

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

FORMFACTOR, INC.,

Plaintiff,

No. C 10-3095 PJH

v.

**ORDER RE CROSS-MOTIONS FOR
SUMMARY JUDGMENT**

MICRO-PROBE, INC., et al.,

Defendants.

The parties' cross-motions for summary judgment came on for hearing before this court on May 9, 2012. Plaintiff FormFactor, Inc. appeared by its counsel William J. Robinson; defendant Micro-Probe, Inc. appeared by its counsel Richard I. Yankwich and Rajiv Dharnidharka; and defendant David Browne appeared by his counsel Deborah Sirias. Having read the parties papers and carefully considered their arguments and the relevant legal authority, and good cause appearing, the court hereby GRANTS defendants' motion and DENIES plaintiff's motion.

BACKGROUND

This is a case alleging patent infringement and state law claims of trade secret misappropriation and breach of confidence. Plaintiff FormFactor, Inc. ("FormFactor") designs, manufactures, sells, and supports high-performance "advanced wafer probe card assemblies," which are used to test semiconductor wafers before the wafers are cut up onto individual "chips."

Wafer probe card products can be one of three types – DRAM (dynamic random access memory), SoC (system on a chip) non-memory, or Flash memory. FormFactor's business is primarily focused on DRAM, with 70% of its revenue derived from DRAM-

1 related products. FormFactor also has significant business in Flash memory products
2 (approximately 15% of its revenue). A number of companies compete in the market for
3 wafer probe card products. For example, defendant Micro-Probe Incorporated ("Micro-
4 Probe") also develops, manufactures, and supports wafer probe card products. However,
5 Micro-Probe's business is focused solely on the non-memory SoC market.

6 In the present action, FormFactor asserts that Micro-Probe has been hiring current
7 and former FormFactor employees, including engineers and marketing executives, for the
8 express purpose of having them disclose FormFactor's confidential technical and marketing
9 information. Among the former FormFactor employees hired by Micro-Probe is defendant
10 David Browne ("Browne").

11 Browne joined FormFactor in 2000, eventually becoming Vice President of DRAM
12 Business Management. From 2000 until 2004, Browne managed FormFactor's account for
13 Intel. In 2004, FormFactor hired another employee, Timothy Lillie, to manage that account.
14 Mr. Lillie testified that starting around the end of 2004, he was solely responsible for
15 managing the Intel account at FormFactor, and that Browne no longer worked on it.

16 During the time he was employed at FormFactor, it was Browne's practice to work at
17 times from his home, particularly when necessary to conduct business late at night (local
18 time) with FormFactor's contacts in Asia. Colleen Cremarius, a Human Resources
19 Business Partner at FormFactor, testified in her deposition that she was not aware that
20 Browne had a home office, but that FormFactor did not have a policy that either allowed or
21 precluded employees from working at home. She stated that "[i]t's usually something that's
22 worked out with their manager if they chose to work during the day during working hours[,]"
23 and that "[i]f they chose to do that evening or early morning, they do that because it's part
24 of their job responsibility."

25 Browne testified that FormFactor provided him with home office equipment, including
26 a home docking station, a laptop computer, an external hard drive, and thumb drives. He
27 also had full remote access to FormFactor's server and to his FormFactor e-mail account
28 through a VPN (private network) connection. Browne testified that FormFactor allowed him

1 to use his personal e-mail account and personal home computer to complete tasks relating
2 to FormFactor's business, particularly when he was unable to log into the FormFactor
3 system. It was Browne's usual practice to periodically back up all his FormFactor files on
4 external drives. He testified that during his employment at FormFactor, he was permitted
5 to access and copy all the files found on his FormFactor laptop and external hard drive.

6 Ms. Cremerius testified that if a FormFactor employee was doing FormFactor work
7 from home, the employee could log onto FormFactor's data through the VPN on his/her
8 own personal computer. She was unaware of any policy prior to the date of Browne's
9 resignation from FormFactor that required employees to delete anything from their personal
10 computers which might have been there because they worked at home through the
11 FormFactor VPN. She was also unaware of any policy that precluded employees from
12 backing up FormFactor data onto thumb drives, although she did not know whether
13 FormFactor provided employees with thumb drives.

14 Finally, Ms. Cremerius testified that she was unaware of any policy that required
15 FormFactor employees to advise FormFactor if/when they began searching for employment
16 with another company, or that required employees who were considering leaving
17 FormFactor to stop accessing the FormFactor computer system or to stop working from
18 home or backing up data.

19 At some point in the fall of 2009, Browne began communicating with Micro-Probe
20 regarding the possibility of employment at that company. The last time Browne backed up
21 FormFactor files on his hard drive was on January 1, 2010, which was during the period
22 that he was negotiating with Micro-Probe regarding employment. According to FormFactor,
23 many of the files that Browne copied on January 1, 2010 contained trade secrets that are at
24 issue in this case.

25 On February 10, 2010, Micro-Probe made Brown a written offer of employment, to
26 commence on March 8, 2010. Browne provided written acceptance of the offer on
27 February 12, 2010. The written acceptance also included an agreement that he would not
28 use his former employer's proprietary or confidential information. That same day, Browne

1 gave notice of his resignation to his manager at FormFactor, and, following an exit
2 interview lasting approximately 15 to 20 minutes, was escorted off the premises. He was
3 not allowed to take any materials, even his personal belongings (which were later mailed to
4 him). He turned over his laptop computer and security badge.

5 Ms. Cremerius testified that the exit interview was conducted that same day because
6 Browne was leaving to work with a competitor. She testified that Browne's personnel file
7 did not contain an Employment Confidentiality and Invention Assignment Agreement, or
8 any non-disclosure or non-solicitation agreement, and that she was not aware of his having
9 ever signed any such agreements. (Browne himself testified that he did not recall ever
10 having signed an agreement not to use confidential information while at FormFactor, or
11 having signed a non-disclosure or non-solicitation agreement.)

