, including  
22 California.

23 13. Cross-Defendant Hometown Heart is a California non-profit corporation with its  
24 principal place of business in Oakland, California. Eaze is informed and believes, and on that  
25 basis alleges, that the California Bureau of Cannabis Control revoked Hometown Heart's  
26 temporary cannabis license for its San Francisco location in August 2019 and Hometown Heart  
27 has not obtained a new permanent or temporary license.  
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14. Cross-Defendant Herban Industries CA LLC, doing business as “Chill,” is a California limited liability company with its principal place of business in Campbell, California. Herban is licensed under the laws of the State of California to distribute medicinal and adult-use cannabis products. Herban operates the “Chill” cannabis delivery platform.

15. The true names and capacities, whether individual, corporate partnership, associate, or otherwise, of the Cross-Defendants named herein as Does 1-20, inclusive, are presently unknown to Eaze, who therefore is suing these Cross-Defendants by fictitious names. Eaze will amend this Cross-Complaint to show their true names and capacities when the same have been ascertained. Eaze is informed and believes, and on that basis alleges, that each of these fictitiously named Cross-Defendants is responsible in some manner for the acts alleged herein.

16. Eaze is informed and believes, and on that basis alleges, that each of the Cross-Defendants named herein, including the Doe Cross-Defendants, acted jointly, in concert, and with knowledge of the actions of each of the other Cross-Defendants; acted as the agent, servant, and representative of each and every one of the other Cross-Defendants with respect to the actions complained of herein; acted at all times within the course and scope of said agency; is a successor or predecessor of a named Cross-Defendant; and/or were owners, principals, officers, directors, operators, parent companies, affiliates, and/or subsidiaries of the other Cross-Defendants sued herein; and/or that each is equally liable for the acts alleged below.

#### **JURISDICTION AND VENUE**

17. The Superior Court of the County of San Francisco has jurisdiction over this dispute pursuant to California Code of Civil Procedure section 410.10. Venue lies in San Francisco County pursuant to California Code of Civil Procedure sections 395 and 395.5 as this action involves written agreements entered into in San Francisco County to be performed within San Francisco County, and Cross-Defendants’ injurious conduct took place within San Francisco County. Venue also lies in San Francisco County as Cross-Defendants’ conduct is related to the complaint in this action.

1 **GENERAL ALLEGATIONS**

2 ***A. Background on the Eaze Platform and Service***

3 18. Eaze is the premier technology platform connecting independent, authorized  
4 cannabis dispensaries with verified users, providing consumers with safe and secure access to  
5 legal cannabis.

6 19. Eaze licenses to authorized dispensaries (“retailers”) the use of Eaze’s website,  
7 technology platform, and mobile-phone application (the “Eaze Platform”). The Eaze Platform  
8 uses the Internet, through the website or the Eaze app, to connect retailers with verified users,  
9 facilitating retailers’ ability to deliver legal and compliant cannabis and cannabis products to  
10 customers in their service area in a fast and safe manner. Eaze’s license covers a range of  
11 technology services from Eaze, including logistics, data analysis, and customer support.

12 20. Eaze is not a payment processor. Under the terms of the licensing agreements,  
13 retailers are responsible for all consumer billing, payment, and collection, including the processing  
14 of customer payments made electronically. For example, whether payment is accepted via cash or  
15 electronically is up to the individual retailer. If individual retailers choose to accept  
16 electronic transactions, they must enter a direct relationship with a payment processor who can  
17 facilitate the transactions that the individual retailer seeks. Eaze’s licensing agreements with  
18 retailers expressly state that Eaze is not responsible for billing or collecting from customers, that  
19 Eaze is not a payment processor and does not offer such services, and that payment processing  
20 remains the responsibility of retailers.

21 21. Retailers—not Eaze—purchase and/or store all inventory, sell the cannabis goods  
22 and accessories to customers, and collect payment for their goods sold. Customers pay  
23 dispensaries directly. If individual retailers choose to accept electronic transactions, they are the  
24 designated merchant of record with any payment processor, are listed on any receipts, and receive  
25 such funds directly.

