NOT FOR PUBLICATION

FILED

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MOLLY C. DWYER, CLERK
U.S. COURT OF APPEALS

UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

CTRL ALT DESTROY, INC., a California corporation,

Plaintiff - Appellant,

v.

NICOLE ELLIOTT, in her official capacity as Director of the State of California's Department of Cannabis Control; ROB BONTA, in his official capacity as Attorney General of the State of California,

Defendants - Appellees,

v.

INTERNATIONAL BROTHERHOOD OF TEAMSTERS,

Movant.

No. 25-2419

D.C. No.
3:24-cv-00753-TWR-AHG

MEMORANDUM*

Appeal from the United States District Court
for the Southern District of California
Todd W. Robinson, District Judge, Presiding

* This disposition is not appropriate for publication and is not precedent except as provided by Ninth Circuit Rule 36-3.

Submitted October 27, 2026[**]
Pasadena, California

Before: PAEZ, OWENS, and SANCHEZ, Circuit Judges.

Plaintiff Ctrl Alt Destroy, Inc., a cannabis retailer in California, appeals the district court's decision granting California's motion to dismiss because relief was barred under the unclean hands doctrine. We have jurisdiction under 28 U.S.C. § 1291. We review the lower court's application of the unclean hands doctrine for abuse of discretion. *Northbay Wellness Grp., Inc. v. Beyries*, 789 F.3d 956, 959 (9th Cir. 2015). Because the district court did not apply the unclean hands balancing analysis, we vacate and remand for the court to conduct the complete inquiry with the benefit of further factual development.

1. The unclean hands doctrine holds that "one who does not come into equity with clean hands, and keep them clean, must be denied all relief, whatever may have been the merits of his claim." *Hall v. Wright*, 240 F.2d 787, 794–95 (9th Cir. 1957). The doctrine "closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief." *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814 (1945). When determining whether to apply the unclean hands doctrine,

[**] The panel unanimously concludes this case is suitable for decision without oral argument. *See* Fed. R. App. P. 34(a)(2).

courts must "balanc[e] the alleged wrongdoing of the plaintiff against that of the defendant, and 'weigh[] the substance of the right asserted by [the] plaintiff against the transgression which, it is contended, serves to foreclose that right.'" *Northbay Wellness*, 789 F.3d at 960 (quoting *Republic Molding Corp. v. B.W. Photo Utils.*, 319 F.2d 347, 350 (9th Cir. 1963)).

Plaintiff asserts that the State's regulatory scheme requiring certain cannabis retailers to enter, or agree to enter, into a labor peace agreement with a "bona fide labor organization" to receive a commercial license is unconstitutional and preempted by federal law. Cal. Bus. & Prof. Code §§ 26001(ac), 26051.5(a)(5)(A). The district court applied the unclean hands doctrine after concluding that granting relief "would directly facilitate conduct which is clearly illegal under federal law." On appeal, both parties agree that the district court did not complete the necessary balancing analysis. The parties are correct.

The district court abused its discretion by not conducting the required balancing test and instead applying the doctrine simply because Plaintiff's business is illegal under federal law. In *Northbay Wellness*, we held that the lower court had committed a nearly identical error concerning a marijuana dispensary. *See* 789 F.3d at 960. There, we conducted the balancing inquiry ourselves even though the lower court had not done so. *Id.* at 960–61. Both parties here, however, assert that further factual development could aid that inquiry. Moreover, California suggests

that Plaintiff's actions, unrelated to the sale of cannabis, could implicate the unclean hands doctrine. The district court did not consider these alternate grounds on which the unclean hands doctrine might apply. Finally, there is also a dispute as to whether California is barred from invoking the unclean hands doctrine because its own hands are unclean.

Given these unsettled considerations, we remand for the district court to perform the required balancing analysis under *Northbay Wellness* in the first instance, and if appropriate, address any other pending motions, including California's motion to dismiss for failure to state a claim. In conducting the unclean hands analysis, the district court should consider Plaintiff's contention that California legalized and now facilitates, regulates, and profits from the exact activity it claims is unclean.

VACATED AND REMANDED.