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9

10 UNITED STATES DISTRICT COURT  
11 CENTRAL DISTRICT OF CALIFORNIA  
12 SOUTHERN DIVISION

13 MATTEL, INC., a Delaware  
corporation,

14  
15 Plaintiff,

16 vs.

17 MGA ENTERTAINMENT, INC., a  
California corporation,

18 Defendant.  
19

20 AND CONSOLIDATED ACTIONS  
21

CASE NO. CV 04-9049 DOC (RNBx)  
Consolidated with  
Case Nos. CV 04-09059 and CV 05-  
02727

MATTEL, INC.'S OPPOSITION TO  
THE MGA PARTIES' MOTION FOR  
RECONSIDERATION OF THE  
COURT'S SUMMARY JUDGMENT  
RULING REGARDING COPYRIGHT  
PREEMPTION OF THE BRATZ  
DRAWINGS AND SCULPTS TRADE  
SECRETS OR, IN THE  
ALTERNATIVE, FOR  
CERTIFICATION OF THE  
PREEMPTION RULING FOR  
INTERLOCUTORY APPEAL

Date: TBD  
Time: TBD  
Place: Courtroom 9D

**Phase 2**  
Pre-trial Conference: January 4, 2011  
Trial Date: January 11, 2011

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1 **I. PRELIMINARY STATEMENT**

2 MGA’s motion for reconsideration re-argues this Court’s ruling on copyright  
3 preemption, without citing any new cases that cast doubt on the Court’s decision or  
4 the well established law on which it was based. The Court’s ruling was and remains  
5 the correct application of preemption law. MGA claims it can satisfy Local Rule 7-  
6 18’s requirements for reconsideration by asserting that the very order it seeks to  
7 have reconsidered is the “new law” warranting reconsideration. Motion at 1. A  
8 ruling obviously cannot qualify as its own “new law” for reconsideration purposes;  
9 that would allow reconsideration of every ruling, period. The supposed “new fact”  
10 MGA cites – the expert report of Michael Wagner – is not “new.” Mattel served  
11 this report on November 1, 2010, before MGA filed its reply brief in support of the  
12 summary judgment motion and obviously before this Court issued the ruling MGA  
13 now asks it to reconsider. In any event, the only “fact” cited by MGA – the  
14 potential monetary remedy Mattel seeks on its trade secret claim – has nothing to do  
15 with whether the Court properly applied copyright preemption principles. Lacking  
16 anything “new,” MGA’s motion merely re-hashes arguments it made on summary  
17 judgment, which is an inappropriate basis for reconsideration. The motion should  
18 be denied on that ground alone.

19 Even if there were a proper basis for reconsideration under the standards set  
20 forth in Local Rule 7-18, which there plainly is not, the Court should reaffirm its  
21 original decision and allow the trade secret claim to proceed. MGA offers no new  
22 authority that would undercut the basis for the Court’s preemption ruling. Ninth  
23 Circuit law is clear: federal copyright law does not preempt California law trade  
24 secret misappropriation claims because they require proof of the “extra element” of  
25 secrecy. That it was Bryant, and not MGA, who owed the duty of secrecy is of no  
26 import. The *claim* against MGA alleges that MGA wrongfully received and used  
27 Mattel trade secrets through Bryant and benefited from it. Not surprisingly, MGA  
28 fails to cite *any* authority holding that an express, direct contractual obligation on

1 the part of the defendant to maintain the secrecy of plaintiff’s trade secrets is a  
2 condition precedent to avoiding copyright preemption. MGA similarly cites no  
3 authority finding that trade secret claims directly conflict with federal statutes so as  
4 to be subject to principles of conflict preemption; this alternative argument should  
5 be rejected as inconsistent with principles articulated in Supreme Court authority  
6 and with Congressional intent.

7 MGA’s request for certification and a stay pending appeal is also baseless.  
8 MGA claims the issues the Court addressed are novel, but in truth the only thing that  
9 is novel is MGA’s preemption argument. MGA cites one factually distinguishable  
10 case holding a trade secret claim preempted by copyright. And certainly no court  
11 has held what MGA urges here—that every other claim that relates to the taking of  
12 information is preempted by CUTSA, and that CUTSA is then preempted by  
13 copyright, leaving copyright law as the only protection for trade secrets. There have  
14 been dozens of issues in this case raising more novel questions than this one, and  
15 neither party has sought certification precisely because, as this Court (and, recently,  
16 the Ninth Circuit) has recognized, this case should not be litigated piecemeal.

17 In response to the question posed by the Court’s February 9, 2011 Minute  
18 Order, there is no “interplay” between MGA’s motion for reconsideration and its  
19 proposed jury instruction seeking to limit trade secret monetary remedies. The  
20 preemption ruling is correct and should be reaffirmed. The question of what  
21 remedies Mattel may recover on the trade secret claim is entirely separate. As  
22 Mattel will explain in a separate brief to be filed shortly, disclosure of trade secrets  
23 by a defendant does not allow the defendant to cut-off its own monetary liability.  
24 Even disclosure by a plaintiff or a third party does not necessarily impact the extent  
25 to which a wrongdoer must return unjust profits from its trade secret  
26 misappropriation.

