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9 Attorneys for Defendants
10 DRAGON GATE OR, LLC; XIAO LI;
11 and CHANG XU JIANG

12
13 **UNITED STATES DISTRICT COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA**
15 **SOUTHERN DIVISION**

16 JEFFREY LIN, an individual; FAN
17 ZHOU, an individual; YUE LIN
18 ZHOU, an individual; and LI GANG
19 YANG, an individual,

20 Plaintiffs,

21 vs.

22 DRAGON GATE OR, LLC, an
23 Oregon corporation; XIAO LI, an
24 individual; CHANG XU JIANG, an
25 individual; and DOES 1 through 10,
26 inclusive,

27 Defendants.

CASE NO.: 8:15-CV-00996-PSG-JC

**ANSWER OF DEFENDANTS
DRAGON GATE OR, LLC, XIAO LI,
AND CHANG XU JIANG TO FIRST
AMENDED COMPLAINT**

28 Defendants DRAGON GATE OR, LLC (“Dragon Gate”), XIAO LI (“Li”), and
CHANG XU JIANG (“Jiang”) (collectively, “Defendants”), by and through their
undersigned counsel of record, in response to the First Amended Complaint (“FAC”)
filed by Plaintiffs JEFFREY LIN (“Lin”), FAN ZHOU, YUE LIN ZHOU, and LI GANG
YANG (collectively, “Plaintiffs”), answer the FAC as follows:

1 **NATURE OF THE ACTION**

2 1. The allegations in paragraph 1 assert contentions of law, as to which no
3 response is offered. To the extent any factual allegation is implied, Defendants deny the
4 allegations in said paragraph.

5 **VENUE AND JURISDICTION**

6 2. The allegations in paragraph 2 assert contentions of law, as to which no
7 response is offered. To the extent any factual allegation is implied, Defendants lack
8 sufficient information to either admit or deny the allegations in paragraph 2 and on that
9 basis Defendants deny the allegations in said paragraph.

10 3. The allegations in paragraph 3 assert contentions of law, as to which no
11 response is offered. To the extent any factual allegation is implied, Defendants lack
12 sufficient information to either admit or deny the allegations in paragraph 3 and on that
13 basis Defendants deny the allegations in said paragraph.

14 **THE PARTIES**

15 4. Defendants admit the allegations in paragraph 4.

16 5. Defendants admit the allegations in paragraph 5.

17 6. Defendants admit the allegations in paragraph 6.

18 7. Defendants admit the allegations in paragraph 7.

19 8. Defendants admit the allegations in paragraph 8.

20 9. Defendants admit the allegations in paragraph 9.

21 10. Defendants admit the allegations in paragraph 10.

22 11. Defendants deny the allegations in paragraph 11.

23 12. The allegations in paragraph 12 assert contentions of law, as to which no
24 response is offered. To the extent any factual allegation is implied, Defendants lack
25 sufficient information to either admit or deny the allegations in paragraph 12 and on that
26 basis Defendants deny the allegations in said paragraph.

27 13. The allegations in paragraph 13 assert contentions of law, as to which no
28 response is offered. To the extent any factual allegation is implied, Defendants lack

1 sufficient information to either admit or deny the allegations in paragraph 13 and on that
2 basis Defendants deny the allegations in said paragraph.

3 14. Defendants deny the allegations in paragraph 14.

4 **GENERAL ALLEGATIONS**

5 15. Defendants admit that Jiang has previously been employed as a cook.
6 Defendants admit that Jiang introduced Plaintiffs to Li. Defendants lack sufficient
7 information to either admit or deny the remaining allegations in paragraph 15 and on that
8 basis Defendants deny those allegations.

9 16. Defendants admit the allegations in paragraph 16.

10 17. Defendants admit that Jiang is a manager of Dragon Gate. Defendants deny
11 the remaining allegations in paragraph 17.

12 18. Defendants admit that Dragon Gate owns and operates the concern
13 described in the FAC as Sushi Express. Defendants deny the remaining allegations in
14 paragraph 18.

15 19. Defendants deny that they, individually or collectively, “recruited or
16 solicited” Plaintiffs’ financial contribution to Oki Outlets, LLC. Defendants were
17 introduced to Plaintiffs through an associate of Jiang’s. Defendants admit that Oki
18 Outlets, LLC is based at 20 City Boulevard West, Space F007, Orange, California, and
19 that Lin and Jiang visited the premises prior to its opening. Defendants deny the
20 remaining allegations in paragraph 19.

