



TABLE OF CONTENTS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

	<u>Page No.</u>
I. INTRODUCTION .....	1
II. RELEVANT FACTUAL ALLEGATIONS .....	1
III. ARGUMENT.....	2
A. SunPower’s Fourth through Ninth Causes of Action Are Not Preempted by CUTSA .....	3
1. CUTSA Only Preempts Causes of Action Which Are “Based On the Same Nucleus of Facts” as the Trade Secrets Cause of Action.....	3
2. SunPower’s Fourth through Ninth Causes of Action are Supported by Different Facts than Misappropriation of its Trade Secrets.....	5
3. Defendants’ Authorities Do Not Support Their Theory of Preemption.....	6
a. Conversion.....	8
b. Trespass to Chattels .....	9
c. Breach of Confidence .....	9
d. Common Law Unfair Competition .....	10
e. Interference with Prospective Business Advantage and Statutory Unfair Competition .....	10
4. Defendants’ Other Authorities Are Not Persuasive.....	11
5. Defendants’ Policy Arguments are Unavailing .....	11
6. The Question of Preemption is Premature.....	12
B. Defendants’ Interference with SunPower’s Prospective Business Advantage.....	13
IV. CONCLUSION.....	14

TABLE OF AUTHORITIES

		<u>Page Nos.</u>
1		
2		
3		
4	<i>A &amp; M Records, Inc. v. Heilman</i> , 75 Cal. App. 3d 554 (1977) .....	8
5	<i>Accuimage Diagnostics Corp. v. TeraRecon, Inc.</i> , 260 F. Supp. 2d 941 (N.D. Cal. 2003).....	11
6		
7	<i>Adkins v. Model Laundry Co.</i> , 92 Cal. App. 575 (1928) .....	8
8		
9	<i>Ali v. Fasteners for Retail, Inc.</i> , 544 F. Supp. 2d 1064 (C.D. Cal. 2008) .....	4
10	<i>Amron Int’l Diving Supply, Inc. v. Hydrolinx Diving Comm., Inc.</i> , 2011 U.S. Dist. LEXIS 122420 (S.D. Cal. 2011).....	13
11		
12	<i>Boon Rawd Trading Int’l Co., Ltd. v. Paleewong Trading Co.</i> , 688 F. Supp. 2d 940 (N.D. Cal. 2010).....	9
13		
14	<i>Bryant v. Mattel</i> , 2010 U.S. Dist. LEXIS 103851 (C.D. Cal. August 2, 2010).....	11, 12, 13
15	<i>Cadence Design Systems, Inc. v. . Avant! Corp.</i> , 29 Cal. 4th 215 (2002).....	6, 7
16		
17	<i>Cahill v. Liberty Mut. Ins. Co.</i> , 80 F.3d 336 (9th Cir. 1996) .....	12
18		
19	<i>Callaway Golf Co. v. Dunlop Slazenger Group Americas, Inc.</i> , 295 F. Supp. 2d 430,437 (D. Del. 2003).....	13
20	<i>City Solutions Inc. v. Clear Channel Communs., Inc.</i> , 365 F.3d 835 (9th Cir. 2004) .....	10
21		
22	<i>Combined Metals of Chicago Ltd. Pship v. Airtek, Inc.</i> , 985 F. Supp. 827 (N.D. Ill. 1997).....	13
23		
24	<i>Digital Envoy, Inc. v. Google, Inc.</i> , 370 F. Supp. 2d 1025 (N.D. Cal. 2005).....	3, 11
25	<i>Dura Pharms., Inc. v. Broudo</i> , 544 U.S. 336 (2005).....	3
26		
27	<i>E-Smart Techs., Inc. v. Drizin</i> , 2009 U.S. Dist. LEXIS 272 (N.D. Cal. 2009) .....	4
28		

TABLE OF AUTHORITIES

(continued)

	<u>Page Nos.</u>
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	

*First Advantage Background Servs. Corp. v. Private Eyes, Inc.*,  
 563 F. Supp. 2d 929 (N.D. Cal. 2008) ..... 4  
*Genzyme Corp. v. Bishop*,  
 463 F. Supp. 2d 946 (W.D. Wis. 2006) ..... 13  
*Imax Corp. v. Cinema Techs.*,  
 152 F.3d 1161 (9th Cir. 1998) ..... 10  
*K.C. Multimedia, Inc. v. Bank of America Tech. & Operations, Inc.*  
 171 Cal. App. 4th 939 (2009) ..... 3, 4, 7, 12  
*Kremen v. Cohen*,  
 337 F.3d 1024 (9th Cir. 2003) ..... 8, 9, 10  
*Mattel, Inc. v. MGA Ent't, Inc.*,  
 782 F.Supp.2d 911 (C.D. Cal. 2011) ..... 11  
*Navarro v. Block*,  
 250 F.3d 729 (9th Cir. 2001) ..... 2, 3  
*Olschewski v. Hudson*,  
 87 Cal. App. 282 (1927) ..... 8, 9  
*Palm Springs-La Quinta Development Co. v. Kieberk Corp.*,  
 46 Cal. App. 2d 234 (1941) ..... 8  
*Payne v. Elliot*,  
 54 Cal. 339 (1880) ..... 8  
*PostX Corp. v. Secure Data in Motion, Inc.*,  
 2004 U.S. Dist. LEXIS 24260 (N.D. Cal. 2004) ..... 4  
*PQ Labs, Inc. v. Qi*,  
 2012 U.S. Dist. LEXIS 79354 (N.D. Cal. 2012) ..... 4  
*Silvaco Data Systems v. Intel Corp.*,  
 184 Cal. App. 4th 210 (2010) ..... passim  
*Stone Castle Fin., Inc. v. Friedman, Billings, Ramsey & Co.*,  
 191 F. Supp. 2d 652 (E.D. Va. 2002) ..... 13  
*Strayfield Ltd. v. RF Biocidics, Inc.*,  
 2012 U.S. Dist. LEXIS 6317 (E.D. Cal. 2012) ..... 10