12 Ms. Cremerius further testified that Browne was not asked during the exit interview
13 whether he possessed any FormFactor materials at his home, or whether there were any
14 such materials on any devices at his home, and that she did not discuss confidential
15 information with Browne during the exit interview. Indeed, there is no evidence that anyone
16 at FormFactor inquired about the status of the FormFactor files on Browne's home
17 computer system, or requested that he return any such materials at the time he was
18 leaving the company. Two weeks after Browne left FormFactor, the company sent him a
19 letter reminding him of his obligation not to use FormFactor's confidential information at
20 Micro-Probe. The letter did not inquire about any materials Browne might have at his home
21 office.

22 On March 8, 2010, Browne commenced his employment at Micro-Probe, as Vice-
23 President of Sales and Business Development for SoC. FormFactor claims that Browne
24 was hired for "what he knew," and that he conspired with Micro-Probe to steal FormFactor's
25 confidential and proprietary information while he was employed at FormFactor, and that he
26 took that information with him when he moved to Micro-Probe.

27 On March 30, 2010, approximately six weeks after Browne left FormFactor and three
28 weeks after he started his new job at Micro-Probe, he received a letter from outside

1 counsel for FormFactor, inquiring about the status of the FormFactor files at his home. At
2 that time, he was not represented by counsel. He attempted to delete the FormFactor files
3 he had previously downloaded, and which remained on his home computer. He then
4 retained counsel, and his counsel took the data storage devices with him.

5 Both Micro-Probe and FormFactor hired computer forensics examiners to image the
6 drives. On May 12, 2010, counsel provided the home computer, external hard drive, and
7 thumb drives to FormFactor's independent forensic analyst for imaging. Browne's counsel
8 subsequently turned over all the FormFactor data storage devices previously in Browne's
9 possession to another forensic computer consultant, James Vaughan, for forensic imaging.
10 After FormFactor served its March 23, 2012 trade secret List, Vaughan compared the file
11 names on the List with the file names on the data storage devices, and established that
12 Browne had never emailed any file on the List to anyone at Micro-Probe, and that no
13 document on the current List resides on any Micro-Probe server or data storage device.

14 The only exception is a "scorecard" – a generic type of spreadsheet that many
15 companies in the semiconductor industry use to "score" competitors – that appears on a
16 FormFactor thumbdrive was brought to Micro-Probe by Browne. The concept of using a
17 scorecard did not originate at FormFactor, and there is no evidence that Browne learned to
18 use scorecards at FormFactor or indeed that he had used scorecards in his previous
19 employment. The particular scorecard at issue was a template DRAM summary of probe
20 card industry companies as of 2008. However, there is no evidence that Micro-Probe has
21 ever used the scorecard, or that it even contained any information that could have assisted
22 Micro-Probe, much less that any use caused damage to FormFactor.

23 The case was originally filed in July 2010. In February 2011, FormFactor filed the
24 second amended complaint ("SAC"), alleging ten causes of action – seven claims for patent
25 infringement asserted against Micro-Probe; and state law claims for trade secret
26 misappropriation and conspiracy to misappropriate trade secrets, against Micro-Probe and
27 Browne; breach of confidence, against Browne, and conspiracy to breach confidence,
28 against Micro-Probe and Browne; and unfair competition under California Business &

1 Professions Code § 17200, against Micro-Probe.

2 On April 28, 2011, the court bifurcated the patent claims and the state law claims.
3 The state law claims are to be resolved in Phase 1 of the case, and the patent claims are to
4 be resolved in Phase 2. Each side now seeks summary judgment as to the three state-law
5 claims.

6 DISCUSSION

7 A. Legal Standard

8 A party may move for summary judgment on a “claim or defense” or “part of . . . a
9 claim or defense.” Fed. R. Civ. P. 56(a). Summary judgment is appropriate when there is
10 no genuine dispute as to any material fact and the moving party is entitled to judgment as a
11 matter of law. Id.

12 A party seeking summary judgment bears the initial burden of informing the court of
13 the basis for its motion, and of identifying those portions of the pleadings and discovery
14 responses that demonstrate the absence of a genuine issue of material fact. Celotex Corp.
15 v. Catrett, 477 U.S. 317, 323 (1986). Material facts are those that might affect the outcome
16 of the case. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). A dispute as to a
17 material fact is “genuine” if there is sufficient evidence for a reasonable jury to return a
18 verdict for the nonmoving party. Id.

19 Where the moving party will have the burden of proof at trial, it must affirmatively
20 demonstrate that no reasonable trier of fact could find other than for the moving party.
21 Soremekun v. Thrifty Payless, Inc., 509 F.3d 978, 984 (9th Cir. 2007). On an issue where
22 the nonmoving party will bear the burden of proof at trial, the moving party may carry its
23 initial burden of production by submitting admissible “evidence negating an essential
24 element of the nonmoving party’s case,” or by showing, “after suitable discovery,” that the
25 “nonmoving party does not have enough evidence of an essential element of its claim or
26 defense to carry its ultimate burden of persuasion at trial.” Nissan Fire & Marine Ins. Co.,
27 Ltd. v. Fritz Cos., Inc., 210 F.3d 1099, 1105-06 (9th Cir. 2000); see also Celotex, 477 U.S.
28 at 324-25 (moving party can prevail merely by pointing out to the district court that there is

an absence of evidence to support the nonmoving party's case).

When the moving party has carried its burden, the nonmoving party must respond with specific facts, supported by admissible evidence, showing a genuine issue for trial. Fed. R. Civ. P. 56(c), (e). But allegedly disputed facts must be material – the existence of only “some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment.” Anderson, 477 U.S. at 247-48.

When deciding a summary judgment motion, a court must view the evidence in the light most favorable to the nonmoving party and draw all justifiable inferences in its favor. Id. at 255; Hunt v. City of Los Angeles, 638 F.3d 703, 709 (9th Cir. 2011). In adjudicating cross-motions for summary judgment, the Ninth Circuit “evaluate[s] each motion separately, giving the nonmoving party in each instance the benefit of all reasonable inferences.” ACLU of Nevada v. City of Las Vegas, 466 F.3d 784, 790-91 (9th Cir. 2006) (citations omitted).