27 The real motivation for MGA’s motion is its assertion that permitting the  
28 trade secret claim to proceed effectively nullifies the Court’s limitations on the



1 copyright claim. Even if that were a valid concern (and Mattel strongly disputes  
2 that it is, given the distinct nature of the claims), the answer is *not* to permit  
3 reconsideration where the standards are not met, or to bar the trade secret claim  
4 under an erroneous application of copyright preemption principles. Rather, as  
5 explained in the trial brief Mattel filed yesterday, the answer is to allow the jury to  
6 consider the trade secret claim under proper instructions, including those allowing  
7 MGA to attempt to meet its burden of showing that its profits are not all attributable  
8 to its trade secret misappropriation. If, as MGA contends, it can convince the jury  
9 that its profits were attributable to its own independent contributions, it can ask the  
10 jury to award less than its full profits as unjust enrichment. But all of this is for the  
11 jury to decide. And the basis of the jury’s decision can be made clear through a  
12 properly constructed verdict form that will be subject to subsequent review by this  
13 Court and the Ninth Circuit. There is no basis to reconsider a legal ruling that was  
14 and remains completely correct under governing law.

15 The motion should be denied in its entirety.

16 **II. ARGUMENT**

17 **A. MGA Has Not Shown a Basis for Reconsideration**

18 MGA has previously recognized that “[r]econsideration of a motion is an  
19 ‘extraordinary remedy, to be used sparingly in the interests of finality and  
20 conservation of judicial resources’ and ‘should not be granted, absent highly unusual  
21 circumstances.’”<sup>1</sup> Under Local Rule 7-18, a motion for reconsideration is only  
22 proper where the moving party establishes:  
23  
24

25 <sup>1</sup> MGA Parties’ Opposition to Mattel, Inc.’s 3/19/09 Motion for an Order  
26 Compelling Production of Communications Purportedly Made in Furtherance of  
27 Crimes and Frauds and as to which MGA Has Allegedly Waived Attorney-Client  
28 Privilege, dated March 25, 2009, Dkt. 5803 at 11 n.3.

1 (1) a “material difference in fact or law from that presented to the Court  
2 before such decision that in the exercise of reasonable diligence could not have been  
3 known to the party moving for reconsideration at the time of such decision”;

4 (2) “the emergence of new material facts or a change of law occurring after  
5 the time of such decision”; or

6 (3) “a manifest showing of a failure to consider material facts presented to the  
7 Court before such decision.” Local Rule 7-18.

8 A reconsideration motion that does not meet the above requirements should  
9 be denied. See, e.g., Rojo v. Bonnheim, 2009 WL 2382420, at \*1 (C.D. Cal. July  
10 30, 2009) (denying motion for reconsideration where motion “simply reasserts the  
11 same arguments raised” and “previously rejected by the Court”); Stewart v.  
12 Wachowski, 574 F. Supp. 2d 1074, 1122 (C.D. Cal. 2005) (denying motion for  
13 reconsideration where movant did not identify a “material factual or legal difference  
14 that she could not have discovered with due diligence prior to the date the court  
15 decided the motions for summary judgment”); U.S. ex rel. Holder v. Special  
16 Devices, Inc., 296 F. Supp. 2d 1167, 1168-69 (C.D. Cal. 2003) (similar).

17 In its section entitled “New Facts and Law Warranting Reconsideration,”  
18 (Motion at 2-3), MGA contends that this Court’s summary judgment ruling itself is  
19 somehow either a new fact or new law that satisfies the requirements of Local Rule  
20 7-18. But that cannot be right. Otherwise, every court ruling would automatically  
21 create a right to reconsider, and courts would be inundated with reconsideration  
22 motions based solely on the courts’ own rejection of arguments made by the losing  
23 party. Local Rule 7-18 makes clear that “[n]o motion for reconsideration shall in  
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1 any manner repeat any oral or written argument made in support of . . . the original  
2 motion.”<sup>2</sup> Yet that is precisely what MGA has done here.<sup>3</sup>

3 The only other purported basis identified by MGA for reconsideration is Mr.  
4 Wagner’s damages analysis. Mot. at 3. But MGA does not even mention Wagner’s  
5 report in the remainder of its papers, or explain how it warrants reconsideration.  
6 More importantly, though, Mr. Wagner’s report was served not on “December 1,  
7 2010,” as MGA claims, but on November 1, 2010. See Report of Michael J.  
8 Wagner, dated November 1, 2010. This was before MGA served its summary  
9 judgment reply, and long before this Court issued its ruling.<sup>4</sup> MGA does not explain  
10 why it was precluded from presenting arguments relating to Mr. Wagner’s report  
11 before the Court ruled.

12 Beyond these two purported grounds, MGA offers nothing to satisfy  
13 reconsideration requirements. Significantly, MGA does not offer any post-ruling  
14 Ninth Circuit or other case law addressing trade secret preemption that would cast  
15 doubt on the authorities relied upon by the Court. The *Montz* case, 9th Cir. Docket  
16

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17 <sup>2</sup> See also Welch v. Sisto, 2008 WL 4455842, at \*1 (E.D. Cal. Oct. 3, 2008) (“A  
18 motion for reconsideration is not intended to be used to reiterate arguments, facts  
19 and law already presented to the court.”); Swoopes v. Doctors Med. Center, 2007  
20 WL 1518074, at \*1 (N.D. Cal. May 21, 2007) (“A motion for reconsideration is not  
21 a vehicle permitting the unsuccessful party to reiterate arguments previously  
22 presented.”); Motorola, Inc. v. J.B. Rodgers Mechanical Contractors, 215 F.R.D.  
23 581, 586 (D. Ariz. 2003) (noting that “[a]lmost all of the local rules prohibit motions  
24 for reconsideration based on arguments already presented to and rejected by the  
25 court”).