21 20. Defendants admit that on or around January 7, 2014, Oki Outlets, LLC was
22 formed as a California limited liability company, and that the company was formed to
23 operate the concern referred to in the FAC as Oki Restaurant. Defendants admit that a
24 true and correct copy of the Operating Agreement for Oki Outlets, LLC is attached to the
25 FAC as Exhibit A. Defendants deny the remaining allegations in paragraph 20.

26 21. Defendants aver that the Operating Agreement for Oki Outlets, LLC speaks
27 for itself and Defendants deny the allegations of paragraph 21 to the extent they do not
28 accurately describe the contents of the Operating Agreement. Defendants further aver

1 that Oki Outlets, LLC's members are each Plaintiff, individually, and Dragon Gate.

2 Defendants lack sufficient information to either admit or deny the remaining allegations
3 in paragraph 21 and on that basis Defendants deny the allegations in said paragraph.

4 22. Defendants admit that the Plaintiffs' collective capital contributions to Oki
5 Outlets, LLC amount to \$150,000 and Plaintiffs' hold 50% of the membership interests
6 in the company. Defendants deny that they received said funds on behalf of Oki Outlets,
7 LLC. Said funds were deposited into a bank account held by Oki Outlets, LLC.

8 23. Defendants admit the allegations in paragraph 23.

9 24. Defendants admit that Jiang was generally responsible for the day-to-day
10 operating of Oki Outlets, LLC and that Li signed and filed the Articles of Organization
11 for the company. Defendants deny the remaining allegations in paragraph 24.

12 25. Defendants admit that, through Plaintiff Lin, Plaintiffs have from time-to-
13 time requested financial information from Defendants in relation to Oki Outlets, LLC.
14 Defendants aver that they reasonably responded to such requests. Defendants deny the
15 remaining allegations in paragraph 25.

16 26. Defendants aver that the 2014 tax return for Oki Outlets, LLC speaks for
17 itself and Defendants deny the allegations of paragraph 26 to the extent they do not
18 accurately describe the contents of the tax return. Defendants lack sufficient information
19 to either admit or deny the remaining allegations in paragraph 26 and on that basis
20 Defendants deny the allegations in said paragraph.

21 27. Defendants deny the allegations in paragraph 27.

22 28. Defendants lack sufficient information to either admit or deny the
23 allegations in paragraph 28 and on that basis Defendant deny the allegations in said
24 paragraph.

25 29. Defendants deny the allegations in paragraph 29.

26 30. Defendants deny the allegations in paragraph 30.

27 31. Defendants deny the allegations in paragraph 31.

28 32. Defendants deny the allegations in paragraph 32.

1 33. Defendants admit the allegations in paragraph 33.

2 34. Defendants deny the allegations in paragraph 34.

3 **COUNT ONE**

4 **(Fraud – Intentional Misrepresentation and Concealment)**

5 **[against all Defendants]**

6 35. Defendants repeat and incorporate the admissions and denials of paragraphs
7 1 through 34 above as if fully set forth herein.

8 36. Defendants admit that it was generally understood between the parties that
9 the concern referenced in the FAC as Oki Restaurant would be located at 20 City Blvd.
10 W Space F007 in Orange, California. Defendants deny the remaining allegations in
11 paragraph 36.

12 37. Defendants admit that it was generally understood by the members of Oki
13 Outlets, LLC that the parties' capital contributions would be applied towards the concern
14 referenced in the FAC as Oki Restaurant. Defendants deny the remaining allegations in
15 paragraph 37.

16 38. Defendants admit that the allegations in paragraph 38.

17 39. Defendants admit that it was generally understood among the parties that
18 Oki Outlets, LLC would own and operate the concern referenced in the FAC as Oki
19 Restaurant.

20 40. Defendants admit that Li and Jiang represented that Dragon Gate would
21 honor and comply with the Operating Agreement for Oki Outlets, LLC. Defendants deny
22 the remaining allegations in paragraph 40.

23 41. Defendants deny the allegations in paragraph 41.

24 42. The allegations in paragraph 42 assert contentions of law, as to which no
25 response is offered. To the extent any factual allegation is implied, Defendants deny the
26 allegations in said paragraph.

27 43. The allegations in paragraph 43 assert contentions of law, as to which no
28 response is offered. To the extent any factual allegation is implied, Defendants deny the

1 allegations in said paragraph.

2 44. The allegations in paragraph 44 assert contentions of law, as to which no
3 response is offered. To the extent any factual allegation is implied, Defendants deny the
4 allegations in said paragraph.