1           ***B. Eaze Enters License Agreement with Hometown Heart***

2           22. Hometown Heart was formed as a non-profit corporation in 2015 and—prior to the  
3 legalization of recreational marijuana in California—operated as a medical cannabis cooperative  
4 pursuant to California’s Compassionate Use Act of 1996 and Medical Marijuana Program.

5           23. On or about June 8, 2016, Eaze and Hometown Heart entered a license agreement  
6 (the “License Agreement”), pursuant to which Eaze granted Hometown Heart a non-exclusive,  
7 irrevocable license to use Eaze’s technology and agreed to provide various support services in  
8 connection with such technology. In return, Eaze received a fee from Hometown Heart  
9 transactions through the Eaze Platform.

10          24. As is typical with Eaze’s license agreements, the License Agreement expressly  
11 provides that (i) Hometown Heart “shall be responsible for . . . processing [customer] payments,”  
12 and (ii) “[a]ll [customer] billing, payment, and collection are the responsibility of [Hometown  
13 Heart]. Eaze is not responsible for billing or collecting from the [customer] and does not offer  
14 such service . . . .”

15          25. The original License Agreement was for a 12-month term and permitted either  
16 party to terminate the agreement only upon a material breach by the other party, and even then  
17 only after providing at least 15 days’ notice of termination.

18          26. With the legalization of recreational cannabis in California, Hometown Heart  
19 restructured as of January 1, 2018, to serve both the medicinal and recreational cannabis markets.

20          27. On or about October 9, 2018, Eaze and Hometown Heart amended the License  
21 Agreement (the “Amendment”). The Amendment, among other things, (i) extended the term of  
22 the agreement through June 30, 2019, and (ii) extended the 15-day notice period for termination in  
23 the event of material breach to 30 days’ notice.

24          28. Because Eaze does not provide any payment processing or collection services, Eaze  
25 is informed and believes, and on that basis alleges, that Hometown Heart has used different  
26 payment systems over the years—both cash and electronic payment systems, including various  
27 electronic systems with different payment processors. More recently, Hometown Heart elected to  
28



1 use electronic payment processors to gain access to customers who prefer the convenience of  
2 electronic payment systems such as credit cards. While different third party payment processors  
3 facilitate electronic payments through different means, any individual retailers who want to accept  
4 electronic transactions have full knowledge about and control over their relationships with their  
5 chosen payment processors: retailers apply to and have a direct relationship with any payment  
6 processor; are the designated merchant of record with any payment processor; are listed on  
7 receipts from any payment processor; and receive funds directly from any payment processor.  
8 Eaze is informed and believes that Hometown Heart had been using its most recent electronic  
9 payment processing system from April 2018 to March 2019, and had used other payment  
10 processing systems offered by the same third party since 2017. Hometown Heart never expressed  
11 any misgivings to Eaze about the legitimacy of Hometown Heart's own payment processing  
12 systems prior to March 26, 2019.

13 29. Hometown Heart has successfully used the Eaze platform to grow its business.  
14 Since the legalization of recreational cannabis in California, Hometown Heart has become one of  
15 the leading dispensaries in the Bay Area, generating \$2.9 million of revenue per month and  
16 completing more than 1,500 deliveries daily. And prior to March 2019, Hometown Heart never  
17 expressed any problems with its lucrative relationship with Eaze.

18 ***C. Former Eaze Employees Leave Eaze to Join Hometown Heart and Start Other***  
19 ***Ventures In the Cannabis Industry***

20 30. Evan Tenenbaum was one of the first employees at Eaze, where he worked from  
21 June 2015 through December 2016 as Director of Business Development—including when Eaze  
22 entered the License Agreement with Hometown Heart. Tenenbaum was responsible for  
23 developing Eaze's partnerships with dispensaries as it expanded to new territories in California.  
24 In this role, Tenenbaum was familiar with the services that Eaze provides to dispensaries, was  
25 aware that Eaze does not provide payment processing services, and was aware of various third  
26 party payment processors used by various retailers.  
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1           31.     Soon after leaving Eaze in 2016, Tenenbaum joined the board of directors of  
2 Hometown Heart. By July 2018, Tenenbaum publicly described his title as “President of  
3 California at DionyMed Holdings,” even though the acquisition of Hometown Heart by DionyMed  
4 was not formalized until December 2018.

