

# Key Defense Strategies in Trade Secrets Cases



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## INTRODUCTION

IN TRADE SECRET CASES, vagueness and obfuscation are the greatest enemies of the defense. In defending these cases, your job is to require plaintiff to delimit and define its position on the key issues which are: (1) what is the claimed trade secret; (2) on what theory of misappropriation is the plaintiff proceeding; (3) how did the alleged misappropriation *cause* the plaintiff harm, and how is it attributable to defendant; and (4) what legally cognizable *harm* did the plaintiff allegedly suffer, and was the misappropriation the cause of the harm. It is the plaintiff's burden to offer factually and legally viable premises and arguments in answer to these questions, and to proffer a coherent set of conclusions that connect these points.

Thus, the key to a successful defense is for a defendant consistently to demand specificity from the plaintiff during the pleading and discovery stages, through motions challenging the pleadings, specific discovery requests, and motions to compel if necessary, to take advantage of the many legal doctrines available to limit or invalidate many trade secret misappropriation theories. Some of these legal doctrines and strategies are summarized below.

## NARROW THE CASE BY ARGUING PREEMPTION UNDER THE CALIFORNIA UNIFORM TRADE SECRET ACT ("CUTSA")

California trade secret law is codified by the California Uniform Trade Secret Act (CUTSA).<sup>1</sup> Under California Civil Code section 3426.7(b), the CUTSA "preempts common law claims that are 'based on the same nucleus of facts as the misappropriation of trade secrets



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claim for relief."<sup>2</sup> *Silvaco*, which is the leading California case specifically addressing this issue of preemption, emphasized the sweeping nature of the CUTSA:

[A] prime purpose of the [CUTSA] law was to sweep away the adopting states' bewildering web of rules and rationales and replace it with a uniform set of principles for determining when one is—and is not—liable for acquiring, disclosing, or using 'information...of value.' (See § 3426.8.) Central to the effort was the act's definition of a trade secret. (See § 3426.1, subd.(d).) Information that does not fit this definition, and is not otherwise made proper by some provision of positive law, belongs to no one, and cannot be converted or stolen.<sup>3</sup>

Under the majority rule, the CUTSA preempts all common law tort claims that sound in trade secret misappropriation even where the claims are based on the misappropriation of information that does not satisfy the definition of trade secret under CUTSA.<sup>4</sup> This is a potent argument for the defendant. The Defendant can rely on this argument of preemption to try to eliminate all other quasi-trade secret causes of action, including claims alleging breach of fiduciary duty, breach of confidence, breach of loyalty, conversion, misrepresentation, interference with contract, or unfair competition, even those arising from the same common nucleus of operative fact as the trade secret claim. The argument of preemption could be used to defeat the plaintiff's argument that the alleged confidential information does not rise to the level of a trade secret, and should therefore be considered under the common law of tort.<sup>5</sup>

Under the majority rule, the issue of the CUTSA preemption focuses on the facts alleged in the complaint and, therefore, preemption can be successfully asserted in a motion to dismiss or demurrer.<sup>6</sup> Under the minority rule, however, the court will allow discovery regarding the nature of the common law tort claims to determine whether the confidential information underlying the tort claims is “less than” the requirements for a trade secret. If so, the courts under the minority rule may decide that the common law claim is not preempted and deny the motion to dismiss:

This Court agrees with the approach taken by other courts within this district: “To the extent the claim is based on these trade secrets, it cannot go forward. However, [the plaintiff] may continue to pursue the [tort claim] so long as the confidential information at the foundation of the claim is not a trade secret, as that term is defined in [the CUTSA]. If, in subsequent pleadings or briefs, or at trial, it is established that the disclosures on which [the plaintiff] bases this claim were trade secrets, the claim will be dismissed with prejudice.”<sup>7</sup>

Under either rule, it is crucial for defense counsel to require the plaintiff to explain, at the pleading stage and in discovery, the extent to which its common law claims differ from its trade secret claim. Although this may not be dispositive at the pleading stage before courts following the minority rule, if the defense can establish through discovery that the common law claims significantly overlap with the trade secret claim, those claims could be successfully attacked on a motion for summary judgment or a trial.<sup>8</sup>