26 <sup>3</sup> Compare Reconsideration Motion with MGA’s Motion for Summary  
27 Judgment in 05-2727 Action, dated October 12, 2010 (“MSJ Mot.”), Dkt. 9084 at  
28 65-66 and MGA’s Reply in Support of Motion for Summary Judgment in 05-2727  
Action, dated November 8, 2010 (“MSJ Reply”), Dkt. 9250 at 2-3, 6-7.

<sup>4</sup> Mr. Wagner served a corrected report on November 12, but this report  
consisted primarily of cosmetic changes and calculation corrections. Mr. Wagner  
served a Rebuttal Report on December 1, 2010, but that report did not address  
Mattel’s damages, but, rather, MGA’s; it is clearly not the report to which MGA  
refers.

1 No. 08-56954, which currently is awaiting *en banc* decision following argument last  
2 December, does not involve a trade secret claim, but rather addresses whether the  
3 trial court properly applied copyright preemption principles at the pleading stage to  
4 dismiss a state law claim for breach of an implied-in-fact contract with respect to a  
5 concept for a television series. Montz v. Pilgrim Films & Television, Inc., 606 F.3d  
6 1153 (9th Cir. 2010). Moreover, the case was ordered heard *en banc* on September  
7 30, 2010, before briefing and argument on the summary judgment motions.

8 MGA’s reconsideration motion does satisfy Local Rule 7-18 and should be  
9 denied on that basis alone.

10 **B. MGA Offers No Basis to Undercut the Court’s Original Ruling**

11 Without offering any new Ninth Circuit or other arguably relevant authority,  
12 MGA essentially contends that the Court just got it wrong in its preemption ruling.  
13 But it is MGA that is mistaken here.

14 The Ninth Circuit employs a two-part test to determine whether a claim is  
15 preempted by the Copyright Act. Laws v. Sony Music Entertainment, Inc., 448 F.3d  
16 1134 (9th Cir. 2006). First, the content of the protected right must fall within the  
17 subject matter of copyright as described in 17 U.S.C. §§ 102 and 103. Id. at 1137.  
18 Second, the right asserted under state law must be “equivalent to the rights  
19 contained in 17 U.S.C. § 106, which articulates the exclusive rights of copyright  
20 holders.” Id. at 1138. A state-law claim is preempted under § 301(a) only if both  
21 conditions are satisfied. Id.

22 The “extra element” test applied in the Ninth Circuit provides that a state law  
23 claim is not preempted if it includes an extra element not involved in a federal  
24 copyright claim. See Altera Corp. v. Clear Logic, Inc., 424 F.3d 1079, 1089-90 (9th  
25 Cir. 2005) (“If a state law claim includes an ‘extra element’ that makes the right  
26 asserted qualitatively different from those protected under the Copyright Act, the  
27 state law claim is not preempted by the Copyright Act.”); X17, Inc. v. Lavandeira,  
28 563 F. Supp. 2d 1102, 1105 (C.D. Cal. 2007) (“[I]f other elements are required . . .

1 to constitute a state created cause of action, then the right does not lie ‘within the  
2 general scope of copyright,’ and there is no preemption.”).

3 It is black letter law that “[a]ctions for disclosure and exploitation of trade  
4 secrets require a status of secrecy, not required for copyright, and hence, are not  
5 preempted. This conclusion follows whether or not the material subject to the trade  
6 secret is itself copyrightable.” See generally Nimmer on Copyright, § 1.01[B][1][h]  
7 1-53. In contrast, where a state trade secret statute does not require secrecy, “the  
8 element distinguishing the state right from copyright would appear to evaporate,  
9 causing the state right thereby to be preempted.” Id. California courts uniformly  
10 have held that actions for misappropriation under the California Uniform Trade  
11 Secrets Act (“CUTSA”) have the requisite “extra element” of secrecy and are thus  
12 not preempted by copyright laws. See Firoozye v. Earthlink Network, 153 F. Supp.  
13 2d 1115, 1131 (N.D. Cal. 2001) (claim for trade secret misappropriation contains an  
14 extra element “that makes the claim qualitatively different from a copyright  
15 infringement action”); Cavalier v. Jim Henson Co., Inc., 2000 WL 33968969, \*3  
16 (C.D. Cal. Apr. 3, 2000) (claim for misappropriation of trade secrets was not  
17 preempted by the Copyright Act because “[a]ctions for disclosure and exploitation  
18 of trade secrets require a status of secrecy, not required for copyright”).

19 In its preemption ruling, the Court properly applied this framework. It ruled  
20 that Mattel’s trade secrets claim was not preempted both because it was based on  
21 property such as “the Bratz concept” that is not subject to protection under copyright  
22 law, and because the claim requires the extra element of secrecy, which is not  
23 required under copyright law. Order at 72-73. The Court’s ruling cited the relevant  
24 sections of Nimmer on Copyright, and S.O.S. and Firoozye. Id. As the Court  
25 recently noted, the Ninth Circuit’s conclusion that

26 a ‘narrower’ constructive trust may be imposed on the basis of a  
27 fact-finder’s determination that Bryant assigned his idea for the  
28 name ‘Bratz’ to Mattel . . . undercuts MGA’s argument that the

1 Copyright Act preempts claims based upon the ‘wrongful  
2 acquisition’ of an idea, because ‘wrongful acquisition’ is a  
3 prerequisite to the entry of a constructive trust.