5           32.     At some point, Tenenbaum also formed a new venture, Rise Brands, Inc. (“Rise”),  
6 a Bay Area company that provides logistics management, co-packaging, and other services to  
7 cannabis cultivators, manufacturers, and retailers in California. Tenenbaum is currently the Chief  
8 Executive Officer of Rise Brands. DionyMed has also acquired Rise.

9           33.     In August 2018, DionyMed hired Eaze’s Director of Marketing Operations,  
10 Maurissa McCarthy, to run marketing for its then-fledgling direct to consumer platform, Chill. In  
11 January 2019, McCarthy was promoted to the role of Vice President, Brand and Direct to  
12 Consumer Marketing.

13           ***D.     DionyMed Hires Tenenbaum, Acquires Hometown Heart, and Aggressively***  
14           ***Expands Operations in California***

15           34.     DionyMed is a publicly-traded Canadian corporation that was formed in 2017 and  
16 describes itself as “a multi-state cannabis brands and distribution platform, supporting cultivators,  
17 manufacturers and award-winning brands in the medical and adult-use cannabis markets.”  
18 DionyMed is listed on a Canadian securities exchange that includes cannabis companies, including  
19 cannabis companies that do business in the United States. DionyMed’s principal markets are  
20 California and Oregon.

21           35.     Intent on rapid growth, DionyMed hired Tenenbaum as President of its California  
22 operations and has expanded aggressively into all aspects of the California cannabis industry.

23           36.     As DionyMed’s CEO stated in a recent interview, the company is a “hyper growth  
24 business” that has “been growing very, very quickly over the last 12 months.” For example:

25                 a.     On June 14, 2018, DionyMed paid \$8,000,000 to acquire assets from  
26 Tenenbaum’s company, Rise Brands, Inc., to “contribute to the growth of the Company’s  
27 logistics management and technological infrastructure for distributing cannabis products.”  
28

1           b.       In September 2018, DionyMed launched a direct-to-consumer cannabis  
2 platform called “Cali Chill” or “Chill” that has operated in the Bay Area, and is designed  
3 and marketed as a competitive alternative to Eaze. Chill’s Privacy Policy states that it is a  
4 “DionyMed Holdings, Inc. owned and operated website.”

5           c.       On or about December 5, 2018, DionyMed acquired Tenenbaum’s  
6 company, Hometown Heart, for \$6,000,000, with potential future payments of  
7 \$12,000,000. Upon acquiring Hometown Heart, DionyMed issued a press release in which  
8 its CEO Edward Fields stated: “The acquisition of Hometown Heart offers the opportunity  
9 to expand our reach in California by enhancing our direct-to-consumer fulfillment services.  
10 Along with the expansion in functionality of our Chill direct-to-consumer e-commerce  
11 platform, Hometown Heart will support our growing portfolio of premium cannabis  
12 brands.”

13           d.       Shortly after DionyMed’s acquisition of Hometown Heart, DionyMed CEO  
14 Edward Fields met with Eaze’s executive leadership team in Las Vegas, Nevada. During  
15 that meeting—where Eaze intended to greet the new owner of its partner dispensary and  
16 plan for their success in business together—Fields began to behave erratically and  
17 aggressively, demonstrating that he had no intent to honor Hometown Heart’s contract  
18 with Eaze, and eventually vowing that he intended to compete with and destroy Eaze and  
19 to dominate the California market. Fields’ outbreak surprised the Eaze executives in  
20 attendance, who thought the meeting was intended to further a partnership, not to establish  
21 a rivalry.

22           e.       On or about March 20, 2019, DionyMed signed a binding term sheet to  
23 acquire a 1.83-acre Los Angeles cannabis campus that includes a dispensary storefront,  
24 distribution facility, manufacturing hub and direct-to-consumer fulfillment center, for  
25 \$19,000,000. According to a press release issued by DionyMed, the acquisition is intended  
26 to “enhance[] DionyMed’s brands distribution and direct-to-consumer footprint in  
27 Southern California.”  
28

f. On September 3, 2019, DionyMed announced (via press release) that one of the assets it acquired through the purchase of its Los Angeles campus is Gourmet Green Room, Inc. Gourmet Green Room was an Eaze dispensary partner, and this acquisition further evinces DionyMed's desire to expand in California by targeting, co-opting, and usurping Eaze's established footprint by any possible means.