B. The Parties' Motions

1. Trade secret misappropriation

A plaintiff asserting a trade secret misappropriation claim under the California Uniform Trade Secrets Act (“CUTSA”), Cal. Civ. Code § 3426.1, et seq., bears the burden of proving each element of the claim as to each claimed trade secret. See O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc., 399 F.Supp. 2d 1064, 1072-75 (N.D. Cal. 2005). To prevail on a misappropriation claim under the CUTSA, the plaintiff must establish that it owns a clearly identified trade secret; that the defendant acquired, disclosed, or used the plaintiff's trade secret through improper means; and that the misappropriation caused damage to the plaintiff. Sargent Fletcher, Inc. v. Able Corp., 110 Cal. App. 4th 1658, 1665 (2003), cited in KLA-Tencor Corp. v. Murphy, 717 F.Supp. 2d 895, 906 (N.D. Cal. 2010).

FormFactor contends that it has provided evidence sufficient to establish the existence of trade secrets and the fact of misappropriation, and that the court can summarily adjudicate those “issues” without reaching the elements of causation and damages. Defendants assert that FormFactor has failed to provide evidence sufficient to

1 establish any element of the claim of trade secret misappropriation.

2 a. Existence of trade secrets

3 Under the CUTSA, a “trade secret” is defined as “information, including a formula,
4 pattern, compilation, program, device, method, technique, or process” that “[d]erives
5 independent economic value, actual or potential, from not being generally known to the
6 public or to other persons who can obtain economic value from its disclosure or use.” Cal.
7 Civ. Code § 3426.1(d).

8 FormFactor argues that its trade secrets – which it claims consist of all the
9 FormFactor files or documents that Browne downloaded or backed up on his computer
10 while employed at FormFactor – meet the requirements of the CUTSA, in that they are
11 “information” and have independent “economic value,” and were the subject of reasonable
12 efforts to maintain their secrecy. Defendants assert, however, that FormFactor has failed
13 to identify its trade secrets with sufficient particularity, and has not shown that the alleged
14 trade secrets derive independent economic value from not being generally known to the
15 public, or that they are the subject of reasonable efforts to maintain their secrecy.

16 A plaintiff seeking relief for misappropriation of trade secrets “must identify the trade
17 secrets and carry the burden of showing that they exist.” MAI Sys. Corp. v. Peak
18 Computer, Inc., 991 F.2d 511, 522 (9th Cir. 1993); see also Agency Solutions.com, LLC v.
19 The TriZetto Group, Inc., 819 F.Supp. 2d 1001, 1015 (E.D. Cal. 2011) (to identify the trade
20 secret with particularity, the plaintiff must first “clearly identify what the ‘thing’ is that is
21 alleged to be a trade secret,” and second, must “be able to clearly articulate why that ‘thing’
22 belongs in the legal category of trade secret”). During the course of the litigation, the trade
23 secrets that form the basis of a claim of misappropriation must be identified “with sufficient
24 particularity to separate [the alleged trade secrets] from matters of general knowledge in
25 the trade or of special knowledge of those persons . . . skilled in the trade.” Imax Corp. v.
26 Cinema Techs., Inc., 152 F.3d 1161, 1164-65 (9th Cir. 1998); see also Cal. Civ. P. Code
27 § 2019(d) (a party alleging misappropriation of trade secrets “shall identify the trade secrets
28 with reasonable particularity”).

1 FormFactor initially provided defendants with a 635-page list of alleged trade secrets
2 (including more than 13,000 files) in spreadsheet format, on October 20, 2010. According
3 to defendants, this list included every file ever placed on Browne's home office external
4 hard drive – FormFactor documents, photographs of Browne's family, Browne's music files,
5 and various industry publications. FormFactor subsequently provided defendants with a
6 narrower list, which included more than 6,100 separate files or documents. Most recently,
7 on March 23, 2012, after being ordered to do so by the court, FormFactor provided a
8 further revised 499-page list of trade secrets ("the List") in spreadsheet format, which
9 included approximately 4,500 files.

10 None of these lists sufficiently identifies the trade secrets with particularity, in part
11 because of the very size of the lists, and in part because many of the entries consist of a
12 mere listing of names of computer files. Even Benjamin Eldridge, FormFactor's Chief
13 Technology Officer and Rule 30(b)(6) corporate designee, was unable in his deposition to
14 explain from looking at various entries on the List exactly what trade secret was being
15 claimed. Rather, he testified that for any entry on the List, he would need to look at the
16 underlying document in order to be able to explain what the trade secret information was.
17 Moreover, at the hearing on the present motions, the court attempted to elicit from
18 FormFactor's counsel a description of any specific trade secret derived from the List, but
19 was unsuccessful. See May 9, 2012 Hearing Transcript ("Tr.") at 24-27.

20 FormFactor's position, as presented by the argument of counsel at the hearing, is
21 that a plaintiff alleging trade secret misappropriation can satisfy its burden of identifying the
22 trade secrets at issue with particularity by providing a lengthy list of file names or items and
23 a declaration by a representative of the plaintiff certifying that all items on the lengthy list
24 are intended by the plaintiff to be confidential. At that point, it becomes the court's task "to
25 make a determination as to whether a given piece of confidential information constitutes a
26 trade secret." Tr. at 5. Then, if the court decides that the confidential information included
27 on the lengthy list "constitutes a trade secret, . . . the sole remedy is the Uniform Trade
28 Secret[s] Act." Id. If, however, "the matter does not qualify as a trade secret, you can

1 recover for theft under various common law theories.” Id. Put another way, “[e]ither it is a
2 trade secret and we get summary judgment on the trade secret claim or it’s not a trade
3 secret, it is merely confidential and we get summary judgment on the breach of confidence
4 claim.” Tr. at 7.

5 This proposed formulation of the standard is incomplete, however because it omits
6 the requirement that the plaintiff identify each particular trade secret (not just a file that
7 might contain a trade secret), and the requirement that the plaintiff describe the subject
8 matter of the trade secret “with sufficient particularity to separate it from matters of general
9 knowledge in the trade or of special knowledge of those persons . . . skilled in the trade.”
10 Imax, 152 F.3d at 1165; see also Agency Solutions.Com, 819 F.Supp. 2d at 1017-18.

11 Here, neither the List nor the testimony of FormFactor’s witnesses provides the requisite
12 showing to clearly identify what each individual thing is that is alleged to be a trade secret.