### STRATEGICALLY REQUIRE ADEQUATE DISCLOSURE OF TRADE SECRET

Under the California Code of Civil Procedure Section 2019.210, a plaintiff alleging a trade secret claim is required to disclose the alleged trade secrets with “reasonable particularity” before beginning discovery.<sup>9</sup> Many, but not all, federal courts within the Ninth Circuit incorporate this or a similar threshold requirement either as binding substantive law or as part of simply “managing” a trade secret case.<sup>10</sup>

Regardless of whether the letter or the spirit of Section 2019.210 applies, defense counsel should prod the plaintiff into abiding by its fundamental *discovery obligation* to identify specifically its alleged trade secrets. The push to have the plaintiff specifically identify its alleged trade secrets should be made strategically. While this is often done by a motion to compel during discovery, sometimes it makes sense *not* to move to compel, but instead to use inadequate discovery responses to set up a motion for summary judgment, a motion to exclude evidence at trial (*e.g.*, motion in *limine* to exclude evidence regarding unidentified trade secrets), or to exclude certain arguments at trial.

The proper strategy will depend on the particular facts and dynamics involved in each case. The key from a defense perspective is to recognize early in the case the plaintiff’s obligation to identify

specifically the alleged trade secrets and wield this to your advantage. Ultimately, the plaintiff will need to show protectable trade secrets, causation, and damages; the defense should seek to identify the weak links in this chain early on and determine the best strategy to exploit them, whether it be a motion to dismiss, motion to compel, motion for summary judgment, or motion to exclude evidence at trial.

### CHALLENGE INVALID TRADE SECRETS

It is well settled that for information to constitute a protectable trade secret it must be: (1) secret; (2) have actual or potential economic value because it was secret; and (3) the plaintiff made reasonable efforts to keep the information secret.<sup>11</sup> The plaintiff has the burden of proving all of these elements.

Defendants should consider several key challenges to alleged trade secrets. First, if the information is publicly available or has been disclosed, then it is not a trade secret. The CUTSA requires both secrecy and reasonable steps to preserve secrecy.<sup>12</sup> Plaintiff’s disclosure of the trade secret—even if inadvertent—can be fatal.<sup>13</sup> One material disclosure can trump an array of well-crafted policies and procedures designed to protect a trade secret.<sup>14</sup>

Second, the defense should argue that trade secret information must exhibit at least “minimal novelty.”<sup>15</sup> Although “[n]ovelty, in the patent law sense, is not required for a trade secret, ... some novelty will be required if merely because that which does not possess novelty is usually known; secrecy, in the context of trade secrets, thus implies at least minimal novelty.”<sup>16</sup> In short, information that is too generic or obvious is arguably not a protectable trade secret.<sup>17</sup>

Third, the defense should consider whether the plaintiff has proven or can prove that the specific trade secret claimed has “actual or potential” economic value because it was secret.<sup>18</sup> A trade secret must be “sufficiently valuable and secret to afford an actual or potential economic advantage over others.”<sup>19</sup> A court will often require a plaintiff to present *specific evidence* that the trade secret has value because of its secrecy—such that general evidence about the amounts spent on research and development and the like may not suffice.

Finally, the defense should argue that plaintiff has not demonstrated it undertook reasonable efforts to maintain the secrecy of the alleged trade secrets. To the extent that Plaintiff did not sufficiently advise employees of the existence of the particular trade secrets, require employees and third parties to sign confidentiality agreements, or limit access (both physical and electronic) to the trade secret on a “need to know” basis, this may be ground to challenge the existence of a claimed trade secret.<sup>20</sup>

### COMPEL PLAINTIFF TO ARTICULATE MISAPPROPRIATION THEORIES

Defense counsel should compel the plaintiff, as part of the pleading stage and throughout discovery, to identify specifically its misappropriation theories. This is important for two basic reasons.