37. DionyMed's aggressive efforts to expand its distribution services in California are intended to compete with Eaze. DionyMed has explicitly identified Eaze as a competitor in its public filings, and its wholly-owned subsidiary Herban stated in its complaint that it "competes with Eaze." DionyMed has not, however, been content to compete with Eaze through legitimate means. To facilitate its rapid growth, DionyMed has engaged in a deliberate, unfair, and illegal campaign to harm Eaze.<sup>2</sup>

***E. DionyMed Induces Hometown Heart to Abruptly Terminate License Agreement Under False Pretenses***

38. DionyMed had a relationship with Hometown Heart dating back to the summer of 2018, during which time Eaze is informed and believes, and on that basis alleges, that Hometown Heart was still using its most recent electronic payment processor. DionyMed engaged in a long courtship with Hometown Heart—which necessarily included due diligence about Hometown Heart's business model, operations, and partners given that DionyMed was a publicly-traded company—before formally acquiring Hometown Heart in December 2018.

39. After acquiring Hometown Heart, however, DionyMed induced Hometown Heart to unilaterally terminate the License Agreement abruptly and without justification in a transparent effort to harm Eaze and benefit DionyMed.

40. DionyMed waited until March 26, 2019—after almost three years of an amicable business partnership between Eaze and Hometown Heart, during which time Hometown Heart had grown its business considerably through the use of the Eaze Platform and the payment processor at

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<sup>2</sup> While Herban's lawsuit is undoubtedly part of DYME's bag of tricks, Eaze expressly is *not* relying on the filing of Herban's complaint to support its Cross-complaint. There is more than enough to choose from without including a meritless and now moot lawsuit.

1 issue in Herban's June 4, 2019 complaint—before sending a letter to Eaze, claiming that  
2 DionyMed is “new to the relationship” (despite having courted and acquired Hometown Heart  
3 months earlier) and raising for the first time concerns about “Eaze’s processing of credit cards for  
4 Hometown transactions.” The letter falsely asserted that “Eaze personnel direct and control the  
5 credit card payment and settlement process” and demanded that Eaze provide responses to a list of  
6 inquiries regarding “credit card processing through the Eaze platform” by no later than 5 p.m. on  
7 March 27, 2019—the next day—or else DionyMed would be “required to take appropriate steps.”

8       41.     Given Hometown Heart's intimate familiarity with the payment processing it used  
9 while on the Eaze platform, Cross-Defendants were aware that Eaze is not responsible for  
10 processing consumer payments and does not control payment processing or collection systems—  
11 whether cash or electronic. As had been the case since the License Agreement was first entered,  
12 Hometown Heart—not Eaze—has had direct relationships with any third parties responsible for  
13 processing electronic payments. To claim ignorance about Hometown Heart and its credit card  
14 processor of choice, despite admitting that DYME benefitted to the tune of \$2.9 million per month  
15 from that system, is incredible.

16       42.     Eaze responded by letter on March 27, 2019, and clarified that Hometown Heart—  
17 not Eaze—is responsible for processing consumer payments. Eaze further proposed an in-person  
18 meeting in order to “share information that can allay your concerns” and asked for the availability  
19 of those who would attend the meeting with the hope of coming to “an amicable resolution.”

20       43.     DionyMed did not accept Eaze's offer to discuss its concerns at an in-person  
21 meeting. Indeed, when Eaze attempted to call DionyMed on March 29, 2019 to discuss the  
22 matter, DionyMed refused to discuss the matter, rejected offers to meet, and refused to provide  
23 notice to Eaze of DionyMed's or Hometown Heart's intended course of action.