13 Nor has FormFactor established that any specific trade secret has independent
14 economic value. To establish independent value, a plaintiff must show that the trade secret
15 is “sufficiently valuable and secret to afford an actual or potential economic advantage over
16 others” who do not possess the information. Yield Dynamics, Inc. v. TEA Sys. Corp., 154
17 Cal. App. 4th 547, 564 (2007); see also Religious Tech. Center v. Netcom On-line
18 Commc’n Servs., Inc., 923 F.Supp. 1231, 1252-53 (N.D. Cal. 1995).

19 Here, FormFactor provides evidence of the amount it spends on research and
20 development (“R&D”), arguing that because it spends \$50 million a year on R&D (\$300
21 million since the inception of the company), its trade secrets necessarily have independent
22 economic value. However, FormFactor has not established that there is any connection
23 between the value of the alleged trade secrets at issue (the files deleted from Browne’s
24 hard drive) and the R&D spending. Nor can FormFactor establish independent economic
25 value of the “scorecard” (the only alleged trade secret that Micro-Probe has been shown to
26 have possessed), because FormFactor has not shown that this “scorecard” format is not in
27 the public domain.

28 Finally, FormFactor has not established that its alleged trade secrets have not been

1 publicly disclosed, and cannot do so. Public disclosure is “fatal to the existence of a trade
2 secret.” Apple, Inc. v. Psystar Corp., 2012 WL 10852 at *1 (N.D. Cal. Jan. 3, 2012). That
3 is, “information that is public knowledge or that is generally known in an industry cannot be
4 a trade secret.” Ruckeshaus v. Monsanto Co., 467 U.S. 986, 1002 (1984). For example,
5 information that is available to the public in the form of publications does not qualify for
6 trade secret protection. See Computer Economics, Inc. v. Gartner Group, Inc., 1999 WL
7 33178020 at *6 (S.D. Cal. Dec. 14, 1999).

8 Information is protectable as a trade secret where the owner has made “reasonable
9 efforts under the circumstances to maintain its secrecy.” Cal. Civ. Code § 3426.1(d)(2).
10 “Reasonable efforts” may include advising employees of the existence of a trade secret,
11 limiting access to the trade secrets on a “need to know basis,” requiring employees to sign
12 confidentiality agreements, and keeping secret documents sequestered under lock and
13 key. See Art of Living Foundation v. Does, 2012 WL 1565281 at *21 (N.D. Cal. May 1,
14 2012) (citing cases); see also SkinMedica, Inc. v. Histogen Inc., 2012 WL 1409560 at *12
15 (S.D. Cal. Apr. 23, 2012).

16 Here, there is no evidence that FormFactor made reasonable efforts to protect the
17 secrecy of any particular trade secret. As for any trade secrets disclosed to Browne, the
18 evidence shows that FormFactor did not enter into a written agreement with Browne to
19 protect its trade secrets, that it allowed him to retain his contact information when he left
20 FormFactor, that it allowed/authorized Browne and other employees to work from home
21 (including using personal email to conduct FormFactor business, and to back up
22 FormFactor data onto external hard drives), and that it did not request that Browne return
23 any FormFactor data when he tendered his resignation and left the company.

24 As for FormFactor’s efforts to protect its trade secrets generally, while FormFactor’s
25 Rule 30(b)(6) witness, Mr. Eldridge, testified that “[p]retty much everything we do [at
26 FormFactor] is marked “Confidential[;]” that all items marked “Confidential” at FormFactor
27 are considered to be trade secrets; and that FormFactor employees are told that materials
28 marked “Confidential” are to be considered trade secrets, he also testified that he did not

1 know whether particular items on the List that were marked “Confidential” had ever been
2 disclosed or placed in the public domain.

3 Moreover, notwithstanding that the discovery magistrate ordered FormFactor to
4 conduct an internal investigation to determine which of its listed trade secrets had never
5 been disclosed publicly, and to be prepared to testify about public disclosure for each listed
6 trade secret at the court-ordered Rule 30(b)(6) deposition, Mr. Eldridge testified in
7 response to inquiries regarding numerous entries in the List that he had in fact not
8 conducted such an internal investigation. Nor was he able to provide a specific response
9 when asked how particular “Confidential” documents were maintained at FormFactor, apart
10 from stating that “I would assume it’s kept on our servers[,]” which “are obviously not open
11 to the public” and that “[t]here’s employee training that takes place around the handling of
12 confidential information.”

13 The court discounts Mr. Eldridge’s testimony in his sworn declaration submitted in
14 support of FormFactor’s motion, to the extent that it contradicts his prior deposition
15 testimony. For example, Mr. Eldridge states in his declaration that “[having looked at the
16 List and having reviewed the hundreds of documents in preparation for my deposition, it is
17 my view that the documents on the List have not been released to the public[,]” and also
18 states that the reason he testified in his deposition that he had conducted no investigation
19 to determine whether any particular document was in the public domain was because “it
20 was not necessary” for him to make an investigation in view of his “knowledge of the
21 documents on the [L]ist and the process for releasing them.”

22 The general rule is that a party cannot create a genuine issue of fact by providing a
23 declaration that contradicts earlier deposition testimony. See Van Asdale v. International
24 Game Tech., 577 F.3d 989, 998 (9th Cir. 2009) (citing Kennedy v. Allied Mut. Ins. Co., 952
25 F.2d 262, 266 (9th Cir. 1991)). Here, Mr. Eldridge was examined at length in his deposition
26 on the subject of public disclosure, and he unambiguously and repeatedly testified that he
27 did not know whether particular documents or files on the List had been publicly disclosed,
28 and that he had not engaged in any internal investigation for the purpose of determining

1 whether any particular documents had been disclosed. Thus, Mr. Eldridge's assertion in
2 his declaration that he knew that none of the documents or files had been disclosed directly
3 contradicts his testimony at deposition that he did not know whether documents or files had
4 been disclosed, and to that extent, the declaration falls within the sham affidavit rule. See
5 Van Asdale, 577 F.3d at 998.