TABLE OF AUTHORITIES

(continued)

Page Nos.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

*Tellabs, Inc. v. Makor Issues & Rights, Ltd.*,  
551 U.S. 308 (2007)..... 3

*TeraRecon, Inc. v. Fovia, Inc.*,  
2006 U.S. Dist. LEXIS 48833 (N.D. Cal. 2006) ..... 4, 8, 9

*Thompson v. Davis*,  
295 F.3d 890 (9th Cir. 2002) ..... 3, 12

*Thrifty-Tel, Inc. v. Bezenek*,  
46 Cal. App. 4th 1559 (1996) ..... 9

*TMX Funding, Inc. v. Impero Techs*,  
2010 U.S. Dist. LEXIS 60260 (N.D. Cal. 2010) ..... 4

*Usher v. Los Angeles*,  
828 F.2d 556 (9th Cir. 1987) ..... 3

OTHER AUTHORITIES

Cal. Civ. Code § 3426.7..... 3

Cal. Civ. Proc. Code § 2019.210 ..... 11

*Graves, Nonpublic Information and California Tort Law*..... 9

## I. INTRODUCTION

1  
2 Defendants' contention that the California Uniform Trade Secrets Act ("CUTSA")  
3 preempts SunPower's common law causes of action is incorrect. The CUTSA only preempts  
4 causes of action that are based on the same nucleus of fact. SunPower has not based its  
5 common law claims upon the misappropriation of its trade secret; rather, SunPower expressly  
6 excluded trade secrets from those causes of action.

7 Defendants avoid this glaring flaw in their preemption contention by asking this Court  
8 to radically extend CUTSA preemption further than authorities allow, such that it would  
9 include all forms of intangible property—even valuable intangible property which is not a  
10 trade secret. Defendants arrive at their proposition by incorrectly arguing that California fails  
11 to recognize a property right in non-trade secret intangible information. That is simply not  
12 true; California courts routinely recognize protectable property rights in intangible non-trade  
13 secret information and protect such property rights through common law tort causes of action.  
14 Defendants are asking this Court to create a scheme whereby competitors may freely steal  
15 and exploit the labors of another for their own personal gain. Indeed, Defendants stole tens of  
16 thousands of SunPower's files in order to jump-start their commercial solar business and now  
17 freely admit to the theft. Fortunately, California law does not allow Defendants' to avoid  
18 liability by hiding behind CUTSA's preemption doctrine. Accordingly, this Court should  
19 deny Defendants' motion in its entirety.

## 20 II. RELEVANT FACTUAL ALLEGATIONS

21 SunPower is a leading manufacturer and distributor of high-efficiency solar panels  
22 and other related equipment. Complaint [Doc. No. 1], ¶ 12. SolarCity is a competing  
23 distributor of solar panels and other related equipment. *Id.* at ¶ 13. Defendants Tom Leyden,  
24 Matt Giannini, Dan Leary, Felix Aguayo, and Alice Cathcart (the "Individual Defendants")  
25 were employed by SunPower in sales positions for years before being recruited by SolarCity.  
26 *Id.* at ¶¶ 14-19. Each of the Individual Defendants signed agreements at SunPower agreeing  
27 not to disclose "confidential or proprietary information" to third parties and to return such  
28 information to SunPower upon ending their employment. ¶¶ 20-27.

1 The Individual Defendants did not abide by these agreements. Forensic evidence  
2 revealed that the Individual Defendants connected USB devices and stole massive amounts of  
3 SunPower information shortly before leaving SunPower. *Id.* at ¶¶ 34-48. The information  
4 included contact information, sales histories, potential new sales, status, market and business  
5 analysis, and other highly confidential information. *Id.* at ¶ 30. After leaving SunPower,  
6 Defendant Aguayo continued to steal SunPower information by exploiting a computer glitch  
7 to access his SunPower email and forward customer information, price lists, and market  
8 reports to himself. *Id.* at ¶ 32. Defendants do not dispute that they stole this information.  
9 Joint Case Management Statement [Doc. No. 046] (“CMC Statement”) at 3. (“Defendants  
10 agree that it is not in dispute that one, or more, of the Individual Defendants retained a  
11 substantial amount of SunPower information following termination of their respective  
12 employment relationships at SunPower.”)