4 Court Minutes for February 12, 2011 Informal Hearing.

5 It is not until page 13 of its motion that MGA endeavors to explain why the  
6 authority cited by the Court was not properly relied upon. When it finally does so,  
7 its only argument is that the cases involved circumstances where the defendant  
8 breached an express contract with the plaintiff to maintain the secrecy of the  
9 information at issue. Motion at 13-14.<sup>5</sup> But nothing in these cases states that an  
10 express contract between the plaintiff and the defendant is required to avoid  
11 preemption. Rather, as discussed above, the cases all support the Court’s conclusion  
12 that trade secret claims are not preempted because they require the extra element of  
13 secrecy. See e.g., Firoozye, 153 F. Supp. 2d at 1131; Cavalier, 2000 WL 33968969,  
14 \*3. Moreover, it would be illogical to allow trade secret claims against defendants  
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16 <sup>5</sup> MGA states in a footnote that the Nimmer treatise is not “controlling  
17 authority” (Motion at 14 n.7) but of course the treatise has been cited with approval  
18 on countless occasions by the Supreme Court and the Ninth Circuit, as well as by  
19 MGA itself. See, e.g., New York Times Co., Inc. v. Tasini, 533 U.S. 483, 494-95,  
20 (2001) (citing to , *inter alia*, Nimmer for proposition that absent a specific contract,  
21 a court might find that an author had tacitly transferred the entire copyright to a  
22 publisher, in turn deemed to hold the copyright in “trust” for the author’s benefit);  
23 Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340, 345 (1998) (citing to,  
24 *inter alia*, Nimmer for the proposition that Courts of Appeals have unanimously  
25 held that § 504(c) is not susceptible of an interpretation that would avoid the  
26 Seventh Amendment question); United Fabrics Intern., Inc. v. C&J Wear, Inc., ---  
27 F.3d ---, 2011 WL 222996, \*2 (9th Cir. 2011) (citing to Nimmer to support  
28 proposition that copyright claimant is presumed to own a valid copyright and the  
29 facts stated therein, including the chain of title in the source artwork, are entitled to  
30 the presumption of truth); Cosmetic Ideas, Inc. v. IAC/Interactivecorp., 606 F.3d  
31 612, 620 (9th Cir.) (citing approvingly to Nimmer as “the leading treatise on  
32 copyright”); MGA Opposition to Mattel’s Motion for Partial Summary Judgment,  
33 Dkt. 9219 at 82 (citing to Nimmer for the proposition that for a subsequent  
34 transferee to defeat prior transfers it must satisfy Section 205(c)); MGA Parties’  
35 Opposition To Mattel, Inc.’s Daubert Motion No. 5 To Exclude Testimony By  
36 Glenn V. Vilppu, Dkt. 9434 at 8 (prefacing reliance on Nimmer’s treatise by “[a]s  
37 explained by Professor Nimmer, author of the leading treatise on copyright law”).

1 who had express contracts with the plaintiff, but to preempt such claims where the  
2 defendant acquired the trade secret from a third party knowing of that party's  
3 contractual obligations to plaintiff to maintain secrecy.

4 Contrary to MGA's argument, courts routinely have held that claims for trade  
5 secret misappropriation survive copyright preemption in situations where, as here, a  
6 defendant acquires trade secrets from a third party that is under a contractual  
7 obligation to plaintiff to maintain secrecy. For example, in White House/Black  
8 Market, Inc. v. Cache Inc., Case No. 10 Civ. 5266(PGG), 2010 WL 2985232, at \*2-  
9 4 (S.D.N.Y. July 27, 2010), the district court found that plaintiff's trade secret  
10 misappropriation claim was not preempted where the claim was predicated on  
11 defendant's acquisition of plaintiff's trade secrets from plaintiff's former employees  
12 who had contractual obligations and fiduciary duties to maintain secrecy. Although  
13 no one claimed the defendant company owed a direct contractual obligation to  
14 plaintiff, that did not impact the preemption analysis. Rather, the court found that  
15 plaintiff's trade secret misappropriation claim contained the "extra element"  
16 necessary to avoid copyright preemption—namely, the improper disclosure to  
17 defendants by its former employees in breach of their written confidentiality  
18 agreements and fiduciary duties. Id. at \*4.<sup>6</sup>

19 The sole case MGA cites in support of its argument, Idema v. Dreamworks,  
20 Inc., 162 F. Supp. 2d 1129, 1194-95 (C.D. Cal. 2001), does not hold otherwise.

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21  
22 <sup>6</sup> See also Data General Corp. v. Grumman Systems Support Corp., 795 F.  
23 Supp. 501, 507 (D. Mass. 1992) (Copyright Act did not preempt plaintiff's trade  
24 secret claim where the gravamen of the claim was that defendant knowingly  
25 benefited from plaintiff's trade secret information that was wrongfully retained by  
26 plaintiff's former employees in violation of their duties of confidentiality); Gates  
27 Rubber Co. v. Bando Chemical Industries, Ltd., 9 F.3d 823, 848 (10th Cir. 1993)  
(claim for trade secret misappropriation was not preempted by copyright where the  
28 crux of plaintiff's claim was that defendant knowingly obtained plaintiff's trade  
secret information from plaintiff's former employees in violation of their  
confidentiality agreements and that defendant's subsequent use of the trade secrets  
constituted a misappropriation).