6 b. Misappropriation

7 The CUTSA defines "misappropriation" of a trade secret in two ways. It is the
8 "[a]cquisition of a trade secret of another who knows or has reason to know that the trade
9 secret was acquired by improper means," which may include theft, bribery,
10 misrepresentation, breach or inducement of breach of a duty to maintain secrecy, or
11 espionage through electronic or other means; or it is the "[d]isclosure or use of a trade
12 secret of another without express or implied consent" by a person who used improper
13 means to acquire knowledge of the trade secret, or who knew at the time of disclosure or
14 use that his knowledge of the trade secret was obtained through a person who had utilized
15 improper means to obtain it, or acquired it under circumstances giving rise to a duty to
16 maintain its secrecy, or who derived it from a person who owed a duty to the person
17 seeking relief to maintain its secrecy. See Cal. Civ. Code § 3426.1(a), (b). Here,
18 FormFactor alleges both improper acquisition of the files, and improper use of the
19 information.

20 FormFactor bases its claim primarily on the following: (1) the fact that Browne
21 copied FormFactor files onto his home computer, particularly during the period when he
22 was negotiating with Micro-Probe regarding the possibility of employment; (2) a statement
23 by Browne in his responses to FormFactor's Requests for Admissions that he "used"
24 information at Micro-Probe that he had learned at FormFactor (among other places), and
25 testimony by Browne that his job at Micro-Probe was "the same" as his job at FormFactor;
26 and (3) statements in Micro-Probe-created documents that FormFactor was "standing in
27 the way" of Micro-Probe's success, and had to be "displaced," and that Micro-Probe's goal
28

was to “learn as much as we can” about FormFactor and to “[a]lways win Intel.”¹

FormFactor claims that the only reasonable inference to be drawn from this evidence is that Micro-Probe wanted FormFactor’s trade secrets, and also wanted to hire Browne because of his knowledge of FormFactor’s business and confidential information. The court finds, however, that FormFactor has not established that any trade secrets were misappropriated, or, more to the point, has provided no evidence showing either improper acquisition or that defendants ever used specified trade secrets or disclosed specified trade secrets to anyone.

First, with regard to the alleged improper copying, the mere possession of trade secrets does not constitute misappropriation. Wyatt Tech. Corp. v. Malvern Instruments, Inc., 2009 WL 2365647 at *19 (C.D. Cal. July 29, 2009); Acculmage Diagnostics Corp. v. Terarecon, Inc., 260 F.Supp. 2d 941, 951 n.5 (N.D. Cal. 2003) (citing Gibson-Homans Co. v. Wall-Tite, Inc., 1992 WL 512411 (C.D. Cal. Oct. 27, 1992)). Here, the evidence shows that FormFactor provided Browne with equipment for his home office, and allowed him to work from his personal computer and through his personal email account. It is also undisputed that during the time of his employment at FormFactor, Browne was allowed to access, use, copy, and back up FormFactor data to an external hard drive. As noted above, Ms. Cremerius testified that there was no policy at FormFactor for or against employees working from home, or for or against the backing up and downloading of

¹ The court accepts FormFactor’s representations that these statements appear in the Micro-Probe documents, which were deposition exhibits in the case and which are attached as Exhibits 15-17, and 19 to the Declaration of Gina Bibby in support of FormFactor’s motion. Nevertheless, it was not possible for the court to locate the cited references to review them in context because FormFactor failed to cite to specific pages of the exhibits, which were relatively lengthy. For example, the document that supposedly contains the phrase “[a]lways win Intel” is 25 pages long, and the document that supposedly states that Micro-Probe’s business goal was to “learn as much as we can about FormFactor” is 48 pages long. It is not the court’s task to “scour the record in search of a genuine issue of triable fact,” Keenan v. Allan, 91 F.3d 1275, 1278 (9th Cir. 1996), and the court “need not examine the entire file for evidence establishing a genuine issue of fact, where the evidence is not set forth in the opposition papers with adequate references so that it could be conveniently found.” Carmen v. San Francisco Unified Sch. Dist., 237 F.3d 1026, 1031 (9th Cir. 2001). In addition, while FormFactor identifies the documents as exhibits to the Browne deposition, it does not provide citations to the corroborating pages of the deposition, or any explanation as to what the documents are.

1 FormFactor files.

2 There is no evidence that Browne and FormFactor ever entered into a written
3 employment agreement, a non-disclosure agreement, a non-compete agreement, or a non-
4 solicitation agreement. Browne did sign an agreement while at FormFactor, providing in
5 part that after his employment had terminated, he would not “claim[], construe[], or
6 present[] as property” any “work product created on the job using FormFactor information
7 or property.” However, this is not, as FormFactor asserts, an agreement that Browne
8 would not retain any FormFactor documents after terminating his employment – just that he
9 would not claim ownership of such documents. Moreover, since he was authorized to
10 download/back up files onto his personal computer, any copying of documents while he
11 was employed by FormFactor could not have been a breach of this agreement.

12 The last back-up Browne did was on January 1, 2010, at which time he was still
13 employed at FormFactor. When he resigned, and was asked to leave the same day, no
14 one inquired regarding any backed-up files he might have on his home computer. It was
15 not until over a month later that FormFactor’s counsel contacted Browne regarding the
16 backed up files. However, FormFactor provides no evidence showing any actual use or
17 disclosure of this downloaded material by either Browne or Micro-Probe.

18 The statement in Ms. Cremerius’ later-filed declaration, that had FormFactor known
19 that Browne was downloading FormFactor data at the same time that he was negotiating
20 with Micro-Probe regarding future employment, it would not have allowed Browne to copy
21 the files, is insufficient to create a triable issue with regard to whether Browne engaged in
22 improper copying, in view of the fact that Browne’s downloading of files was not
23 unauthorized, and the fact (also according to Ms. Cremerius) that employees were under
24 no obligation to advise FormFactor if/when they began searching for employment with
25 another company, or to stop accessing the FormFactor computer system or to stop working
26 from home or backing up data if they were considering leaving FormFactor.

27 As for improper use, “[e]mploying the confidential information in manufacturing,
28 production, research, or development, marketing goods that embody the trade secret, or

1 soliciting customers through the use of the trade secret” all constitute “use” under the
2 CUTSA. Agency Solutions.Com, 819 F.Supp. 2d at 1028 (citation and quotation omitted).
3 FormFactor has provided no evidence showing any improper “use” by defendants of any
4 specific trade secret included on the List. Nor has FormFactor shown that defendants ever
5 disclosed any specific trade secrets to anyone.

