

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE NORTHERN DISTRICT OF CALIFORNIA

3
4 PQ LABS, INC.,

No. C 12-0450 CW

5 Plaintiff,

ORDER GRANTING IN
PART DEFENDANTS'

6 v.

MOTIONS TO

7 YANG QI; ZAAGTECH, INC.; ANDY
8 NGUYEN; JINPENG LI; and HAIPENG
LI,

DISMISS, GRANTING
DEFENDANTS' MOTION
TO STRIKE AND
GRANTING DEFENDANT
NGUYEN'S MOTION TO
DISMISS FOR
IMPROPER VENUE

9 Defendants.

10 _____/

11
12 This case arises from Defendants' alleged misappropriation
13 of trade secrets from Plaintiff. Defendants Yang Qi, Jinpeng Li
14 and ZaagTech, Inc. move to dismiss under Federal Rule of Civil
15 Procedure 12(b)(6) and to strike under Federal Rule of Civil
16 Procedure 12(f).¹ Defendant Andy Nguyen moves separately to
17 dismiss for improper venue under Federal Rule of Civil Procedure
18 12(b)(3). Plaintiff opposes both motions. The motions were taken
19 under submission and decided on the papers. Having considered all
20 of the papers filed by the parties, the Court grants in part the
21 motion to dismiss for failure to state a claim, grants the motion
22 to strike and grants the motion to dismiss for improper venue.
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¹ Defendant Haipeng Li has not been served.

BACKGROUND

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2 The following facts are taken from Plaintiff's First Amended
3 Complaint (1AC). Plaintiff PQ Labs is a California corporation
4 with its principal place of business in San Jose, California,
5 which is engaged in the business of designing, developing,
6 manufacturing, and selling hardware and software for computer
7 touch screen products. Plaintiff "authored software and
8 registered with the United States Copyright Office the work
9 entitled PQ Labs MultiTouch System Software as Registration No.
10 TXu 1-620-335. The software embodied in this copyright
11 registration works with PQ Labs hardware circuitry and microchips
12 to produce the user interface of its touch screen products." 1AC.
13 ¶ 14.

14
15 Defendant Yang Qi worked for Plaintiff as an account manager
16 from 2009 until he was terminated in April 2010. As an account
17 manager, Qi handled the sale of products to customers and was
18 privy to information about Plaintiff's products, customers and
19 policies on the secrecy of client lists and information.

20
21 Defendant Jinpeng Li was an engineer hired to design hardware for
22 Plaintiff's touch screen products. In May 2010, Defendant Andy
23 Nguyen was hired as a sales and account manager to replace Qi.

24 Qi developed a plan to use his access to Plaintiff's
25 confidential information about customers and the hardware and
26 software design of Plaintiff's products to create a directly
27 competing business, MultiTouch Group LLC. Qi eventually
28

1 established ZaagTech in China as a direct competitor, using
2 Plaintiff's proprietary information to develop touch screen
3 products and Plaintiff's confidential customer lists to obtain
4 customers. To further his plan, Qi recruited help from Li, who
5 had designed Plaintiff's hardware products. Li had signed a
6 document for Plaintiff entitled, "Employee Rules and
7 Confidentiality Agreement," which alerted him to the
8 confidentiality of customer information, product information and
9 schematics and instructed that it be protected. While he was
10 employed by Plaintiff, Li shared confidential information with Qi.

12 When Nguyen was hired by Plaintiff to replace Qi in May 2010,
13 he signed an Employee Agreement and an Employee Confidentiality
14 Agreement. Before Nguyen left his employment with Plaintiff in
15 June 2011, he copied all accessible company files onto a personal
16 portable hard drive which he transferred to Qi, ZaagTech and Li in
17 exchange for compensation. Shortly after Nguyen left his job with
18 Plaintiff, ZaagTech began soliciting customers from Plaintiff's
19 confidential customer list.

21 Plaintiff was damaged by Defendants' improper acts and, as a
22 result, was forced to drop its prices to its customers in order to
23 compete with Defendants and ensure its viability as a business.
24 Plaintiff asserts the following causes of action:

25 (1) misappropriation of trade secrets against Qi, ZaagTech and
26 Nguyen; (2) misappropriation of trade secrets against Qi, ZaagTech
27 and Li; (3) copyright infringement against Qi, ZaagTech and Li;

1 (4) unfair competition against Qi, ZaagTech and Nguyen;
2 (5) unfair competition against Qi, ZaagTech and Li; (6) unfair
3 competition against Qi and Haipeng Li; (7) violations of
4 California Penal Code section 502 against Qi, Jinpeng Li and
5 ZaagTech; (8) unfair competition against Qi and ZaagTech;
6 (9) fraud against Qi; (10) tortious interference with contract and
7 prospective economic advantage against Qi and Haipeng Li;
8 (11) tortious interference with prospective economic advantage
9 against Qi, ZaagTech and Nguyen; (12) breach of contract against
10 Nguyen; (13) breach of fiduciary duty against Qi and Nguyen;
11 (14) breach of contract against Jinpeng Li; (15) breach of
12 fiduciary duty against Qi and Jinpeng Li; (16) conversion against
13 Qi and Haipeng Li; (17) trespass against chattels against Qi,
14 ZaagTech and Jinpeng Li; (18) violation of the computer fraud and
15 abuse act against Qi and ZaagTech; (19) civil conspiracy against
16 all Defendants; and (20) aiding and abetting against all
17 Defendants.
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20 LEGAL STANDARD