1 That case makes no mention of any supposed requirement of a “direct duty of  
2 secrecy and breach” (Motion at 9) on the part of a defendant in a trade secret case.  
3 See Idema, 162 F. Supp. 2d at 1194-95 (finding that claim under North Carolina  
4 Trade Secrets Act was preempted by copyright where the only allegation was that  
5 defendants used information in confidential materials; there were no allegations that  
6 any defendant or third party owed the owner of the materials a duty to maintain their  
7 secrecy; and there were no allegations “that the information in the materials was a  
8 ‘trade secret’ in the sense that mere *disclosure* would undermine its value” or that  
9 any defendant made such a disclosure).

10 Here, the gravamen of Mattel’s Bratz trade secret claim is that Carter Bryant  
11 misappropriated and misused Mattel property and Mattel resources for the benefit of  
12 MGA, including the concept, design and name of Bratz. Mattel has alleged that  
13 Bryant’s theft of Mattel proprietary materials was in violation of his employment  
14 agreement with Mattel, which prohibited the use or disclosure of Mattel’s  
15 proprietary information.<sup>7</sup> Mattel has also alleged that MGA received and used the  
16 stolen Bratz property and trade secrets, and that MGA’s acquisition and use of the  
17 stolen Bratz property and trade secrets from Bryant was with knowledge that Bryant  
18 had a duty to Mattel to maintain its secrecy and that he breached that duty by  
19 disclosing the Bratz trade secrets to MGA. Mattel’s Bratz trade secret  
20 misappropriation claim against MGA is predicated on MGA’s acquisition and use of  
21

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22 <sup>7</sup> MGA argues that because the Mattel contract giving rise to Bryant’s secrecy  
23 obligations was supposedly ambiguous and thus not a reasonable effort to maintain  
24 the secrecy of the Bratz trade secrets, Mattel cannot show that MGA knew or should  
25 have known that the information was disclosed, acquired, used under circumstances  
26 giving rise to a secrecy obligation on Bryant’s part. Mot. at 11-12. These  
27 contentions address the merits of Mattel’s Bratz trade secret claim not whether  
28 Mattel’s claim is preempted by the Copyright Act. See KEMA, Inc. v. Koperwhats,  
658 F. Supp. 2d 1022, 1030 n.7 (N.D. Cal. 2009) (noting that as long as a trade  
secret misappropriation plaintiff adequately alleges a trade secret, his claim is not  
preempted by copyright regardless of whether plaintiff can in fact later prove that  
the alleged trade secret meets the statutory definition of trade secrets).



1 the stolen trade secrets obtained from Bryant at a time when MGA knew or had  
2 reason to know that Bryant owed a duty to Mattel to maintain their secrecy and limit  
3 their use. See Cal. Civ. Code § 3426.1(b)(2)(B)(iii) (defining misappropriation as  
4 “[d]isclosure or use of a trade secret of another without express or implied consent  
5 by a person who” “[a]t the time of disclosure or use, knew or had reason to know  
6 that his or her knowledge of the trade secret was” “derived from or through a person  
7 who owed a duty to the person seeking relief to maintain its secrecy or limit its  
8 use”).

9 Bryant’s duty to Mattel to maintain the secrecy of the Bratz trade secrets  
10 supplies the requisite “extra element” necessary to avoid copyright preemption. See  
11 Firoozye, 153 F. Supp. 2d at 1131 (a “breach of a duty of trust or confidentiality  
12 comprises the core of actions for trade secret misappropriation, and ‘supplies the  
13 ‘extra element’ that qualitatively distinguishes such trade secret causes of action  
14 from claims for copyright infringement that are based solely upon copying.”)  
15 (citations omitted); see also DSC Communications Corp. v. Pulse Communications,  
16 Inc., 170 F.3d 1354, 1365 (Fed. Cir. 1999) (claim for trade secret misappropriation  
17 under Virginia trade secret law, which is analogous to CUTSA, was not preempted  
18 by copyright where “the additional element of misappropriation regulates conduct  
19 qualitatively different from that regulated by federal copyright law”). Contrary to  
20 MGA’s argument (Mot. at 6-7), the rights asserted by Mattel in its Bratz trade secret  
21 claim are thus qualitatively different from the rights protected by Section 106 of the  
22 Copyright Act. See Dun & Bradstreet Software Services, Inc. v. Grace Consulting,  
23 Inc. 307 F.3d 197, 218 (3d Cir. 2002) (“A state law misappropriation of trade  
24 secrets claim that requires a proof of breach of duty of trust or confidence to the  
25 plaintiff through the improper disclosure of confidential materials is qualitatively  
26 different because it is not an element of copyright infringement. The breach of duty  
27 or trust represents unfair competitive conduct ‘qualitatively different from mere  
28 unauthorized copying.’”).