24       44.     Instead, that very day, Tenenbaum sent a letter to Eaze purporting to terminate the  
25 License Agreement “effective immediately.” Although Tenenbaum should be aware from his  
26 prior employment with Eaze that it does not process consumer payments, and despite the fact that  
27 Hometown Heart (not Eaze) has used third party processors to process credit card payments since  
28

1 the License Agreement was first entered in June 2016, Tenenbaum asserted without explanation  
2 that “Eaze’s processing of credit cards” constitutes a material breach of the License Agreement  
3 that warranted its immediate termination.

4 45. DionyMed and Hometown Heart deliberately timed the termination of the License  
5 Agreement to maximize the harm to Eaze by waiting until less than one month before April 20  
6 (4/20), by far the highest grossing date of the calendar year in the cannabis industry.

7 46. Eaze has subsequently disabled the technical methods which permitted dispensaries  
8 such as Hometown Heart to utilize the payment processing system, known internally as “EU  
9 Processing,” about which Hometown Heart was belatedly complaining.

10 ***F. DionyMed Commences Campaign to Harm Eaze***

11 47. As DionyMed is well aware, the cannabis industry is highly regulated. Eaze’s  
12 success is based in part on its demonstrated commitment to following all applicable laws and  
13 regulations, and the reputation it has built for this deep commitment. In a deliberate effort to  
14 damage Eaze and gain an unfair business advantage, DionyMed commenced a campaign to tarnish  
15 Eaze’s reputation immediately upon terminating the License Agreement.

16 48. On March 29, 2019, within hours of receiving the termination letter, DionyMed  
17 issued a press release stating that Hometown Heart has terminated its relationship with Eaze  
18 because DionyMed “was unable to confirm that Eaze’s credit card payment processing  
19 methodology met regulatory compliance requirements.”

20 49. Eaze is informed and believes, and on that basis alleges that, on the same day, a  
21 DionyMed representative told multiple retailers with whom Eaze has existing or potential  
22 contractual relationships that Eaze’s credit card payment processing methodology does not comply  
23 with regulatory requirements.

24 50. Not content with merely smearing Eaze to its business partners, DionyMed sought  
25 to sabotage it. Just before April 20, 2019, current and former Hometown Heart drivers working  
26 with Eaze’s partner dispensaries unexpectedly terminated their business relationship with those  
27 partners. Eaze is informed and believes, and on that basis alleges, that DionyMed orchestrated this  
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1 mass termination in order to damage Eaze's ability to successfully fulfill orders placed on the  
2 national cannabis holiday, April 20 (4/20).

3 51. As DionyMed's share price has continued to fall through the spring and summer of  
4 2019—from 3.23 CAD on March 29 (the day of Eaze's termination by Hometown Heart) to 2.12  
5 CAD on June 4 (the day Herban filed the complaint in this case), eventually plummeting to an all-  
6 time low of 0.56 CAD on September 16—its tactics have become increasingly brazen, unfair, and  
7 tortious.

8 52. Cross-Defendants have inserted themselves between Eaze and customers who use  
9 its platform. Certain cannabis delivery drivers who had been previously been employed by  
10 Hometown Heart were hired by other Eaze partner dispensaries; they then began to provide  
11 placards and coupons advertising Chill's platform to customers who had purchased cannabis on  
12 the Eaze Platform. Eaze is informed and believes that this activity is part of a coordinated unfair  
13 campaign to use current and former Hometown Heart drivers to sabotage Eaze's relationship with  
14 its customers and drive them to DionyMed's competing platform.

15 53. Having gained possession of Eaze's customer list through its acquisition of  
16 Hometown Heart, Cross-Defendants began to target Eaze customers in their own homes with  
17 confusing marketing materials left on the handles of customers' front doors. The placards, which  
18 are advertising Chill, nonetheless refer to Eaze to suggest that there is a connection between the  
19 two platforms. In fact, this confusing advertising by Chill caused consumer complaints to be  
20 directed to *Eaze*, which has been forced to spend time and resources correcting the consumers'  
21 understanding of Cross-Defendants' confusing and misleading materials.

22 54. DionyMed has clearly targeted Eaze and is seeking to take down the biggest  
23 competition it will face as it moves into the California cannabis market. DionyMed and its related  
24 companies should not, however, be permitted to kneecap Eaze by unfair and illegal means.