6 Browne admitted that he brought third-party-domain materials and his Outlook
7 contacts list to Micro-Probe, but those materials are not on FormFactor’s List of trade
8 secrets, and thus are not part of the claims at issue. The only document that Browne
9 brought to Micro-Probe that is on Form-Factor’s trade secret List is the template DRAM
10 summary of probe card industry companies as of 2008 (the “scorecard”), but there is no
11 evidence that the scorecard is a trade secret or that defendants actually used the
12 scorecard.

13 Mr. Eldridge, FormFactor’s corporate designee, testified that FormFactor had no
14 evidence of any actual use or disclosure other than Browne’s purported admission in
15 response to FormFactor’s interrogatories and requests for admission. However, the
16 referenced interrogatory responses and responses to requests for admission indicate only
17 that Browne backed up or copied FormFactor files during his employment with FormFactor
18 (which he was authorized to do). On the other hand, evidence (including forensic
19 evidence) demonstrates that Micro-Probe employees did not have access to the files listed
20 in FormFactor’s trade secret List, and that none of those files were placed on Micro-Probe’s
21 servers or data storage devices or transmitted through emails.

22 With regard to FormFactor’s assertion that improper “use” is established by
23 Browne’s response to FormFactor’s Request for Admission No. 64, the court notes that
24 RFA No. 64 asked Browne to admit that he had “used knowledge obtained from
25 FormFactor in the performance of [his] duties at Micro-Probe.” RFA No. 64 did not ask
26 about Browne’s use of any of FormFactor’s trade secrets, or even any alleged confidential
27 information. It simply asked about “knowledge obtained from FormFactor,” which is such a
28 broad and generalized subject as to be nearly meaningless. In response, Browne admitted

1 that he had “used knowledge obtained from FormFactor among others in the performance
2 of his current duties at Micro-Probe.” Because neither the question nor the response
3 referenced trade secrets, the court finds that this “admission” does not establish improper
4 use sufficient to support a claim of trade secret misappropriation.²

5 With regard to the claim that improper “use” is shown by Browne’s testimony that his
6 job at Micro-Probe was “the same” as his job at FormFactor, the court notes, as an initial
7 matter, that while counsel for FormFactor referred during Browne’s deposition to the jobs at
8 the two companies being “the same,” the court has not located any such testimony by
9 Browne. It is true that Browne agreed that many of his tasks and responsibilities (listed on
10 his resume) were the same as his tasks and responsibilities at Micro-Probe – e.g., helping
11 launch new products, implementing product strategy, helping grow market share, building a
12 team of business managers, managing a worldwide sales operation, and conducting
13 worldwide sales training. However, there is no evidence that performing any of these tasks
14 and responsibilities, which appear to be necessary components of any sales/marketing
15 manager’s job, necessarily involves the use of particular trade secrets.

16 Browne may have interacted with some of the same customers at both companies
17 regarding wafer probe card products, but the evidence shows that FormFactor is involved
18 in the market for DRAM and Flash memory products, while Micro-Probe’s involvement is
19 limited to the market for SoC products. More to the point, the evidence shows that
20 FormFactor employed Browne as VP of DRAM business management, not SoC, and not
21 for the entire probe card market, whereas at Micro-Probe, he is responsible for SoC sales,
22 a different job for a different market, and involving marketing to different customers than the
23 ones Browne marketed to when he worked at FormFactor.

24
25 ² FormFactor also asserts that when Browne was asked in his deposition whether he
26 had ever used any confidential information he learned at FormFactor to help bring in Intel or
27 any other customer at Micro-Probe, he responded, “I don’t recall,” and then indicated in
28 response to follow-up questions that he “could have.” However, FormFactor failed to provide
a citation to the relevant portions of the deposition transcript, and the court is not required to
review the 281 pages of the transcript in order to locate this testimony. And in any event, even
if accurately quoted, the testimony does not establish that defendants misappropriated
FormFactor’s trade secrets.

1 FormFactor also claims that Micro-Probe somehow persuaded Intel to shift its
2 business away from Micro-Probe, using the confidential information or trade secrets it had
3 obtained from FormFactor through Browne. However, the evidence shows that FormFactor
4 hired another employee in 2004 to take over all Intel responsibilities from Browne, and that
5 Browne was not the Intel sales manager after about 2005. In addition, the evidence also
6 shows that Micro-Probe began winning (and FormFactor began losing) Intel business in
7 2007, well before Browne's move to Micro-Probe. In 2008, Intel made a large investment in
8 Micro-Probe's parent company and owns 25% of the undiluted stock. Also in 2008,
9 FormFactor's annual revenue dropped 55% and it began conducting layoffs and executive
10 changes. In addition, Browne has no direct role at Micro-Probe with respect to Intel
11 business and the products he sells at Micro-Probe are different from those he marketed at
12 FormFactor.

13 Thus, even if some tasks and responsibilities are "the same," and Browne "solicits"
14 the same customers he previously solicited at Micro-Probe, such as Intel, the products are
15 aimed at different markets. FormFactor cannot establish through this testimony that
16 Browne improperly "used" its trade secrets.

17 In a similar vein, FormFactor asserts that Browne was hired by Micro-Probe so that
18 he could use the knowledge he obtained from FormFactor, citing to the deposition
19 testimony of Micro-Probe's CEO, Michael D. Slessor, Ph.D. In the cited testimony, Dr.
20 Slessor was asked whether it was true that eight particular Micro-Probe employees,
21 including Browne, were hired "because, in part, they worked at FormFactor." Dr. Slessor
22 responded that they were hired "[b]ecause, in part, they had probe card experience . . .
23 which certainly came when they were at FormFactor." This testimony does not support a
24 claim that Browne was hired to work at Micro-Probe because of his knowledge of
25 FormFactor's trade secrets – let alone that Browne "used" those trade secrets at
26 FormFactor.