1 MGA argues that even if MGA had an “indirect duty” or had made an  
2 “implied promise” to maintain the secrecy of Mattel’s trade secrets, Mattel’s  
3 misappropriation claim would nonetheless be preempted by copyright. Mot. at 10-  
4 11. But none of the cases it offers preempts a claim for trade secret  
5 misappropriation. Rather, each of the cases cited simply holds that the Copyright  
6 Act preempts state law causes of action seeking to enforce a copyright owner’s right  
7 to keep his works private where the rights sought to be enforced through the state  
8 law claims were qualitatively similar to those protected by Section 106 of the  
9 Copyright Act. See Del Madera Properties v. Rhodes and Gardner, Inc., 820 F.  
10 Supp. 2d 973, 977 (9th Cir. 1987) (misappropriation claim under the unfair  
11 competition law was preempted by copyright because “an implied promise not to  
12 use or copy materials within the subject matter of copyright is equivalent to the  
13 protection provided by section 106 of the Copyright Act”); Entous v. Viacom  
14 International, Inc., 151 F.Supp.2d 1150, 1158-60 (C.D. Cal. 2001) (Copyright Act  
15 preempted claim for breach of implied promise “that no use would be made of  
16 Plaintiff’s ideas or concepts unless first obtaining permission and a license from  
17 Plaintiff and compensating Plaintiff for the use of said ideas and concepts”); Selby  
18 v. New Line Cinema Corp., 96 F. Supp. 2d 1053, 1061-62 (C.D. Cal. 2000) (claim  
19 for breach of an implied-in-fact contract claim was preempted by copyright where  
20 defendant’s implied promise not to use plaintiff’s ideas “does not prohibit any  
21 conduct beyond that prohibited by the Copyright Act”); Ehat v. Tanner, 780 F.2d  
22 876, 877-79 (10th Cir. 1985) (misappropriation claim under the unfair competition  
23 law was preempted by copyright where the gravamen of the claim was the  
24 unauthorized reproduction and sale of non-trade secret research materials); Fischer  
25 v. Viacom International, Inc., 115 F. Supp. 2d 535, 542 (D. Md. 2000) (claim for  
26 breach of an implied-in-fact contract was preempted where the right arising from the  
27 implied promise not to use plaintiff’s ideas without paying for them was  
28 qualitatively equivalent to a right for copyright infringement). None of the above

1 cases has any bearing on the preemption analysis of a trade secret claim, which  
2 focuses on the right of the trade secret holder to require others to maintain the  
3 secrecy of the trade secrets, not an implied promise not to use or copy non-trade  
4 secret materials.

5 Equally unavailing is MGA's argument that a defendant's culpable intent or  
6 knowledge regarding an individual's confidential relationship or duties is  
7 insufficient to supply a trade secret misappropriation claim with the "extra element"  
8 necessary to avoid copyright preemption. Mot. at 11-12. As set forth above,  
9 Mattel's Bratz trade secret claim contains the requisite "extra element" of secrecy  
10 because it is predicated on MGA's acquisition and use of the Bratz trade secrets  
11 through Carter Bryant, who owed a duty to Mattel to maintain their secrecy. Again,  
12 none of the authority cited by MGA involved a claim for trade secret  
13 misappropriation, but rather other state law claims functionally equivalent to claims  
14 for copyright infringement. See, e.g., Compco Corp. v. Day-Brite Lighting, Inc. ,  
15 376 U.S. 234, 238 (1964) (stating that federal patent laws prevent a state from  
16 prohibiting the copying and selling of unpatented articles "regardless of the copier's  
17 motives" in a case having nothing to do with the "extra element" test); Aagard v.  
18 Palomar Builders, Inc., 344 F. Supp. 2d 1211, 1219 (E.D. Cal. 2004) (claim for  
19 intentional interference with prospective economic advantage was preempted by  
20 copyright where "federal copyright laws already protect the exclusive right of  
21 distribution," which was the crux of the state law claim); Worth v. Universal  
22 Pictures, Inc., 5 F. Supp. 2d 816, 822 (C.D. Cal. 1997) (claim for intentional  
23 interference with prospective economic advantage was preempted by copyright  
24 because the claim was "directly related to copyright" as "the additional element of  
25 'awareness or intent' only "alter[ed] the scope of the action but not its nature");  
26 Motown Record Corp. v. George A. Hormel & Co., 657 F. Supp. 1236, 1240 (C.D.  
27 Cal. 1987) (claim for intentional interference with prospective business advantage  
28 was preempted by copyright where the gravamen of the claim was the unauthorized

1 use of a copyrighted work; the additional elements of “awareness and intent” did not  
2 avoid this result because they simply “altere[ed] the scope of the action but not its  
3 nature”); Atrium Group de Ediciones y Publicaciones, S.L. v. Harry N. Abrams,  
4 Inc., 565 F. Supp. 2d 505, 509 (S.D.N.Y. 2008) (claims for unjust enrichment and  
5 misappropriation under the unfair competition law were preempted because they  
6 were functionally equivalent to copyright infringement claims, and defendants’  
7 alleged deception did not constitute the extra element necessary to avoid preemption  
8 because the “only ‘extra element’ that avoids preemption for a state-created cause of  
9 action is something ‘required instead of or in addition to the acts of reproduction,  
10 performance, distribution or display”).