1 **FIRST CAUSE OF ACTION**

2 **(BREACH OF CONTRACT AGAINST HOMETOWN HEART)**

3 55. Eaze hereby incorporates by reference each and every allegation contained above  
4 as though fully set forth herein.

5 56. On or about June 8, 2016, Eaze and Hometown Heart entered the License  
6 Agreement, which was subsequently amended on or about October 16, 2018. Under the License  
7 Agreement, Eaze granted Hometown Heart a non-exclusive, irrevocable license to use Eaze's  
8 technology and agreed to provide various support services.

9 57. Eaze performed all obligations under the License Agreement. Indeed, prior to  
10 March 29, 2019, Eaze had never received any written notice from Hometown Heart about any  
11 alleged failure to perform or any alleged material breach of the License Agreement.

12 58. Hometown Heart breached the License Agreement by terminating the agreement  
13 unilaterally and without justification. Hometown Heart rebuffed Eaze's prompt efforts—both  
14 before and after the purported termination letter was sent on March 29, 2019—to meet to discuss  
15 any concerns.

16 59. As a direct and proximate result of the breach of contract as set forth herein, Eaze  
17 has suffered damages, the precise amount of which will be established at trial.

18 **SECOND CAUSE OF ACTION**

19 **(INDUCING BREACH OF CONTRACT AGAINST DIONYMED AND HERBAN)**

20 60. Eaze hereby incorporates by reference each and every allegation contained above  
21 as though fully set forth herein.

22 61. Eaze and Hometown Heart had an existing License Agreement, pursuant to which  
23 Eaze granted Hometown Heart a non-exclusive, irrevocable license to use Eaze's technology and  
24 agreed to provide various support services.

25 62. DionyMed and Herban knew of the License Agreement between Eaze and  
26 Hometown Heart. DionyMed and Herban intended to cause Hometown Heart to breach the  
27 License Agreement—including by falsely claiming that Eaze provides credit card payment  
28



1 processing services to Hometown Heart, and that those services do not comply with regulatory  
2 requirements. As a direct and proximate result of the conduct of DionyMed and Herban,  
3 Hometown Heart breached the License Agreement by terminating it unilaterally and without  
4 justification.

5 63. As a direct and proximate result of the breach of contract induced by DionyMed  
6 and Herban, Eaze has suffered damages, the precise amount of which will be established at trial.

7 **THIRD CAUSE OF ACTION**

8 **(TORTIOUS INTERFERENCE WITH PROSPECTIVE ECONOMIC ADVANTAGE**  
9 **AGAINST ALL CROSS-DEFENDANTS)**

10 64. Eaze hereby incorporates by reference each and every allegation contained above  
11 as though fully set forth herein.

12 65. Cross-Defendants interfered with Eaze's prospective business relations with other  
13 parties. Specifically, Cross-Defendants and their agents communicated with current and potential  
14 Eaze partner dispensaries, falsely stating that Eaze provides credit card payment processing  
15 services, further implying that those services do not comply with regulatory requirements in order  
16 to prevent them from forming business relationships with Eaze.

17 66. Cross-Defendants interfered with Eaze's prospective business relations with current  
18 and potential Eaze customers. Specifically, Cross-Defendants and their agents (i) conspired to  
19 deprive Eaze of sufficient resources to fulfill orders placed on April 20, 2019; (ii) infiltrated  
20 Eaze's relationships with its partner dispensaries in order to incentivize and induce current and  
21 potential Eaze customers to become customers of Cross-Defendants' competing platform; and (iii)  
22 used Eaze's customer list to target Eaze's customers at their homes with confusing and misleading  
23 marketing materials designed to de-incentivize them from using Eaze again in the future.

24 67. As a direct and proximate result of the tortious interference by Cross-Defendants as  
25 set forth herein, Eaze has suffered damages, the precise amount of which will be established at  
26 trial.

1           68.     Cross-Defendants' actions satisfy the elements of malice, oppression and fraud  
2 under California Civil Code § 3294, and thereby warrant the imposition of punitive damages.