13 The stolen information falls into two categories: confidential trade secret information  
14 and non-trade secret proprietary information. SunPower seeks to protect the trade secret  
15 information through its cause of action for Misappropriation of Trade Secrets under the  
16 CUTSA. Complaint [Doc. No. 1], ¶¶ 63-72. SunPower’s causes of action for Breach of  
17 Confidence, Conversion, Trespass to Chattels, Interference with Prospective Business  
18 Advantage, Common Law Unfair Competition, and Statutory Unfair Competition explicitly  
19 exclude trade-secret information. *Id.* at ¶¶ 118-155; *See, e.g., id.* at ¶ 120 (expressly stating  
20 that the cause of action is based upon the theft of “non-trade secret proprietary information.”)  
21 This valuable non-trade secret information that Defendants stole includes actual quotes  
22 provided to customers, actual proposals, and copies of contracts. *Id.* at ¶¶ 34, 36, 41, 43, 45,  
23 48-51. Moreover, Defendants competed unfairly by using SunPower’s internal information  
24 to target and recruit specific employees to help SolarCity jump start its commercial solar  
25 business. *Id.* at ¶¶ 37 and 38.

### 26 **III. ARGUMENT**

27 A motion to dismiss under Rule 12(b)(6) tests the sufficiency of the pleading.  
28 *Navarro v. Block*, 250 F.3d 729, 732 (9th Cir. 2001). The pleading must give the defendant

1 “fair notice of what the plaintiff’s claim is and the grounds upon which it rests.” *Tellabs,*  
2 *Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 319 (2007) (quoting *Dura Pharms., Inc. v.*  
3 *Broudo*, 544 U.S. 336, 346-347 (2005)). “[T]he issue is not whether the plaintiff will  
4 ultimately prevail, but whether [the plaintiff] is entitled to offer evidence to support [the  
5 plaintiff’s] claim.” *Usher v. Los Angeles*, 828 F.2d 556, 561 (9th Cir. 1987). In reviewing a  
6 Rule 12(b)(6) motion, a court must take all allegations of fact as true and must construe all  
7 inferences from them in the light most favorable to the nonmoving party. *Thompson v. Davis*,  
8 295 F.3d 890, 895 (9th Cir. 2002).

9 **A. SunPower’s Fourth through Ninth Causes of Action Are Not Preempted by**  
10 **CUTSA**

11 Defendants’ base their preemption argument on the premise that SunPower’s Fourth  
12 through Ninth causes of action are all based on the theft of trade secrets. This premise is  
13 incorrect. In fact, SunPower’s Fourth through Ninth causes of action expressly exclude trade  
14 secret information and are based on different facts. Indeed, to the extent these causes of  
15 action are based on misuse of intangible information, the complaint explicitly states that the  
16 information is “non-trade secret proprietary information.” *See id.* at ¶¶ 122, 126, 132, 142,  
17 149, and 154. Defendants are liable for numerous torts based on their extensive theft and  
18 wrongful acts.

19 **1. CUTSA Only Preempts Causes of Action Which Are “Based On the Same**  
20 **Nucleus of Facts” as the Trade Secrets Cause of Action**

21 The CUTSA explicitly states that the act does not affect “other civil remedies that are  
22 not based upon misappropriation of a trade secret.” Cal. Civ. Code § 3426.7(b)(2).  
23 California courts have consistently held that civil remedies are only “based upon  
24 misappropriation of a trade secret” if they “are ‘based on the same nucleus of facts as the  
25 misappropriation of trade secrets claim for relief.’” *K.C. Multimedia, Inc. v. Bank of America*  
26 *Tech. & Operations, Inc.* 171 Cal. App. 4th 939, 958 (2009) (quoting *Digital Envoy, Inc. v.*  
27 *Google, Inc.*, 370 F. Supp. 2d 1025, 1035 (N.D. Cal. 2005) (emphasis added); *Silvaco Data*  
28 *Systems v. Intel Corp.*, 184 Cal. App. 4th 210, 232-36 (2010) (following and reaffirming *K.C.*



1 *Multimedia*). Indeed, common law claims that rely on additional and different facts, or  
2 theories of liability than those forming the basis for the trade secret claim, are not preempted  
3 by CUTSA. *See E-Smart Techs., Inc. v. Drizin*, 2009 U.S. Dist. LEXIS 272 at \*19-20 (N.D.  
4 Cal. 2009) (“To the extent that the unfair competition and conversion claims rely upon  
5 allegations of something other than misappropriation of trade secrets, those claims cannot be  
6 preempted by the UTSA.”); *see also PostX Corp. v. Secure Data in Motion, Inc.*, 2004 U.S.  
7 Dist. LEXIS 24260 at \*13-14 (N.D. Cal. 2004) (holding that unfair competition claim was not  
8 preempted by the CUTSA because it was based on an alternative theory of liability as well as  
9 on new facts).