5 45. The allegations in paragraph 45 assert contentions of law, as to which no
6 response is offered. To the extent any factual allegation is implied, Defendants deny the
7 allegations in said paragraph.

8 46. The allegations in paragraph 46 assert contentions of law, as to which no
9 response is offered. To the extent any factual allegation is implied, Defendants deny the
10 allegations in said paragraph.

11 47. The allegations in paragraph 47 assert contentions of law, as to which no
12 response is offered. To the extent any factual allegation is implied, Defendants deny the
13 allegations in said paragraph.

14 48. The allegations in paragraph 48 assert contentions of law, as to which no
15 response is offered. To the extent any factual allegation is implied, Defendants deny the
16 allegations in said paragraph.

17 49. The allegations in paragraph 49 assert contentions of law, as to which no
18 response is offered. To the extent any factual allegation is implied, Defendants deny the
19 allegations in said paragraph.

20 **COUNT TWO**

21 **(Breach of Fiduciary Duty)**

22 **[against all Defendants]**

23 50. Defendants repeat and incorporate the admissions and denials of paragraphs
24 1 through 49 above as if fully set forth herein.

25 51. Defendants admit that Plaintiffs and Dragon Gate are the members of Oki
26 Outlets, LLC. Defendants deny the remaining allegations in paragraph 51.

27 52. The allegations in paragraph 52 assert contentions of law, as to which no
28 response is offered. To the extent any factual allegation is implied, Defendants deny the

1 allegations in said paragraph.

2 53. Defendants deny the allegations in paragraph 53.

3 54. The allegations in paragraph 54 assert contentions of law, as to which no
4 response is offered. To the extent any factual allegation is implied, Defendants deny the
5 allegations in said paragraph.

6 55. The allegations in paragraph 55 assert contentions of law, as to which no
7 response is offered. To the extent any factual allegation is implied, Defendants deny the
8 allegations in said paragraph.

9 56. The allegations in paragraph 56 assert contentions of law, as to which no
10 response is offered. To the extent any factual allegation is implied, Defendants deny the
11 allegations in said paragraph.

12 57. The allegations in paragraph 57 assert contentions of law, as to which no
13 response is offered. To the extent any factual allegation is implied, Defendants deny the
14 allegations in said paragraph.

15 **COUNT THREE**

16 **(Breach of Contract)**

17 **[against Defendant DRAGON GATE]**

18 58. Defendants repeat and incorporate the admissions and denials of paragraphs
19 1 through 57 above as if fully set forth herein.

20 59. Defendants admit that the Operating Agreement for Oki Outlets, LLC was
21 signed on or around January 11, 2014 and that a true and correct of the Operating
22 Agreement is attached to the FAC as Exhibit A. Defendants further admit that Li and
23 Jian signed the Operating Agreement on behalf of Dragon Gate, and that Dragon Gate
24 holds 50% of the membership units in Oki Outlets, LLC.

25 60. Defendants aver that the Operating Agreement for Oki Outlets, LLC speaks
26 for itself and Defendants deny the allegations of paragraph 60 to the extent they do not
27 accurately describe the contents of the Operating Agreement. Defendants deny the
28 remaining allegations in paragraph 60.

1 61. Defendants aver that the Operating Agreement for Oki Outlets, LLC speaks
2 for itself and Defendants deny the allegations of paragraph 61 to the extent they do not
3 accurately describe the contents of the Operating Agreement. Defendants deny the
4 remaining allegations in paragraph 61.

5 62. Defendants aver that the Operating Agreement for Oki Outlets, LLC speaks
6 for itself and Defendants deny the allegations of paragraph 62 to the extent they do not
7 accurately describe the contents of the Operating Agreement. Defendants deny the
8 remaining allegations in paragraph 62.

9 63. Defendants aver that the Operating Agreement for Oki Outlets, LLC speaks
10 for itself and Defendants deny the allegations of paragraph 63 to the extent they do not
11 accurately describe the contents of the Operating Agreement. Defendants deny the
12 remaining allegations in paragraph 63.

13 64. Defendants aver that the Operating Agreement for Oki Outlets, LLC speaks
14 for itself and Defendants deny the allegations of paragraph 64 to the extent they do not
15 accurately describe the contents of the Operating Agreement. Defendants deny the
16 remaining allegations in paragraph 64.

17 **COUNT FOUR**

18 **(Conversion)**

19 **[against All Defendants]**

20 65. Defendants repeat and incorporate the admissions and denials of paragraphs
21 1 through 64 above as if fully set forth herein.

22 66. Defendants admit that Plaintiffs collectively paid \$150,000 for 50% of the
23 membership interests in Oki Outlets, LLC. Defendants deny the remaining allegations in
24 paragraph 66.