27 Finally, with regard to the theory espoused by FormFactor's expert Dr. Annette
28 Ermshar, a clinical psychologist – that from "a neurological and physiological standpoint,

Mr. Browne cannot do anything but use [FormFactor's] information given the similarity of his job at [Micro-Probe] with his job at [FormFactor] and the length of time" – the court finds that testimony regarding Browne's memory and brain function is irrelevant to the issues in the present case, and thus unreliable under Federal Rule of Evidence 702.

Moreover, in arguing that Browne must have used the FormFactor trade secrets at Micro-Probe because his job duties at the two companies were "the same," FormFactor appears to be seeking to insert the "inevitable disclosure" doctrine into its motion without actually naming it. Under the doctrine of "inevitable disclosure," a plaintiff may prove a claim of trade secret misappropriation by demonstrating that a defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets. FLIR Sys., Inc. v. Parrish, 174 Cal. App. 4th 1270, 1277 (2009); Whyte v. Schlage Lock Co., 101 Cal. App. 4th 1443, 1458-64 (2002). However, California does not recognize the doctrine of inevitable disclosure. See FLIR, 174 Cal. App. 4th at 1279.

As for the statements in Micro-Probe-created documents that FormFactor was "standing in the way" of Micro-Probe's success, and had to be "displaced," and that Micro-Probe's goal was to "learn as much as we can" about FormFactor and to "[a]lways win Intel," the court finds that at most, such statements simply reflect the fact that these two companies are competitors, and as such, have an interest in increasing their market share, in hiring the best candidates, and in wanting to learn as much as possible about the competition. Absent some concrete evidence of actual unlawful use of FormFactor's trade secrets, none of these statements has any bearing on the resolution of the case.

c. Causation and damages

The final requirement to establish misappropriation of trade secrets is to show that the alleged misappropriation caused damage to the plaintiff. Silvaco Data Sys. v. Intel Corp., 184 Cal. App. 4th 210, 220 (2010), disapproved on other grounds by Kwikset Corp. v. Superior Court, 51 Cal. 4th 310 (2011); see also Science of Skincare, LLC v. Phytoceuticals, Inc., 2009 WL 2050042 at *5 (C.D. Cal. July 7, 2009).

FormFactor's position, as stated at the hearing, is that it need not show causation

1 and damage in order to obtain summary judgment as to liability. However, causation is
 2 plainly an element of the cause of action, and even if FormFactor had managed to establish
 3 the existence of trade secrets and improper disclosure or use, it could not prevail in the
 4 absence of a showing that it was harmed by defendants' use or disclosure of particular
 5 trade secrets. In this case, FormFactor having failed to adequately identify any trade
 6 secrets or to demonstrate misappropriation, no causal link to any alleged harm can be
 7 drawn.

8 FormFactor's corporate designee Ben Eldridge testified that because Micro-Probe is
 9 now the supplier to Intel, FormFactor has lost \$40 million a year. Nevertheless, the
 10 evidence shows that FormFactor's business with Intel began to slow three years before any
 11 of the facts underlying the trade secret claim had occurred. Moreover, Mr. Eldridge
 12 provided no concrete evidence connecting the alleged misappropriation to the loss of Intel
 13 business. Rather, he simply stated that it must have been Browne's going to Micro-Probe
 14 that caused the loss of business, "because of the experience he brought with him when he
 15 went over there." He added, "I believe [Browne's] presence there [Micro-Probe] along with
 16 the other individuals that were hired, were crucial in convincing them [Intel] to continue to
 17 pursue Micro-Probe and – ultimately drop work with FormFactor's product."

18 2. Breach of confidence and unfair business practices

19 FormFactor contends that summary judgment is appropriate as to the cause of
 20 action for breach of confidence and conspiracy to breach confidence, and as to the cause
 21 of action for unfair business practices. Defendants assert that the claims for breach of
 22 confidence and unfair business practices are preempted by the CUTSA, because they are
 23 based on the same nucleus of operative facts as the trade secret misappropriation claim.
 24 Defendants also contend that these two causes of action fail on the merits.

25 The legislative purpose behind the enactment of the CUTSA was to formulate a
 26 consistent set of rules to govern and define liability for conduct falling within its terms.
 27 See Cal. Civ. Code § 3426.8; Silvaco, 184 Cal. App. 4th at 239 n.22. Section 3426.7
 28 describes the effect of the CUTSA on other statutes or remedies, providing that "[t]his title

does not affect (1) contractual remedies, whether or not based upon misappropriation of a trade secret, (2) other civil remedies that are not based on misappropriation of a trade secret, or (3) criminal remedies, whether or not based upon the misappropriation of a trade secret.” Cal. Civ. Code § 3426.7(b).

California courts have held that this “savings clause” supersedes common law claims that are based on “the same nucleus of facts as the misappropriation of trade secrets claim for relief,” and that there is no basis for allowing common law claims to go forward simply because “they seek ‘something more’ than trade secret relief.” See K.C. Multimedia, Inc. v. Bank of America Tech. & Operations, Inc., 171 Cal. App. 4th 939, 957-58 & n.7 (2009); see also Monolithic Power Sys., Inc. v. O2 Micro Int’l Ltd., 2007 WL 801886 at *6 (N.D. Cal. Mar. 14, 2007).

That is, the CUTSA “provides the exclusive civil remedy for conduct falling within its terms, so as to supersede other civil remedies ‘based upon misappropriation of a trade secret.’” Silvaco, 184 Cal. App. 4th at 236; see also K.C. Multimedia, 171 Cal. App. 4th at 954 (the language of § 3426.7 “implicitly preempts alternative civil remedies based on trade secret misappropriation”); id. at 957-59 & n.7 (a claim cannot simply depend on a “different theory of liability” to survive the CUTSA’s preemptive effect).