First, although there are three general types of trade secret misappropriation—acquisition, disclosure, and use of the trade secret—there are various scenarios in which acquisition, use, or disclosure of an alleged trade secret is not “misappropriation” as a matter of law. Acquiring trade secret information by independent efforts, reverse engineering, public sources or literature, or pursuant to a license agreement is not considered misappropriation.<sup>21</sup> Neither is mere possession of a trade secret considered a misappropriation; case law indicates that mere possession of a trade secret is itself not wrongful.<sup>22</sup> Without actual use or disclosure, the “commercial value” of the secret that is merely possessed is arguably not “impaired.”<sup>23</sup> Further, if plaintiff is pursuing a misappropriation theory based on “acquisition” or “use,” some cases indicate there is an additional knowledge or intent requirement.<sup>24</sup>

Second, requiring the plaintiff to identify specifically its misappropriation theory allows the defendant to understand and effectively challenge the chain of causation plaintiff is pursuing. It is the plaintiff’s burden to show that the alleged misappropriation by defendant caused damage to the plaintiff.<sup>25</sup> Even if the plaintiff has specifically identified protectable trade secrets, which were then “misappropriated,” but cannot establish that defendant’s misappropriation caused the damage, the plaintiff should not prevail in the case as a matter of law. Thus, if the defendant can question the plaintiff’s theory of causation sufficiently such that the plaintiff’s answers limit its theory of causation, the defendant may have a basis for defending against the claim on the basis that there is no causation, or perhaps even dismissing on the basis that the damage was not caused by defendant’s acts.

Thus, consistent pressure on plaintiff, through pleadings and discovery, to identify specifically its trade secret and misappropriation theories can highlight the lack of crucial elements related to defendant’s acts and provide defendant with the legal opportunity to attack the claim of trade secret misappropriation.

## CHALLENGE CAUSATION

As noted above, by pressing the plaintiff during the pleading stage and in discovery to *specifically identify* its claimed trade secrets, misappropriation theory, and damage theories, defense counsel will be in the best position to attack the plaintiff’s trade secret premises and conclusion. It is the plaintiff’s burden to submit sufficient evidence to establish the three legal elements of a trade secret misappropriation claim, and to establish that defendant was the proximate cause of the damage as a result of that misappropriation.

The plaintiff may try to tender vague or conclusory trade secret allegations and then obfuscate during discovery. By pushing the plaintiff, through the use of tightly drafted discovery requests and appropriate motions, to identify specifically these three elements—trade secrets, causation, damages—defense counsel will be in the best position to expose any factual and legal weaknesses in the plaintiff’s

theories, and possibly defeat a claim of trade secret misappropriation.

As discussed above, the plaintiff must show that the defendant’s actions proximately caused legally cognizable damage to the plaintiff.<sup>26</sup> “In some cases, the mere acquisition of a trade secret, as distinguished from a related disclosure or use, will not result in damages and will only be relevant to injunctive relief.”<sup>27</sup> And if the plaintiff cannot show that the alleged trade secret was used or disclosed in a way either to harm the plaintiff or benefit the defendant, there may not be any basis for recovering damages.<sup>28</sup>

## REQUIRE PLAINTIFF TO ARTICULATE ITS DAMAGE THEORY(S)

A trade secret misappropriation plaintiff may seek an injunction and three types of compensatory damages: (1) damages for the plaintiff’s “actual loss;”<sup>29</sup> (2) unjust enrichment if the defendant received “a benefit that it otherwise would not have achieved;”<sup>30</sup> and (3) a reasonable royalty “for no longer than the period of time the use could have been prohibited.”<sup>31</sup> A trade secret misappropriation plaintiff may also recover punitive damages up to two times the compensatory damages if the defendant acted willfully and maliciously.<sup>32</sup>

As a threshold matter, defense counsel should clarify with plaintiff which theories plaintiff is pursuing to understand what evidence is needed to rebut each theory and determine additional grounds for challenge. For example, an attempt to recover for plaintiff’s actual loss requires a close examination of plaintiff’s finances, which may in turn give rise to a challenge that such profits are unduly speculative.<sup>33</sup>