10 Thus, the Court in *TMX Funding, Inc. v. Impero Techs.* held several common law  
11 causes of action were not necessarily preempted, so long as the confidential information at  
12 issue was not a trade secret. The Court stated:

13 To the extent the claim is based on these trade secrets, it cannot go forward.  
14 However, [the plaintiff] may continue to pursue the [tort claim] so long as the  
15 confidential information at the foundation of the claim is not a trade secret, as  
16 that term is defined in [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.

17 *TMX Funding*, 2010 U.S. Dist. LEXIS 60260, \*13 (N.D. Cal. 2010) (quoting *First Advantage*  
18 *Background Servs. Corp. v. Private Eyes, Inc.*, 569 F. Supp. 2d 929, 942 (N.D. Cal. 2008).  
19 *See also PQ Labs, Inc. v. Qi*, 2012 U.S. Dist. LEXIS 79354, \*12 (N.D. Cal. 2012) (“If a  
20 claim is based on confidential information other than a trade secret, as that term is defined in  
21 CUTSA, it is not preempted.”)

22 Additional cases have reached the same result. A court in the Northern District found  
23 that the CUTSA did not preempt a conversion claim for “computer code, confidential  
24 information concerning its contracts with customers, business plans and product plan.”  
25 *TeraRecon, Inc. v. Fovia, Inc.*, 2006 U.S. Dist. LEXIS 48833, \*27-29 (N.D. Cal. 2006). A  
26 court in the Central District held that the CUTSA did not preempt a conversion claim for  
27 source code, cost data, and part numbers. *Ali v. Fasteners for Retail, Inc.*, 544 F. Supp. 2d  
28 1064, 1072 (C.D. Cal. 2008).

1           **2.       SunPower’s Fourth through Ninth Causes of Action are Supported by**  
2           **Different Facts than Misappropriation of its Trade Secrets**

3           Defendants’ actionable conduct extends beyond misappropriation of trade secrets.  
4           SunPower’s detailed complaint sets forth multiple and distinct factual and legal bases by  
5           which SunPower is entitled to relief for its Fourth through Ninth Causes of Action. These  
6           counts are not based on “the same nucleus of facts” as a trade secrets misappropriation claim,  
7           but rather on additional, different facts, in addition to involving different legal duties and  
8           requisite elements not implicated in a CUTSA claim.

9           For example, SunPower explicitly limited these causes of action to non-trade secret  
10          information. *See*, Complaint at ¶ 122 (Individual Defendants breached their duty of  
11          confidence by improper use of SunPower’s “non-trade secret proprietary information.”); *Id.*  
12          at ¶ 126 (Defendants converted SunPower’s “non-trade secret proprietary information”); *Id.*  
13          at ¶ 132 (Defendants committed trespass to chattels by interfering with SunPower’s  
14          ownership rights in “non-trade secret proprietary information”); *Id.* at ¶ 142 (Defendants  
15          interfered with SunPower’s economic relationship with current customers by wrongful use of  
16          SunPower’s “non-trade secret proprietary information”); *Id.* at ¶ 149 (Defendants committed  
17          common law unfair competition by stealing and misusing SunPower’s “non-trade secret  
18          proprietary information”); *Id.* at ¶ 154 (Defendants committed statutory unfair competition by  
19          stealing and misusing SunPower’s “non-trade secret proprietary information”). This non-  
20          trade secret information is separate and apart from the trade secrets that form the basis of  
21          SunPower’s CUTSA claim. Defendants stole a massive amount of information from  
22          SunPower, including computer data, spreadsheets, and SunPower documents which  
23          contained, among other things, quotes, deals, proposals, contracts, cash flow analyses,  
24          forecast analyses, market analyses, and business analyses. Complaint at ¶¶ 34-48. Some of  
25          this information, of course, is trade secret. Other information, although valuable, is not. For  
26          example, Defendants’ stole mounds of actual quotes, deals, proposals to customers, and  
27          actual contracts. *See, e.g.*, ¶¶ 34, 36, 41, 43, 45, 48-51. This information, while not trade

28          ///

1 secret, is extremely valuable and Defendants should not be permitted to profit from their theft  
2 by hiding behind CUTSA preemption.

3 SunPower's statutory unfair competition cause of action requires additional facts and  
4 legal requirements apart from the misappropriation of trade secrets. Defendants committed  
5 statutory unfair competition by "interfering with SUNPOWER's business." *Id.* at ¶¶ 154.  
6 For example, SolarCity used stolen SunPower information to target and recruit certain  
7 employees with knowledge of SunPower's most valuable customers to join SolarCity to get a  
8 head start on its commercial solar business. *Id.* at ¶¶ 37 and 38. Defendants also continue to  
9 misuse SunPower's information for the purpose of unfairly competing against SunPower and  
10 adversely to the interests of SunPower. *Id.* at ¶¶ 52 and 54.