25 67. The allegations in paragraph 67 assert contentions of law, as to which no
26 response is offered. To the extent any factual allegation is implied, Defendants deny the
27 allegations in said paragraph.

28 68. The allegations in paragraph 68 assert contentions of law, as to which no

1 response is offered. To the extent any factual allegation is implied, Defendants deny the
2 allegations in said paragraph.

3 69. The allegations in paragraph 69 assert contentions of law, as to which no
4 response is offered. To the extent any factual allegation is implied, Defendants deny the
5 allegations in said paragraph.

6 70. The allegations in paragraph 70 assert contentions of law, as to which no
7 response is offered. To the extent any factual allegation is implied, Defendants deny the
8 allegations in said paragraph.

9 71. The allegations in paragraph 71 assert contentions of law, as to which no
10 response is offered. To the extent any factual allegation is implied, Defendants deny the
11 allegations in said paragraph.

12 **COUNT FIVE**

13 **(Accounting)**

14 **[against all Defendants]**

15 72. Defendants repeat and incorporate the admissions and denials of paragraphs
16 1 through 71 above as if fully set forth herein.

17 73. The allegations in paragraph 73 assert contentions of law, as to which no
18 response is offered. To the extent any factual allegation is implied, Defendants deny the
19 allegations in said paragraph.

20 74. The allegations in paragraph 74 assert contentions of law, as to which no
21 response is offered. To the extent any factual allegation is implied, Defendants deny the
22 allegations in said paragraph.

23 75. The allegations in paragraph 75 assert contentions of law, as to which no
24 response is offered. To the extent any factual allegation is implied, Defendants deny the
25 allegations in said paragraph.

26 76. The allegations in paragraph 76 assert contentions of law, as to which no
27 response is offered. To the extent any factual allegation is implied, Defendants deny the
28 allegations in said paragraph.

1 85. The allegations in paragraph 85 assert contentions of law, as to which no
2 response is offered. To the extent any factual allegation is implied, Defendants deny the
3 allegations in said paragraph.

4 86. The allegations in paragraph 86 assert contentions of law, as to which no
5 response is offered. To the extent any factual allegation is implied, Defendants deny the
6 allegations in said paragraph.

7 87. The allegations in paragraph 87 assert contentions of law, as to which no
8 response is offered. To the extent any factual allegation is implied, Defendants deny the
9 allegations in said paragraph.

10 88. The allegations in paragraph 88 assert contentions of law, as to which no
11 response is offered. To the extent any factual allegation is implied, Defendants deny the
12 allegations in said paragraph.

13 **AFFIRMATIVE DEFENSES**

14 89. By alleging the Affirmative Defenses to the FAC set forth below,
15 Defendants do not agree or concede that they bear the burden of proof or the burden of
16 persuasion on any of these issues, whether in whole or in part. For their Affirmative
17 Defenses, Defendants allege as follows:

18 **FIRST AFFIRMATIVE DEFENSE**

19 **(Failure To State A Cause Of Action)**

20 90. The FAC and each purported cause of action therein, fails to allege facts
21 sufficient to constitute a cause of action against Defendants.

22 **SECOND AFFIRMATIVE DEFENSE**

23 **(Failure To Mitigate)**

24 91. Plaintiffs are barred from recovering any and all damages, if any, from
25 Defendants due to their failure to exercise reasonable care and diligence, engage in
26 reasonable and good faith efforts, and/or take reasonable steps to avoid, eliminate, lessen,
27 reduce, and/or mitigate their purported damages.

28 **THIRD AFFIRMATIVE DEFENSE**

1 **(Lack of Subject Matter Jurisdiction)**

2 92. Plaintiffs' claims are barred, in whole or in part, because the Court lacks
3 subject-matter jurisdiction. Without limitation, Article XI of the Operating Agreement,
4 attached as Exhibit A to the FAC, requires the parties to engage in mediation and, if
5 unsuccessful, arbitration of any disputes arising out of the same. Plaintiffs failed to
6 engage in mediation with Defendants and failed to institute appropriate arbitration
7 proceedings.

8 **FOURTH AFFIRMATIVE DEFENSE**

9 **(Lack of Damages)**

10 93. Plaintiffs' claims are barred, in whole or in part, because Plaintiffs did not
11 suffer any damages as a result of Defendants' purported actions alleged in the FAC.
12 Without limitation, Plaintiffs were at no time guaranteed any amount in distribution from
13 Oki Outlets, LLC.