By contrast, if plaintiff is pursuing an unjust enrichment theory, the focus shifts to the defendant’s finances and the extent to which it should be required to disgorge the benefits accruing defendant from the trade secret. “A defendant’s unjust enrichment is typically measured by the defendant’s profits flowing from the misappropriation.”<sup>34</sup> Thus, if the plaintiff’s loss does not correlate directly with the benefit to the defendant, proof of unjust enrichment becomes more difficult because “there is no standard formula to measure it.”<sup>35</sup> In such cases, unjust enrichment could be measured by defendant’s increased productivity, defendant’s cost savings or defendant’s increased market share.<sup>36</sup> If Plaintiff is seeking a reasonable royalty, it must first show that “neither damages nor unjust enrichment are provable.”<sup>37</sup> Given the many possible approaches for seeking and proving damages, defense counsel should act promptly to determine from plaintiff the particular damage theories plaintiff is pursuing and take any legal action necessary to ensure that they are clearly pleaded.

Defense counsel should aggressively wield the rule that the plaintiff may only recover damages attributable to the unlawful conduct. In other words, the plaintiff and its expert must segregate between damages attributable to misappropriation versus those attributable to lawful competition or other factors.<sup>38</sup> Thus, to the extent that the plaintiff’s damage theory encompasses non-recoverable items or amounts, such as the defendant’s profits from sweat equity and busi-

ness expenses (under an unjust enrichment theory), plaintiff's damages theory should be challenged by defense counsel.

A defendant should also consider other challenges to the particular damage theories propounded by the plaintiff, including: (1) arguing that any lost profits theory is speculative;<sup>39</sup> or (2) arguing that reasonable royalty can only be sought *after* a finding of no actual damages or unjust enrichment.<sup>40</sup>

## LAY THE GROUNDWORK FOR CLAIMING ATTORNEYS' FEES

There are two primary strategies for seeking attorneys' fees after prevailing in a trade secret case. The first, and most obvious, approach is to pursue attorneys' fees under California Civil Code section 3426.4. This section allows a prevailing defendant in a trade secret misappropriation case to obtain a discretionary award of attorney's fees and costs if the plaintiff's claim is made in "bad faith." Case law interpreting this section holds that "bad faith" requires both: (1) objective speciousness; and (2) subjective bad faith.<sup>41</sup> This can be a difficult standard to meet. Still, one court recently imposed attorneys' fees on a losing plaintiff in a trade secret case in large part because the plaintiff never adequately identified the claimed trade secret.<sup>42</sup>

A second approach, not limited to trade secret cases, is to use requests for admission to lay the groundwork for an attorneys' fees claim. At the outset of a trade secret case, the defendant should pro- pound requests for admission on the fundamental trade secret elements. Given that the plaintiff will likely deny all such requests, should plaintiff prevail in its case, defendant will be in a good position to seek its attorney's fees if defendant can prove that the plaintiff's denials in answer to the requests for admission were not based on "reasonable grounds."<sup>43</sup> ◀◀