11 SunPower's common law cause of action for interference with prospective business  
12 advantage also implicates additional facts and legal requirements. Defendants knew of  
13 SunPower's economic relationship with customers it had contracted with in the past and  
14 intentionally disrupted that relationship by targeting those customers and attempting to  
15 convert them to their own. *Id.* at ¶¶ 139 and 141.

16 Defendants' breach of confidence similarly implicates additional facts and legal  
17 requirements apart from the misappropriation of trade secrets. For example, the Individual  
18 Defendants were under a duty not to disclose SunPower's confidential information. *Id.* at ¶¶  
19 53 and 120; *see also id.* at ¶¶ 25a, 25b, 27b, and 27c (discussing contractual obligations to  
20 keep information confidential and refrain from disclosing it to third parties). The Individual  
21 Defendants breached that duty by disclosing this information to SolarCity, who knowingly  
22 accepted it. *Id.* at ¶¶ 49 and 50. Defendants should not be permitted to profit from their  
23 blatant misconduct merely because they *also* misappropriated SunPower's trade secrets.

### 24 **3. Defendants' Authorities Do Not Support Their Theory of Preemption**

25 Defendants' assertion that CUTSA preempts causes of action not based upon  
26 misappropriation of a trade secret is incorrect. Defendants rely on one California Supreme  
27 Court decision and two California Court of Appeal decisions, *Cadence Design Systems, Inc.*

28 ///

1 v. *Avant! Corp.*, 29 Cal. 4th 215 (2002), *K.C. Multimedia*, 171 Cal. App. 4th at 958, and  
2 *Silvaco*, 184 Cal. App. 4th at 232-36. These decisions do not support Defendants' argument.

3 *Cadence* merely observes that misappropriation of trade secrets before the enactment  
4 of CUTSA was actionable under a common law trade secret cause of action, whereas  
5 misappropriation of trade secrets occurring after the enactment of CUTSA would give rise to  
6 a CUTSA cause of action. *Cadence*, 29 Cal. 4th at 224. *Cadence* never addresses whether  
7 the CUTSA preempts common law causes of action that do not arise from trade secret  
8 information.

9 Neither *K.C. Multimedia* nor *Silvaco* support Defendants' contention. Both cases held  
10 that CUTSA only preempts causes of action that are "'based on the same nucleus of facts as  
11 trade secret misappropriation.'" *Silvaco*, 184 Cal. App. 4th at 232 (quoting *K.C. Multimedia*,  
12 171 Cal. App. 4th at 958). Moreover, both *K.C. Multimedia* and *Silvaco* address complaints  
13 in which the additional common law causes of action were explicitly based on the use of trade  
14 secrets.<sup>1</sup> Neither *K.C. Multimedia* nor *Silvaco* addressed causes of action that were expressly  
15 based on non-trade secret information, as in SunPower's Complaint. In fact, the holding in  
16 *Silvaco* is consistent with the rule that CUTSA only preempts common law claims based on  
17 the same nucleus of facts. *Silvaco* expressly held:

18 if the only arguable property identified in the complaint is a trade secret, and  
19 the only basis for any property right is trade secrets law, then a conversion  
20 claim predicated on the theft of that property is unquestionably 'based upon  
misappropriation of a trade secret' (§ 3426.7, subd. (b)) and the conversion  
claim is preempted.

21 ///

22 \_\_\_\_\_  
23 <sup>1</sup> The complaint in *K.C. Multimedia* stated, *inter alia*, "Tam breached his duty of  
24 confidence to plaintiff by disclosing trade secrets," plaintiff's "contractual relationship with  
25 Tam was disrupted and breached because Tam misappropriated KCM's wireless proxy trade  
26 secrets," and "Defendants have engaged in the following unlawful, unfair, oppressive, and  
27 immoral business acts and practices: [¶] a) *Misappropriation of trade secrets under Civil  
Code § 3426.1(b)*; [¶] b) *Conspiracy to misappropriate trade secrets.*" *K.C. Multimedia*, 171  
28 Cal. App. 4th at 959-62 (emphasis added). Similarly, *Silvaco* expressly stated: "all of  
*Silvaco's* claims, except its UCL claim (see pt. III., *post*), depend on Intel's supposed use, in  
*Silvaco's* words, of "software . . . which embodies and uses . . . *Silvaco Trade Secrets.*"  
*Silvaco*, 184 Cal. App. 4th at 238.

1 *Silvaco*, 184 Cal. App. 4th at 238-239. Defendants' heavy reliance on footnote 22 in *Silvaco*  
2 is unavailing. As discussed below, none of SunPower's common law torts are preempted  
3 because California law clearly recognizes a property right in the intangible information at  
4 issue.