11 Finally, MGA appears to argue that the Copyright Act preempts all trade  
12 secret misappropriation claims by virtue of the fact that the Act federalized the  
13 common law right of first publication. Mot. at 8-9. To tie the right of first  
14 publication to its preemption argument, MGA equates an unpublished copyrightable  
15 work with a “secret” work. MGA then argues that because the “concept of secret,  
16 unpublished works was expressly incorporated” into the Copyright Act, this  
17 somehow means that the secrecy element of a trade secret misappropriation claim is  
18 insufficient to differentiate it from a claim for copyright infringement. MGA’s  
19 argument is insupportable. MGA does not (and cannot) cite to a single trade secret  
20 misappropriation case in which this analysis has been applied. The right of first  
21 publication “encompasses . . . the choice whether to publish at all.” Harper & Row  
22 Publishers v. Nation Enterprises, 471 U.S. 539, 564 (1985). In other words, the  
23 decision to publish a copyrightable work or keep it secret lies within the discretion  
24 of its author. In contrast, a trade secret must remain secret in order to meet the  
25 statutory trade secret definition. The right of first publication protects against forced  
26 public disclosure of an unpublished work of authorship whereas trade secret  
27 misappropriation statutes protect the trade secret owner’s rights in the value of the  
28 trade secrets. Because these rights are qualitatively different (and as the above cases

1 hold), the Copyright Act does not preempt all trade secrets claims, contrary to  
2 MGA's urging.

3 **C. The Doctrine of Conflict Preemption Does Not Apply**

4 MGA grandly states that "the Court's ruling that mere secrecy of materials  
5 underlying a copyright claim may allow the same theory to be alleged under trade  
6 secret law is subject to 'conflict' preemption." Mot. at 15-16. Yet MGA's two-  
7 page discussion is entirely inapplicable to the real issue: whether state laws  
8 containing a breach of secrecy element are subject to conflict preemption. They are  
9 not, as Congress made clear:

10 The evolving common law rights of "privacy," "publicity," and trade  
11 secrets, and the general laws of defamation and fraud, would remain  
12 unaffected as long as the causes of action contain elements, such as an  
invasion of personal rights or a breach of trust or confidentiality, that  
are different in kind from copyright infringement.

13 Notes of Committee on the Judiciary to the Copyright Act of 1976, House Report  
14 No. 94-1476. The Ninth Circuit has noted that because CUTSA "does not involve a  
15 legal or equitable right equivalent to an exclusive right of a copyright owner under  
16 the Copyright Act, but only prohibits certain means of obtaining confidential  
17 information, *its application here would not conflict with federal copyright law.*"  
18 S.O.S., Inc. v. Payday, Inc., 886 F.2d 1081, 1090 n.13 (9th Cir. 1989) (internal  
19 citation omitted) (emphasis added). Indeed, as another Court of Appeals has  
20 assured, there is no "inherent conflict between the Federal Copyright Act and state  
21 trade secret law." Technicon Medical Information Systems Corp. v. Green Bay  
22 Packaging Inc., 687 F.2d 1032, 1038-39 (7th Cir. 1982) (owner of instruction  
23 manual who had affixed copyright seal to manual was not estopped from arguing  
24 that manual was trade secret).

25 MGA argues that trade secret laws are subject to conflict preemption because  
26 a state may not protect that which Congress intended to be free from restraint. Mot.  
27 at 16. The Supreme Court addressed this issue in Kewanee Oil Co. v. Bicron Corp.,  
28 416 U.S. 470 (1974), where it considered whether trade secret laws are subject to

1 conflict preemption based on federal patent laws. Id. at 480-81. The Supreme  
2 Court held that the “policy that matter once in the public domain must remain in the  
3 public domain is not incompatible with the existence of trade secret protection. By  
4 definition a trade secret has not been placed in the public domain.” Id. at 484. The  
5 Supreme Court thus found that trade secret laws are not subject to conflict  
6 preemption by federal patent laws. In the face of clear congressional intent (see  
7 supra Notes of Committee on the Judiciary to the Copyright Act of 1976) this  
8 holding is also applicable to conflict preemption due to federal copyright laws.<sup>8</sup>

9 Not surprisingly, MGA fails to cite *any* case for the proposition that trade  
10 secret laws are subject to the conflict preemption doctrine in a copyright setting.  
11 There is none. MGA’s authorities stand for the unremarkable proposition that  
12 federal law is supreme and preempts state statutes with which it conflicts. See Jones  
13 v. Rath Packing Co., 430 U.S. 519 (1977) (state laws on packaging and labeling  
14 were subject to conflict preemption by federal Fair Packaging and Labeling Act);  
15 Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964) (Illinois unfair  
16 competition law subjecting defendant to liability for marketing product “identical”  
17 to plaintiff’s unpatented product, in the absence of any allegations of palming off,  
18 was incompatible with federal patent law and thus preempted). Even MGA’s  
19 authorities concerning federal copyright law are entirely inapposite to the question  
20 here: whether state laws with an extra element of secrecy – as is the case with  
21 CUTSA – are preempted. See Goldstein v. California, 412 U.S. 546 (1973) (holding  
22 that states have not relinquished all power to grant to authors “the exclusive Right to  
23 their respective Writings”); Dastar Corp. v. Twentieth Century Fox Film Corp., 539  
24

25 <sup>8</sup> MGA contends that Dastar Corp., which concerns the intersection of  
26 trademark and copyright law, is more applicable to the present situation than  
27 Kewanee Oil, which deals with preemption of trade secret claims. To state this  
28 argument is to refute it: Dastar Corp. had nothing to do with the secrecy element or  
trade secret laws, and thus provides no guidance as to the issue presented here.

1 U.S. 23 (2003) (Lanham Act does not prevent unaccredited copying of  
2 uncopyrighted work); Orson, Inc. v. Miramax Film Corp., 189 F.3d 377 (3rd Cir.  
3 1999) (state law concerning manner of distribution of copyrighted material was  
4 subject to conflict preemption). There is no support for the proposition that the  
5 constitutional doctrine of conflict preemption causes the Copyright Act to preempt  
6 state trade secret laws.