3                               **FOURTH CAUSE OF ACTION**

4                               **(UNFAIR COMPETITION AGAINST ALL CROSS-DEFENDANTS)**

5           69.     Eaze hereby incorporates by reference each and every allegation contained above  
6 as though fully set forth herein.

7           70.     California's Unfair Competition Law ("UCL"), as codified in California Business  
8 & Professions Code § 17200 et seq. prohibits any unlawful, unfair, and/or fraudulent business act  
9 or practice.

10          71.     Through the above-described conduct, Cross-Defendants engaged in "unfair"  
11 business acts or practices in that Cross-Defendants' conduct outweighs any business justification,  
12 motive, or reason. Cross-Defendants' conduct is immoral, unethical, unscrupulous, and has  
13 injured Eaze.

14          72.     As a direct result of Cross-Defendants' unfair acts and practices, Cross-Defendants  
15 received ill-gotten gains that rightfully belonged to Eaze. Eaze therefore has suffered injury in  
16 fact and has lost money or property.

17                               **PRAYER FOR RELIEF**

18               WHEREFORE, Eaze prays for judgment against all Cross-Defendants as follows:

19           1.     For damages in excess of the jurisdictional minimum, the exact amount to be  
20 determined according to proof at trial, together with pre-judgment interest thereon;

21           2.     For punitive damages against all Cross-Defendants according to proof;

22           3.     For injunctive relief prohibiting Cross-Defendants, their officers, agents,  
23 employees, and all persons acting in concert with them from engaging in further such unfair acts  
24 and practices;

25           4.     For all attorney fees and costs of suit to which Eaze is entitled by law; and

26           5.     For such other and further relief as this Court may deem just and proper.  
27  
28

1 DATED: September 18, 2019

BOIES SCHILLER FLEXNER LLP

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JOSHUA STEIN

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5 By:



6 JEANNE A. FUGATE

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1 **PROOF OF SERVICE**

2 ***Herban Industries CA LLC v. Eaze Technologies, Inc.***  
3 **Case No. CGC-19-576443**

4 **STATE OF CALIFORNIA, COUNTY OF LOS ANGELES**

5 At the time of service, I was over 18 years of age and **not a party to this action**. I am  
6 employed in the County of Los Angeles, State of California. My business address is 725 South  
7 Figueroa Street, 31st Floor, Los Angeles, CA 90017-5524.

8 On September 18, 2019, I served true copies of the following document(s) described as **EAZE**  
9 **TECHNOLOGIES, INC.'S CROSS-COMPLAINT FOR: (1) BREACH OF CONTRACT;**  
10 **(2) INDUCING BREACH OF CONTRACT; (3) TORTIOUS INTERFERENCE WITH**  
11 **PROSPECTIVE ECONOMIC ADVANTAGE; AND (4) VIOLATION OF CALIFORNIA**  
12 **UNFAIR COMPETITION LAW, CAL. BUS. & PROF. CODE § 17200, ET SEQ.** on the  
13 interested parties in this action as follows:

14 Fredrick S. Levin  
15 Michael A. Rome  
16 BUCKLEY LLP  
17 100 Wilshire Boulevard, Suite 1100  
18 Santa Monica, CA 90401  
19 Email: flevin@buckleyfirm.com  
20 Email: mrome@buckleyfirm.com  
21 Telephone: 310-424-3900

*Attorneys for Plaintiff*  
HERBAN INDUSTRIES CA LLC

22 **BY MAIL:** I enclosed the document(s) in a sealed envelope or package addressed to the  
23 persons at the addresses listed in the Service List and placed the envelope for collection and  
24 mailing, following our ordinary business practices. I am readily familiar Boies Schiller  
25 Flexner LLP's practice for collecting and processing correspondence for mailing. On the same day  
26 that the correspondence is placed for collection and mailing, it is deposited in the ordinary course  
27 of business with the United States Postal Service, in a sealed envelope with postage fully prepaid.

28 I declare under penalty of perjury under the laws of the State of California that the  
foregoing is true and correct.

Executed on September 18, 2019, at Los Angeles, California.

21   
22 Wendy M. Carpenter