There has been some dispute among courts with regard to whether the CUTSA’s savings clause applies only to claims that allege misappropriation of trade secrets, or whether it also applies to other common law claims alleging misappropriation of confidential information that does not enjoy trade secret protection. See, e.g., Bryant v. Mattel, Inc., 2010 WL 3705668 at *21-22 (C.D. Cal. Aug. 2, 2010) (and cases cited therein). However, the California Court of Appeal in Silvaco concluded that any common law claim premised on the wrongful taking of information that does not qualify as a trade secret is also superseded, unless the plaintiff can identify some law that confers property rights protecting the information. Id., 184 Cal. App. 4th at 236-40; see also Mattel, Inc. v. MGA Entm’t, Inc., 782 F.Supp. 2d 911, 985-87 (C.D. Cal. 2011) (“CUTSA supersedes claims based on the misappropriation of confidential information, whether or not that information meets the

1 statutory definition of a trade secret").³

2 Here, FormFactor asserts that both the breach of confidence claim and the unfair
3 competition claim are based on acts that Micro-Probe took to build a business that
4 competes unfairly with FormFactor's business, on Browne's having violated his duty to
5 maintain as confidential those items that do not qualify for trade secret protection, and on
6 Micro-Probe's having conspired with him to do so. According to FormFactor, these claims
7 apply to any confidential information on the List that does not qualify for trade secret
8 protection (although FormFactor does not specify the nature of the alleged confidential
9 information).

10 FormFactor also argues that these two claims are not preempted by the CUTSA
11 because the CUTSA preemption applies only to claims that are based on misappropriation
12 of trade secrets, whereas in this case, the breach of confidence claim is based on misuse
13 of FormFactor's confidential information that is not a trade secret, and the unfair
14 competition claim is based on Micro-Probe's improper inducement of FormFactor
15 employees to breach their obligations regardless of whether those employees stole trade
16 secrets.

17 Nevertheless, with regard to the breach of confidence claim, FormFactor's position
18 has consistently been that there is no distinction between the alleged trade secret
19 information and the alleged confidential information. For example, FormFactor's corporate
20 designee Ben Eldridge testified that FormFactor's "trade secret" information and its
21 "confidential" information are the same, and asserted that "[s]ince I consider our
22 confidential information to be trade secret, there would be no separate harm."

23 With regard to the unfair competition claim, FormFactor argues that in hiring Browne
24 for information he could provide, and in hiring other FormFactor employees, Micro-Probe
25 was able to acquire instant access to FormFactor's technology – information that would
26 have taken it a considerable amount of time to develop on its own. FormFactor contends

27
28 ³ Although some courts use the word "preempt," the court in Silvaco indicated that the proper term is "supersede" or "displace." Id., 184 Cal. App. 4th at 232 n.14.

1 that these actions violate § 17200, because they significantly harm or threaten competition.

2 The court finds that both claims are based on the same nucleus of operative facts as
3 the trade secret misappropriation claim. With regard to the breach of confidence claim,
4 CUTSA preempts other claims based on misappropriation of confidential information,
5 regardless of whether the information ultimately meets the statutory definition of a trade
6 secret. See Mattel, 782 F.Supp. 2d at 987-89; see also K.C. Multimedia, 171 Cal. App. 4th
7 at 960.

8 The crux of the unfair competition claim, based on the allegation that Micro-Probe
9 “hire[d] as many [FormFactor] employees as it could in order to obtain access to
10 [FormFactor] engineering, technical, financial, and marketing information,” is that Micro-
11 Probe used FormFactor’s human resources to develop and/or exploit FormFactor’s trade
12 secrets or confidential information. Thus, the unfair competition claim is inseparable from
13 the nucleus of facts underlying its trade secret claim as pled, which means it is superseded
14 by the CUTSA. See K.C. Multimedia, 171 Cal. App. 4th at 961-62.

15 As a separate basis for finding that defendants’ motion must be granted as to the
16 unfair competition claim, the court finds that any claim that Micro-Probe “poached”
17 FormFactor’s employees fails. Under Business & Professions § 16600, California public
18 policy supports employee mobility, with the goal of ensuring that California employers will
19 be able to compete effectively for the most talented and skilled employees in their
20 industries.⁴ And in any event, there is no evidence of any agreement between FormFactor
21 and Browne or FormFactor and Micro-Probe that would give rise to any contractual
22 obligation for Micro-Probe to refrain from hiring former FormFactor employees.

23
24 ⁴ The general rule in California is that covenants not to compete are void. See City of
25 Oakland v. Hassey, 163 Cal. App. 4th 1477, 1491 (2008) (citing Cal. Bus. & Prof. Code
26 § 16600). However, broad covenants not to compete are not void if they are necessary to
27 protect trade secrets. Comedy Club, Inc. v. Improv West Assocs., 553 F.3d 1277, 1290 (9th
28 Cir. 2009) (citing Whyte, 101 Cal. App. 4th at 1443). In their opposition argument, defendants
acknowledge that California courts recognize an exception to § 16600 relating to trade secrets
or proprietary information, but argue that to the extent that FormFactor is attempting to invoke
that exception, that would bring the unfair competition claim within the ambit of CUTSA
preemption.

1 Finally, with regard to the conspiracy allegations, civil conspiracy is not a separate
2 and distinct cause of action under California law. Entertainment Res. Group, Inc. v.
3 Genesis Creative Group, Inc., 122 F.3d 1211, 1228 (9th Cir. 1997). Rather, it is “a legal
4 doctrine that imposes liability on persons who, although not actually committing a tort
5 themselves, share with the immediate tortfeasors a common plan or design in its
6 perpetration.” Applied Equip. Corp. v. Litton Saudi Arabia Ltd., 7 Cal. 4th 503, 510-11
7 (1994).

8 To establish a conspiracy, the plaintiff must show the “formation and operation of the
9 conspiracy and damage resulting to plaintiff from an act or acts done in furtherance of the
10 common design.” Mox, Inc. v. Woods, 202 Cal. 675, 677 (1927). However, in the absence
11 of a viable underlying claim, FormFactor cannot establish a conspiracy. See Applied
12 Equip., 7 Cal. 4th at 511 (conspiracy “must be activated” by “commission of an actual tort”).

13 CONCLUSION

14 In accordance with the foregoing, FormFactor’s motion for summary judgment is
15 DENIED, and defendants’ motion for summary judgment is GRANTED. As the court did
16 not rely on any inadmissible evidence, the evidentiary objections are OVERRULED.

17 With regard to Phase 2 of this case, the court has scheduled a patent technology
18 tutorial for October 12, 2012, to begin at 9:00 a.m.

19
20 **IT IS SO ORDERED.**

21 Dated: June 7, 2012



22 _____
PHYLLIS J. HAMILTON
23 United States District Judge
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