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### Endnotes

1. Cal. Civ. Code §§ 3426–3426.11.
2. *K.C. Multimedia, Inc. v. Bank of America Tech. & Ops., Inc.*, 171 Cal. App. 4th 939, 958 (2009); see also *Banks.com, Inc. v. Kerry*, No. C 09–06039 WHA, 2010 WL 727973, at \*3 (N.D. Cal. Mar. 1, 2010); *Silvaco Data Systems v. Intel Corp.*, 184 Cal. App. 4th 210, 236 (2010) (the "CUTSA provides the exclusive civil remedy for conduct falling within its terms, so as to supercede other civil remedies 'based upon misappropriation of a trade secret'", *disapproved on other grounds by Kwikset Corp. v. Superior Court*, 51 Cal. 4th 310 (2011)).
3. *Silvaco*, 184 Cal. App. 4th at 238.
4. See, e.g., *Sunpower Corp. v. Solarcity Corp.*, No. 12–CV–00694–LHK, 2012 WL 6160472, at \*4–\*7 (N.D. Cal. Dec. 11, 2012) (explaining that while "[o]nly one California Court has explicitly considered this issue," the majority of district courts within the Ninth Circuit and a number of state supreme courts analyzing similar Uniform Trade Secret Act provisions have applied this rule).
5. See, e.g., *Sunpower*, 2012 WL 6160472, at \*7 ("the Court follows *Silvaco*, *FormFactor*, *Heller*, and *Mattel* in holding that CUTSA supersedes claims based on the misappropriation of information, regardless of whether such information ultimately satisfies the definition of trade secret."); *Digital Envoy, Inc. v. Google, Inc.*, 370 F. Supp. 2d 1025, 1035 (N.D. Cal. 2005) (stating that the provisions of the CUTSA would be "rendered meaningless if, in fact, claims which are based on trade secret misappropriation are not preempted by the state's statutory scheme"); see, e.g., *Mattel, Inc. v. MGA Entertainment, Inc.*, 782 F. Supp. 2d 911, 987–89 (C.D. Cal. 2011), citing *K.C. Multimedia*, 171 Cal. App. 4th at 958 (holding that a breach of fiduciary duty claim was preempted because the allegations attached "new labels to the same nucleus of facts upon which [the CUTSA claim] is based," regardless of whether the claim was based on misappropriated information that did not qualify as a trade secret).
6. See, e.g., *First Advantage Background Services, Corp. v. Private Eyes, Inc.*, 569 F. Supp. 2d 929, 937 (N.D. Cal. 2008) (granting motion to dismiss quasi-trade secret claims, e.g., breach of confidence and intentional interference with prospective economic advantage, with prejudice); *Banks.com*, 2010 WL 727973 at \*3–\*4 (granting motion to dismiss quasi-trade secret claims, e.g., breach of fiduciary duty and breach of loyalty).
7. *TMX Funding, Inc. v. Impero Techs., Inc.*, No. C 10-00202 JF (PVT), 2010 WL 2509979, at \*5 (N.D. Cal. June 17, 2010); see also *Anheuser-Busch Companies, LLC v. Clark*, No. 2:13-cv-00415-GEB-CKD, 2013 WL 3788426, at \*1 (E.D. Cal. July 18, 2013) (describing the "three distinct approaches" courts have used in analyzing CUTSA preemption).
8. See, e.g., *Language Line Servs., Inc. v. Language Servs. Associates, Inc.*, No. CV 10-02605 RS, 2013 WL 1891369, at \*4–5 (N.D. Cal. May 6, 2013) (court granted partial summary judgment on conversion claim because "plaintiff has failed to show its claim of conversion is based on facts distinct from those on which its CUTSA claim is based"); *TMX Funding, Inc. v. Impero Technologies, Inc.*, No. C 10-00202 JF (PVT), 2010 WL 2509979, at \*5 (N.D. Cal. June 17, 2010) (court stated that "[i]f, in subsequent pleadings or briefs, or at trial, it is established that the disclosures on which [the plaintiff] bases this claim were trade secrets, the claim will be dismissed with prejudice") (internal citations omitted).
9. See Cal. Civ. Proc. Code § 2019.210.
10. See, e.g., *Interserve, Inc. v. Fusion Garage PTE, Ltd.*, No. C 09–05812 JW (PVT), 2010 WL 1445553, at \*3 (N.D. Cal. Apr. 9, 2010) (requiring compliance with California Code of Civil Procedure § 2019.210 as part of "case management"); *Computer Economics, Inc. v. Gartner Group, Inc.*, 50 F. Supp. 2d 980, 985 (S.D. Cal. 1999) (noting that requiring a plaintiff to disclose its trade secrets at the outset of discovery serves numerous purposes