5 **a. Conversion**

6 Defendants argue that SunPower's claim for conversion is preempted because  
7 California law only recognizes "extremely limited" exceptions to the supposed general rule  
8 that conversion cannot protect intangible property. Motion at 5:10-13. Defendants cite no  
9 authority for their proposition and instead only identify examples where courts have allowed  
10 conversion of intangible property. By contrast, the Ninth Circuit held that California law  
11 broadly applies conversion to all species of property, including intangible property. *Kremen*  
12 *v. Cohen*, 337 F.3d 1024, 1031 (9th Cir. 2003) (citing *Payne v. Elliot*, 54 Cal. 339, 341  
13 (1880)).

14 Defendants attempt to rely on two 80 year-old California Court of Appeal decisions,  
15 *Olschewski v. Hudson*, 87 Cal. App. 282, 288 (1927) and *Adkins v. Model Laundry Co.*, 92  
16 Cal. App. 575, 583 (1928), as allegedly holding otherwise. However, *Kremen* rejected both  
17 decisions as anomalies that do not represent California law. The Ninth Circuit explained that  
18 *Olschewski* erred by falsely asserting that *Payne* limited conversion to intangible information  
19 that could be represented by a tangible document. *Kremen*, 337 F.3d at 1031-32 (citing  
20 *Olschewski*, 87 Cal. App. at 288). *Adkins* merely followed *Olschewski*, without considering  
21 *Payne*. See *id.* at 1032 (citing *Adkins*, 92 Cal. App. at 583). *Kremen* relied on two more  
22 recent California Court of Appeal decisions, which accurately reflect California law.  
23 *Kremen*, 337 F.3d at 1032 (citing *Palm Springs-La Quinta Development Co. v. Kieberk*  
24 *Corp.*, 46 Cal. App. 2d 234, 239 (1941) (applying conversion to customer list recorded on  
25 index cards); *A & M Records, Inc. v. Heilman*, 75 Cal. App. 3d 554, 570 (1977) (applying  
26 conversion to copies of musical recordings)).

27 Other courts have rejected arguments nearly identical to Defendants' argument.  
28 Citing *Olschewski*, the defendants in *TeraRecon* argued that conversion only applies to

1 tangible property and attempted to limit *Kremen* to applying only to intangible domain  
2 names. See *TeraRecon*, 2006 U.S. Dist. LEXIS 48833 at \*25-26. Based on *Kremen*, the  
3 Court rejected the argument and applied conversion to “computer code, confidential  
4 information concerning [] contracts with customers, business plans and product plan.” *Id.* at  
5 \*27. In *Boon Rawd Trading Int’l Co., Ltd. v. Paleewong Trading Co.*, the court noted “the  
6 clear trend that intangible property *can* be the subject of conversion.” *Boon Rawd Trading*  
7 *Int’l Co., Ltd. V. Paleewong Trading Co.*, 688 F. Supp. 2d 940, 955 (N.D. Cal. 2010)  
8 (emphasis in original).

9 **b. Trespass to Chattels**

10 Defendants’ only authorities for the proposition that non-trade secret information  
11 cannot be protected by trespass to chattels are a law review article written by Defendants’  
12 counsel and *Olschewski*. Motion at 5:19-25. This is the same argument that the Ninth Circuit  
13 rejected as failing to represent California law. See *Kremen*, 337 F.3d at 1031-1032. Indeed,  
14 trespass to chattels is routinely applied to intangible property interests. *Thrifty-Tel, Inc. v.*  
15 *Bezenek*, 46 Cal. App. 4th 1559, 1567 (1996) (applying trespass to chattels for use of an  
16 intangible telephone access code to access telephone services). Trespass to chattels exists  
17 today “as a little brother of conversion” and is appropriate “for interferences with the  
18 possession of chattels which are not sufficiently important to be classified as conversion.” *Id.*  
19 at 1566-68 (internal quotations omitted).

20 **c. Breach of Confidence**

21 Defendants only authority for their proposition that breach of confidence cannot  
22 protect intangible information is a law review article written by Defendants’ counsel. Motion  
23 at 5:26 – 6:1. In fact, the law review article identifies numerous decisions in which California  
24 courts have used breach of confidence to protect intangible information. See, e.g., Graves,  
25 *Nonpublic Information and California Tort Law*, 10 UCLA J. OF LAW & TECH. 1, note 63  
26 (2006). Defendants’ counsel’s law review article appears to advocate for a *change* in law.  
27 *Id.* at 28 (arguing breach of confidence “*should* be litigated exclusively through the UTSA.”)

28 ///

1 (emphasis added). Defendants do not cite to any authority for the proposition that breach of  
2 confidence cannot be used to protect intangible information of value.