14 **FIFTH AFFIRMATIVE DEFENSE**

15 **(Good Faith)**

16 94. Plaintiffs' claims are barred, in whole or in part, because Defendants acted
17 properly and in good faith with respect to the allegations in the FAC. Without limitation,
18 Defendants provided financial information regarding Oki Outlets, LLC on a timely basis
19 and Plaintiffs were at no time guaranteed any amount in distribution from the company.

20 **SIXTH AFFIRMATIVE DEFENSE**

21 **(Unclean Hands)**

22 95. Plaintiffs' claims and requests for relief are barred, in whole or in part, by
23 the doctrine of unclean hands.

24 **SEVENTH AFFIRMATIVE DEFENSE**

25 **(Equitable Estoppel)**

26 96. Plaintiffs' claims and requests for relief are barred, in whole or in part, by
27 the doctrine of equitable estoppel.

28 **EIGHTH AFFIRMATIVE DEFENSE**

1 (Laches)

2 97. Plaintiffs' claims and requests for relief are barred, in whole or in part, by
3 the doctrine of laches.

4 **NINTH AFFIRMATIVE DEFENSE**

5 (Statute of Limitations)

6 98. Plaintiffs' claims and requests for relief are barred, in whole or in part, by
7 the applicable statute of limitations.

8 **TENTH AFFIRMATIVE DEFENSE**

9 (Standing)

10 99. Plaintiffs' claims for relief are barred, in whole or in part, because Plaintiffs
11 lack standing and/or Plaintiffs are not the proper parties to assert the claims set forth in
12 the FAC.

13 **ELEVENTH AFFIRMATIVE DEFENSE**

14 (Set Off)

15 100. Plaintiffs' claims for relief are barred, in whole or in part, as a result of
16 Defendants' offsets and claims under applicable law.

17 **ADDITIONAL DEFENSES**

18 101. Defendants allege that certain additional affirmative defenses as yet
19 unknown to them may be a defense to the allegations of the FAC, in whole or in part.
20 Defendants' investigation and discovery is ongoing and, therefore, Defendants reserve
21 the right to amend this Answer or assert any and all additional affirmative defenses that
22 are subsequently discovered and to rely on such affirmative defenses at the time of trial.

23 **PRAYER**

24 WHEREFORE, Defendants DRAGON GATE, OR, LLC, XIAO LI, and CHANG
25 XU JIANG pray for judgment as follows:

- 26 1. That the First Amended Complaint be dismissed in its entirety;
27 2. That Plaintiffs recover nothing by reason of their First Amended Complaint;
28 3. That Plaintiffs' prayer for general damages, special damages, or punitive

1 and exemplary damages be denied;

2 4. That Plaintiffs' prayer for equitable relief be denied;

3 5. That Plaintiffs' prayer for interest be denied;

4 6. That Plaintiffs' prayer for attorney's fees be denied;

5 7. That Plaintiffs' prayer for costs of suit incurred be denied;

6 8. That Defendants be awarded their reasonable attorney's fees in an amount
7 according to proof at time of trial;

8 9. That Defendants recover their costs of suit herein; and

9 10. For such other and further relief as the Court may deem just and proper.

10 Dated: September 9, 2015

HEATH & STEINBECK, LLP

11
12 By: /s/ Steven A. Heath

13 Steven A. Heath

14 Attorneys for Defendants DRAGON GATE OR,
15 LLC, XIAO LI, and CHANG XU JIANG
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CERTIFICATE OF SERVICE

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the aforesaid county, State of California; I am over the age of 18 years and not a party to the within action; my business address is Heath & Steinbeck, LLP, 5777 W. Century Blvd., Suite 1670, Los Angeles, CA 90045.

On September 9, 2015, I served the **ANSWER OF DEFENDANTS DRAGON GATE OR, LLC, XIAO LI, AND CHANG XU JIANG TO FIRST AMENDED COMPLAINT** on the interested parties in this action:

(BY E-MAIL OR ELECTRONIC TRANSMISSION)

The document was served on the following via The United States District Court – Central District’s CM/ECF electronic transfer system which generates a Notice of Electronic Filing upon the parties, the assigned judge, and any registered user in the case:

LAW OFFICERS OF PETER C. CHEN

Peter C. Chen, Esq.

901 Corporate Center Drive

Suite 500

Monterey Park, CA 91754

Attorneys for Plaintiffs Jeffrey Lin, Fan Zhou, Yue Lin Zhou, and Li Gang Yang

Executed on September 9, 2015, here, at Santa Monica, California.

/s/ Steven A. Heath