- beneficial for either the court or the parties); *but see Hilderman v. Enea Teksci, Inc.*, No. 05cv1049 BTM(AJB), 2010 WL 143440, at \*2 (S.D. Cal. Jan. 8, 2010) (explaining the split in federal courts within the Ninth Circuit on whether or not California Code of Civil Procedure section 2019.210 applies under *Erie* doctrine); *see also MAI Systems Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 522-523 (9th Cir. 1993) (vacating motion for summary judgment on the ground that it could not determine whether Peak Computer misappropriated any of MAI's trade secrets because declaration stating that MAI's diagnostic software "contain valuable trade secrets of MAI" did not specifically identify MAI's trade secrets).
11. Cal. Civ. Code § 3426.1(d); CACI § 4402.
  12. Cal. Civ. Code § 3426.1(d); *Am. Paper & Packaging Prods, Inc. v. Kirgan*, 183 Cal. App. 3d 1318, 1324 (1986); *Cypress Semiconductor Corp. v. Superior Court*, 163 Cal. App. 4th 575, 588 (2008) ("A trade secret loses its protected status if the owner does not undertake reasonable efforts to keep it secret.").
  13. *See, e.g., Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1002 (1984) ("If an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, ... his property right is extinguished.").
  14. *See, e.g., DVD Copy Control Assn., Inc. v. Bunner*, 31 Cal. 4th 864, 881 (2003) ("Once the data that constitute a trade secret are disclosed to others, or others are allowed to use those data, the holder of the trade secret has lost his property interest in the data."); *In re Providian Credit Card Cases*, 96 Cal. App. 4th 292, 304 (2002) ("Public disclosure, that is the absence of secrecy, is fatal to the existence of a trade secret."); *HiRel Connectors, Inc. v. United States*, No. CV01-11069 DSFVBKX, 2005 WL 4958547, at \*4 (C.D. Cal. Jan. 4, 2005) (trade secret protection may be lost "despite many years of diligent efforts to maintain confidentiality if, through voluntary action or inadvertence, it ceases those efforts").
  15. *See, e.g., Agency Solutions.Com, LLC v. The TriZetto Group, Inc.*, 819 F. Supp. 2d 1001, 1015 (E.D. Cal. 2011) (stating that the plaintiff has the burden "to make two showings. First, the plaintiff must clearly identify what the 'thing' is that is alleged to be a trade secret, and second, the plaintiff must be able to clearly articulate why that 'thing' belongs in the legal category of trade secret."); *see also* Cal. Civ. Proc. Code § 2019.210 (requiring identification of trade secrets with "reasonable particularity").
  16. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974); *see also Walker v. Univ. Books, Inc.*, 602 F.2d 859, 865 (9th Cir. 1979) ("vague and obvious" information is not protected by trade secret law "as a matter of law"); *Strategic Directions Group, Inc. v. Bristol-Myers Squibb Co.*, 293 F.3d 1062, 1065 (8th Cir. 2002) ("mere variations on widely used [information] cannot be trade secrets") (citation and quotation marks omitted).
  17. *See, e.g., QR Spex, Inc. v. Motorola, Inc.*, No. CV 03-6284-JFW (FMOx), 2004 WL 5642907, at \*6 (C.D. Cal. Oct. 28, 2004) (finding that "look and form" of eyewear concept was not unique and was not protectable as a trade secret).
  18. *See Wyatt Tech. Corp. v. Malvern Instruments, Inc.*, No. CV 07-08298 DDP (MANx), 2009 WL 2365647, at \*17 (C.D. Cal. July 29, 2009); *DVD Copy Control Assn., Inc. v. Bunner*, 31 Cal. 4th 864, 881 (2003) (information must be "valuable because it is unknown to others"); *Abba Rubber Co. v. Seaquist*, 235 Cal. App. 3d 1 (1991) ("The defendants are correct in pointing out that a showing of value, by itself, is not sufficient to satisfy the statutory definition.... However, the [UTSA] also requires that the information have value to other businesses which are unaware of the information and which could put that information, if know, to beneficial use.")
  19. *Yield Dynamics, Inc. v. TEA Systems Corp.*, 154 Cal. App. 4th 547, 564 (2007) (affirming summary judgment against trade secret claim, finding near evidence of "helpfulness or usefulness" of claimed trade secret was insufficient evidence of independent economic value); *see also, Morlife, Inc. v. Perry*, 56 Cal.App.4th 1514, 1522 ("the requirement that a customer list must have economic value to qualify as a trade secret has been interpreted to mean that the secrecy of this information provides a business with a 'substantial business advantage.'").
  20. *See, e.g., Courtesy Temporary Service, Inc. v. Camacho*, 222 Cal. App. 3d 1278, 1288 (1990) ("[R]easonable efforts to maintain secrecy have been held to include advising employees of the existence of a trade secret, limiting access to a trade secret on a "need to know basis," and controlling plant access."); *In re Providian Credit Card Cases*, 96 Cal. App. 4th 292, 306 (2002) ("A leading treatise has collected the cases of successful and unsuccessful claims of secrecy protection; among the factors repeatedly noted are restricting access and physical segregation of the information, confidentiality agreements with employees, and marking documents with warnings or reminders of confidentiality.")
  21. *See* Cal. Civ. Code § 3426.1(a); Cal. Civ. Code § 3426.1, Legis. Comm. Comment (Senate), 1984 Addition; *Judicial Council of California Civil Jury Instructions* (2014) No. 4408.
  22. *See, e.g., Wyatt Tech. Corp.*, 2009 WL 2365647, at \*17.
  23. *Gibson-Homans Co. v. Wall-Tite, Inc.*, No. 92 2750 JGD, 1992 WL 512411, at \*4 (C.D. Cal. Oct. 27, 1992); *see also Whyte*, 101 Cal. App. 4th at 1463-64 (California law rejects the "inevitable disclosure" doctrine); *FLIR Sys, Inc. v. Parrish*, 174 Cal. App. 4th 1270, 1279 (2009) (same).
  24. *See Cypress Semiconductor Corp.*, 163 Cal. App. 4th at 585 ("A person is liable for misappropriation of trade secret information only if the person knows or has reason to know that he or she is not in rightful possession of the information.").
  25. *See Silvaco Data Sys.*, 184 Cal. App. 4th at 220; *see also Science of Skincare, LLC v. Phytoceuticals, Inc.*, No. CV 08-4470 ODW (SSx), 2009 WL 2050042, at \*5 (C.D. Cal. July 7, 2009).
  26. *See, e.g., Computer Sciences Corp. v. Computer Associates Intern., Inc.*, Nos. CV-98-1734-WMB SHC, CV 98-1440-WMB SHC, 1999 WL 675446, at \*13 (C.D. Cal. Aug. 12, 1999) (court granted summary judgment "based on [Plaintiff's] failure to produce any evidence to satisfy its burden of proving" that Defendant's "wrongful acts be a 'but for' cause of plaintiff's damages."); *see also Sargent Fletcher, Inc. v. Able Corp.*, 110 Cal. App. 4th 1658, 1665 (2003); *Silvaco*, 184 Cal. App. 4th at 220; *Cytodyn, Inc. v. Amerimmune Pharmaceuticals, Inc.*, 160 Cal. App. 4th 288, 297 (2008); *Science of Skincare, LLC*, 2009 WL 2050042, at \*5 (granting summary judgment on trade secret misappropriation claim where plaintiff failed to identify damages resulting from alleged misappropriation).
  27. *Judicial Council of California Civil Jury Instructions* (2014) No. 4400 (comments).
  28. *See, e.g., Gibson-Homans Co. v. Wall-Tite, Inc.*, No. 90-01855, 1992 WL 512411, at \*4 (C.D. Cal. Oct. 27, 1992) ("Since defendants have not used the formulas or otherwise impaired their commercial benefit to plaintiff, no misappropriation has occurred.").