3 **d. Common Law Unfair Competition**

4 Defendants also assert that common law unfair competition is *only* a tort claim for  
5 “palming-off” or a legacy pre-UTSA property tort. Motion at 6:2-8. The Ninth Circuit,  
6 however, has held that a Defendant commits common law unfair competition if: “(1) that  
7 [plaintiff] had invested substantial time, skill, or money in developing its property; (2) that  
8 [defendant] appropriated and used [plaintiff’s] property at little or no cost; (3) that  
9 [defendant’s] appropriation and use of [plaintiff’s] property was without the authorization or  
10 consent of [plaintiff]; and (4) that [plaintiff] could establish that it has been injured by  
11 [defendant’s] conduct.” *City Solutions Inc. v. Clear Channel Communs., Inc.*, 365 F.3d 835,  
12 842 (9th Cir. 2004). “Common law misappropriation is one of a number of doctrines  
13 subsumed under the umbrella of unfair competition. It is normally invoked in an effort to  
14 protect something of value not otherwise covered by patent or copyright law, trade secret law,  
15 breach of confidential relationship, or some other form of unfair competition.” *Id.* Thus, in  
16 *City Solutions*, the Ninth Circuit found substantial evidence to support a claim for unfair  
17 competition based on misappropriation of bidding strategy separately from an unsuccessful  
18 cause of action under the CUTSA. *Id.*; *see also Strayfield Ltd. v. RF Biocidics, Inc.*, 2012  
19 U.S. Dist. LEXIS 6317, \*3 (E.D. Cal. 2012) (*City Solutions* treated the “unfair competition  
20 claim as a claim separate and apart from trade secret claim.”); *see also Imax Corp. v. Cinema*  
21 *Techs.*, 152 F.3d 1161, 1169 (9th Cir. 1998) (“Under California law a plaintiff can maintain a  
22 common law unfair competition claim regardless of whether it demonstrates a legally  
23 protectable trade secret.”)

24 **e. Interference with Prospective Business Advantage and Statutory**  
25 **Unfair Competition**

26 Defendants do not address either of these causes of action. To the extent Defendants’  
27 rely on their argument that California law does not recognize property rights in intangible  
28 information, that assertion is incorrect. *See, e.g., Kremen*, 337 F.3d at 1031.

1           **4.       Defendants’ Other Authorities Are Not Persuasive**

2           Defendants cite several other decisions for their proposition that CUTSA can preempt  
3 causes of action based on different facts than the misappropriation of trade secrets. However,  
4 a closer examination of these cases shows that they involved common law claims based on  
5 the same nucleus of facts as the claim for misappropriation of trade secrets. The Court in  
6 *Mattel* preempted a conversion claim on summary judgment after establishing that the  
7 allegedly converted property was the same property alleged to be a trade secret. *Mattel, Inc.*  
8 *v. MGA Ent’t, Inc.*, 782 F.Supp.2d 911, 996-97 (C.D. Cal. 2011). Notably, the *Mattel* Court  
9 refused to dismiss the claims on a Rule 12 motion on preemption grounds in view of  
10 *Kremen’s* holding that “[i]ntangible property can be converted.” *See Bryant v. Mattel*, 2010  
11 U.S. Dist. LEXIS 103851 at \*74 (C.D. Cal. August 2, 2010). *Digital Envoy* and *Accuimage*  
12 are similarly unavailing. *See Digital Envoy, Inc. v. Google, Inc.*, 370 F. Supp. 2d 1025, 1035  
13 (N.D. Cal. 2005) (distinguishing itself because “Digital’s common law claims [were] based  
14 on the identical nucleus of facts as those alleged in the misappropriation claim”); *See*  
15 *Accuimage Diagnostics Corp. v. TeraRecon, Inc.*, 260 F. Supp. 2d 941, 952 (N.D. Cal. 2003)  
16 (preempting common law misappropriation claim because it was explicitly based on taking  
17 “proprietary information and trade secrets”). Thus, these authorities do not support  
18 Defendants’ contention and SunPower’s common law causes of action should not be  
19 dismissed because SunPower based its claims on different nucleus of facts, explicitly  
20 excluding trade secret information.

21           **5.       Defendants’ Policy Arguments are Unavailing**

22           Defendants present a parade of horrors—none of which apply to this case—in a  
23 desperate attempt to persuade this Court to extend CUTSA preemption to include non-trade  
24 secret information. Defendants argue that a plaintiff should not be permitted to avoid  
25 submitting a trade secret identification under Cal. Civ. Proc. Code § 2019.210 by raising  
26 causes of action based on non-trade secret information. SunPower, however, has already  
27 submitted its identification of trade secrets to Defendants. Defendants also argue that the  
28 Court would “nullify” the requirements of the CUTSA by allowing SunPower’s causes of



1 action to go forward. The Courts, however, routinely apply these causes of action to non-  
2 trade secret information. Defendants also argue that the CUTSA allows for fees for a  
3 defendant and argue that SunPower “*could* deliberately sue over non-secret information, and  
4 Defendants would have no opportunity to recover fees and costs.” Motion at 17:12-14  
5 (emphasis added). The legislatures’ choice to allow for recovery of fees for some causes of  
6 action but not others is irrelevant to the issue of preemption.

7 Defendants also attempt to invoke California’s public policy favoring employee  
8 mobility. Although the public policy certain exists, it is irrelevant to the issue of preemption.