7 **D. There Is No Basis for Certification**

8 MGA's request for certification (and its accompanying request for a stay  
9 pending appeal) should be denied. Section 1292(b) allows for appeals of  
10 interlocutory orders only where: (1) there is a controlling question of law; (2) as to  
11 which there is substantial ground for difference of opinion; and (3) an immediate  
12 appeal may materially advance the ultimate termination of the litigation. 28 U.S.C.  
13 § 1292(b); see Shurance v. Planning Control Int'l, Inc., 839 F.2d 1347, 1347 (9th  
14 Cir. 1988); United States v. Woodbury, 263 F.2d 784, 788 n.11 (9th Cir. 1959)  
15 (certification to "be applied sparingly" to "exceptional cases"); James v. Price Stern  
16 Sloan, Inc., 283 F.3d 1064, 1068 n.6 (9th Cir. 2002) (Section 1292 certification is  
17 granted only in "rare circumstances"); Caterpillar, Inc. v. Lewis, 519 U.S. 61, 74  
18 (1996) ("Routine resort to § 1292(b) requests would hardly comport with Congress'  
19 design to reserve interlocutory review for 'exceptional' cases . . ."). These  
20 standards are not satisfied.

21 No Controlling Question of Law. MGA has made no showing that the  
22 preemption question constitutes a controlling question of law. The Ninth Circuit has  
23 expressly rejected the view that a legal issue is "controlling if it is one the resolution  
24 of which may appreciably shorten the time, effort, or expense of conducting a  
25 lawsuit." In re Cement Antitrust Litig., 673 F.2d 1020, 1027 (9th Cir. 1982). MGA  
26 has made no showing that the preemption question of the Bratz-related trade secrets  
27 claim is so fundamental that it justifies the exceptional procedure of interlocutory  
28 appeal.

1           No Substantial Ground for Difference of Opinion. As noted, there is not  
2 substantial ground for difference of opinion. No court has ever taken MGA’s side  
3 of the argument and preempted a trade secrets misappropriation claim that is based  
4 upon breach of a duty of trust or confidence owed to the trade secret holder (the  
5 nature of Mattel’s Bratz trade secret claim) based on copyright law. Indeed, the  
6 only cases cited by the Court or the parties that have addressed copyright  
7 preemption of trade secrets claims have noted that there was *no* preemption. See,  
8 e.g., S.O.S., 886 F.2d at 1090 n.13 (California trade secret statute not preempted by  
9 Copyright Act); Firoozye, 153 F. Supp. 2d at 1130 (Copyright Act does not preempt  
10 UTSA claim because that claim “require[s] a status of secrecy, not required for  
11 copyright”) (quoting 1 Nimmer on Copyright § 1.01[B][1][h] 1-39-1-40). And the  
12 Supreme Court’s Kewanee Oil decision made apparent that trade secret laws are not  
13 subject to conflict preemption. Because every court to address these issues has  
14 resolved it in favor of Mattel’s position and this Court’s ruling, there can be no  
15 substantial ground for difference of opinion. See, e.g., Environmental Prot. Info.  
16 Ctr. v. Pacific Lumber Co., 2004 WL 838160 at \*3 (N.D. Cal. Apr. 19, 2004)  
17 (moving papers “do not show that there is a ‘substantial ground for difference of  
18 opinion *among the courts* . . . rather, that there is a difference of opinion *between*  
19 *[defendants] and this court.*”) (emphasis in original) (citing APCC Servs., Inc. v.  
20 AT&T Corp., 297 F. Supp. 2d 101, 107 (D.D.C. 2003) (“A substantial ground for  
21 dispute [] exists where a court’s challenged decision conflicts *with decisions of*  
22 *several other courts.*”) (emphasis added)).

23           **E. There Is No Interplay Between the Arguments in MGA’s Motion**  
24           **for Reconsideration and Its Jury Instruction on Trade Secret**  
25           **Remedies**

26           In its February 9, 2011 Minute Order, the Court asked the parties to “consider  
27 the interplay between the arguments in MGA’s motion and the jury instruction  
28 proposed on page 156 of Docket 9620.” The short answer is there is none.



1 Although MGA expresses concern that the Court’s preemption ruling will allow  
2 Mattel to seek significant monetary remedies on its trade secret claim, that has no  
3 bearing on whether the preemption ruling was legally correct, which as explained  
4 above it was. As Mattel will explain in a separate trial brief addressing trade secret  
5 remedies, which will include discussion of a disclosure by the plaintiff, the  
6 defendant, or a third party, disclosure itself does not necessarily limit a plaintiff’s  
7 right to recover. On the other hand, as explained in the trial brief Mattel filed  
8 yesterday, MGA may attempt to persuade the jury that its profits were attributable to  
9 factors other than its misappropriation of Mattel’s trade secrets. What is important  
10 for purposes of this opposition is not the particular standards for monetary relief  
11 under CUTSA, but rather that those standards do not bear on whether the trade  
12 secret claim is preempted by copyright law.

13 **Conclusion**

14 For the foregoing reasons, Mattel respectfully requests that the Court deny  
15 MGA’s Motion in its entirety.

16  
17 DATED: February 16, 2011

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18  
19  
20 By /s/ John B. Quinn

John B. Quinn

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