29. Cal. Civ. Code § 3426.3(a).
30. *Judicial Council of California Civil Jury Instructions* (2014) No. 4410; Cal. Civ. Code § 3426.3(a).
31. Cal. Civ. Code § 3426.3(b).
32. Cal. Civ. Code § 3426.3(c).
33. See, e.g., *Sanchez-Corea v. Bank of America*, 38 Cal. 3d 892, 907 (1985) (“evidence of lost profits must be unspeculative and in order to support a lost profits award the evidence must show ‘with reasonable certainty both their occurrence and the extent thereof’”).
34. *Ajaxo Inc. v. E\*Trade Financial Corp.*, 187 Cal. App. 4th 1295, 1308 (2010) (“A defendant’s unjust enrichment is typically measured by the defendant’s profits flowing from the misappropriation. A defendant’s profits often represent profits the plaintiff would otherwise have earned.”)
35. *Id.* at 1305.
36. *Id.* (“A defendant’s unjust enrichment might be calculated based upon costs savings or increased productivity resulting from use of the secret.... Increased market share is another way to measure the benefit to the defendant.”)
37. Cal. Civ. Code § 3426.3(b); see also *Ajaxo Inc.*, 187 Cal. App. 4th at 1305 (2010).
38. See, e.g., *Farley Transp. Co., Inc. v. Santa Fe Trail Transp. Co.*, 786 F.2d 1342, 1352 (9th Cir. 1985) (“[Plaintiff] provided no evidence on the amount of damages attributable only to the unlawful conduct. [Plaintiff’s] utter failure to make any segregation between damages attributable to lawful competition and that attributable to the unlawful scheme... requires reversal of the verdict and remand for a new trial on the amount of damages.”), *superseded on other grounds by* Fed. R. Civ. P. 50(b); *Hilderman v. Enea Teksci, Inc.*, No. 05cv1049 BTM(AJB), 2010 WL 546140, at \*2 (S.D. Cal. Feb. 10, 2010) (court excluded damage expert’s testimony as inherently unreliable where he had no basis for attributing the entire value of the alleged trade secrets to the subject customer list without considering possible apportionment); *City of Vernon v. Southern California Edison Co.*, 955 F.2d 1361, 1372 (9th Cir. 1992) (noting that the plaintiff failed to offer sufficient evidence because its expert’s study “failed to segregate the losses, if any, caused by acts which were not [legal] violations from those that were”); *Estate of Vane v. The Fair, Inc.*, 849 F.2d 186, 188–190 (5th Cir. 1988) (affirming ruling that plaintiff did not establish a causal link between infringement and defendant’s profits where regression analysis was inadequate to isolate other possible causative factors); *Concord Boat Corp. v. Brunswick Corp.*, 207 F.3d 1039, 1057 (8th Cir. 2000) (rejecting expert opinion that “did not separate lawful from unlawful conduct” and reaching opinions on causation).
39. See, e.g., *Sanchez-Corea v. Bank of America*, 38 Cal. 3d 892, 907 (1985) (“evidence of lost profits must be unspeculative and in order to support a lost profits award the evidence must show ‘with reasonable certainty both their occurrence and the extent thereof’”).
40. See, e.g., *Ajaxo Inc. v. E\*Trade Financial Corp.*, 187 Cal. App. 4th 1295, 1308 (2010) (“It is settled that, in fashioning a pecuniary remedy under the CUTSA for past use of a misappropriated trade secret, the trial court may order a reasonable royalty only where ‘neither actual damages to the holder of the trade secret nor unjust enrichment to the user is provable.’ California law differs on this point from both the [uniform act] and Federal