9 **6. The Question of Preemption is Premature**

10 Defendants’ argument that preemption can apply at this early stage is inappropriate on  
11 these facts. Defendants argue that *K.C. Multimedia* and *Silvaco* allow a Court to consider  
12 preemption at the pleading stage. However, in both *K.C. Multimedia* and *Silvaco*, the  
13 information sought to be protected by the common law causes of action was indisputedly the  
14 same information sought to be protected by the trade secret claims. *K.C. Multimedia*, 171  
15 Cal. App. 4th at 959-62; *Silvaco*, 184 Cal. App. 4th at 238. Neither of these cases held that a  
16 court should consider preemption at the pleading stage where the plaintiff based its claim on  
17 different information and explicitly excluded trade secret information from the causes of  
18 action at issue.

19 In reviewing a Rule 12(b)(6) motion, a court must take all allegations of fact as true  
20 and must construe all inferences in light most favorable to the nonmoving party. *Thompson*  
21 *v. Davis*, 295 F.3d 890, 895 (9th Cir. 2002); *Cahill v. Liberty Mut. Ins. Co.*, 80 F.3d 336 (9th  
22 Cir. 1996). Thus, this Court should accept as true the Complaint’s allegation that these  
23 causes of action are based only on non-trade secret intangible information. Complaint at ¶¶  
24 122, 126, 132, 142, 149, and 154. Because California law recognizes a property right in such  
25 information, this Court should decline to reach the question of preemption until it is  
26 determined whether the stolen information fits under this definition. Other Courts facing  
27 similar allegations involving non-trade secret information refused to consider the preemption  
28 issue on the pleadings. In *Bryant*, the Court denied a motion to dismiss where the Defendant

1 claimed that the CUTSA preempted a common law tort, holding that the question of  
 2 preemption required a factual analysis comparing the allegedly stolen intangible property and  
 3 the misappropriated trade secrets. The Court held:

4 The better approach may be to determine whether the information alleged to  
 5 have converted was 'made property by some provision of positive law,'  
 6 *Silvaco*, 184 Cal. App. 4<sup>th</sup> at 239 n. 22, on grounds that are qualitatively  
 7 different from the grounds upon which trade secrets are considered property.  
 8 Resolving this question requires analysis of the facts: namely, what the  
 confidential or proprietary information is, how it was converted, and the  
 property interest alleged to have harmed as a result of that conversion. All of  
 these questions can be addressed at summary judgment and/or trial.

9 *Bryant*, 2010 U.S. Dist. LEXIS 103851 at \*74; *see also Amron Int'l Diving Supply, Inc. v.*  
 10 *Hydrolinx Diving Comm., Inc.*, 2011 U.S. Dist. LEXIS 122420, \*29 (S.D. Cal. 2011);  
 11 *Genzyme Corp. v. Bishop*, 463 F. Supp. 2d 946, 949 (W.D. Wis. 2006); *Callaway Golf Co. v.*  
 12 *Dunlop Slazenger Group Americas, Inc.*, 295 F. Supp. 2d 430,437 (D. Del. 2003); *Stone*  
 13 *Castle Fin., Inc. v. Friedman, Billings, Ramsey & Co.*, 191 F. Supp. 2d 652, 658-659 (E.D.  
 14 Va. 2002); *Combined Metals of Chicago Ltd. Pship v. Airtek, Inc.*, 985 F. Supp. 827, 830  
 15 (N.D. Ill. 1997).

16 **B. Defendants' Interference with SunPower's Prospective Business Advantage**

17 Defendants argue that they are not on notice as to which specific relationships they  
 18 have interfered with. SunPower pled that it enjoys "an economic relationship with many  
 19 customers *with which it has contracted in the past.*" Complaint at ¶ 139. Defendants cannot  
 20 argue that they do not know who these customers are because they *stole* SunPower's  
 21 customer information from salesforce.com, which contains detailed information about  
 22 customers that SunPower has contracted with in the past. *See, e.g., Id.* at ¶¶ 37 and 46. Thus,  
 23 SunPower has not alleged an "interference with the market" theory as the Defendants' have  
 24 attempted to argue. Indeed, SunPower has alleged that Defendants have interfered with a  
 25 defined category of customers. SunPower has no obligation to publicly disclose its  
 26 confidential information by alleging the customers by name in its Complaint.

27 ///

28 ///

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**IV. CONCLUSION**

As set forth above, the CUTSA simply does not preempt SunPower’s common law causes of action that expressly exclude trade secrets. Accordingly, this Court should deny Defendants’ motion in its entirety.<sup>2</sup>

Respectfully submitted,  
KNOBBE, MARTENS, OLSON & BEAR, LLP

Dated: October 11, 2012

By: /s/ Boris Zelkind  
Michael K. Friedland  
Boris Zelkind  
Adam Powell

Attorneys for Plaintiff  
SUNPOWER CORPORATION

12926516 / 031312

---

<sup>2</sup> To the extent this Court believes SunPower’s complaint is deficient in any way, SunPower respectfully requests leave to amend.