patent law, neither of which require[s] actual damages and unjust enrichment to be unprovable before a reasonable royalty may be imposed.”).

41. See e.g., *SASCO v. Rosendin Elec., Inc.*, 207 Cal. App. 4th 837, 844–45 (2012).
42. *All-American Semiconductor, LLC v. APX Technology Corp.*, Case Nos. G046605, et al., 2013 WL 4434345 (Cal. Ct. App. Aug. 14, 2013) (unpublished).
43. See Cal. Civ. Proc. Code § 2033.420(a) (“If a party fails to admit... the truth of any matter when requested to do so [by requests for admission]... and if the party requesting that admission thereafter proves... the truth of that matter, the party requesting the admission may move the court for an order requiring the party to whom the request was directed to pay the reasonable expenses incurred in making that proof, including reasonable attorney’s fees”).

## IRREPARABLE

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ment was insufficient to establish the likelihood of irreparable harm).

34. *Herb Reed*, 736 F.3d at 1250, n.5.
35. See, e.g., *Russell Rd. Food & Bev. v. Spencer*, No. 2:12-cv-01514-LRH-GWF, 2013 U.S. Dist. LEXIS 11034, 10-12 (D. Nev. January 28, 2013) (holding that a two-month delay in filing motion for preliminary injunction in response to declaratory relief action by alleged infringer is sufficient to overcome a claim of irreparable harm to goodwill and reputation).
36. *Herb Reed*, 736 F.3d at 1249.