21 I. Motion to Dismiss

22 A complaint must contain a "short and plain statement of the
23 claim showing that the pleader is entitled to relief." Fed. R.
24 Civ. P. 8(a). On a motion under Rule 12(b)(6) for failure to
25 state a claim, dismissal is appropriate only when the complaint
26 does not give the defendant fair notice of a legally cognizable
27 claim and the grounds on which it rests. Bell Atl. Corp. v.
28

1 Twombly, 550 U.S. 544, 555 (2007). In considering whether the
2 complaint is sufficient to state a claim, the court will take all
3 material allegations as true and construe them in the light most
4 favorable to the plaintiff. NL Indus., Inc. v. Kaplan, 792 F.2d
5 896, 898 (9th Cir. 1986). However, this principle is inapplicable
6 to legal conclusions; "threadbare recitals of the elements of a
7 cause of action, supported by mere conclusory statements," are not
8 taken as true. Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
9 (citing Twombly, 550 U.S. at 555).

11 When granting a motion to dismiss, the court is generally
12 required to grant the plaintiff leave to amend, even if no request
13 to amend the pleading was made, unless amendment would be futile.
14 Cook, Perkiss & Liehe, Inc. v. N. Cal. Collection Serv. Inc., 911
15 F.2d 242, 246-47 (9th Cir. 1990). In determining whether
16 amendment would be futile, the court examines whether the
17 complaint could be amended to cure the defect requiring dismissal
18 "without contradicting any of the allegations of [the] original
19 complaint." Reddy v. Litton Indus., Inc., 912 F.2d 291, 296 (9th
20 Cir. 1990).

22 II. Motion to Strike

23 Pursuant to Federal Rule of Civil Procedure 12(f), the Court
24 may strike from a pleading "any redundant, immaterial, impertinent
25 or scandalous matter." Fed. R. Civ. P. 12(f). The purpose of a
26 Rule 12(f) motion is to avoid spending time and money litigating
27 spurious issues. Fantasy, Inc. v. Fogerty, 984 F.2d 1524, 1527
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1 (9th Cir. 1993), reversed on other grounds, 510 U.S. 517 (1994).
2 Motions to strike are disfavored because they are often used as
3 delaying tactics and because of the limited importance of
4 pleadings in federal practice. Bureerong v. Uvawas, 922 F. Supp.
5 1450, 1478 (C.D. Cal. 1996). They should not be granted unless it
6 is clear that the matter to be stricken could have no possible
7 bearing on the subject matter of the litigation. Colaprico v. Sun
8 Microsystems, Inc., 758 F. Supp. 1335, 1339 (N.D. Cal. 1991).

9
10 III. Motion to Dismiss for Improper Venue

11 A defendant may raise a Rule 12(b)(3) motion to dismiss for
12 improper venue in its first responsive pleading or by a separate
13 pre-answer motion. Fed. R. Civ. P. 12(b)(3). Once the defendant
14 challenges venue, the plaintiff bears the burden of establishing
15 that venue is proper. Piedmont Label Co. v. Sun Garden Packing
16 Co., 598 F.2d 491, 496 (9th Cir. 1979).

17
18 When considering a Rule 12(b)(3) motion to dismiss, the
19 pleadings need not be accepted as true, and the court "may
20 consider facts outside of the pleadings." Richards v. Lloyd's of
21 London, 135 F.3d 1289, 1292 (9th Cir. 1998). If the court
22 determines that venue is improper, it may dismiss the case, or, if
23 it is in the interest of justice, transfer it to any district in
24 which it properly could have been brought. 28 U.S.C. § 1406(a);
25 Dist. No. 1, Pac. Coast Dist. v. State of Alaska, 682 F.2d 797,
26 799 (9th Cir. 1982). The decision to transfer rests in the
27 discretion of the court. 28 U.S.C. § 1404(b); King v. Russell,

1 963 F.2d 1301, 1304 (9th Cir. 1992)(holding that the trial court
2 did not abuse its discretion under 28 U.S.C. § 1406(a) when it
3 chose to dismiss, and not transfer, the action because of improper
4 venue).

5 DISCUSSION

6 I. Motion to Dismiss

7 A. Claim 1 for Misappropriation of Trade Secrets Against Qi
8 and ZaagTech

9 In this cause of action, Plaintiff alleges that Qi and
10 ZaagTech misappropriated Plaintiff's trade secret customer
11 information by taking this information from Nguyen with knowledge
12 that he had acquired it by improper means, namely, by breaching
13 his duty as Plaintiff's employee to keep the customer lists
14 confidential.
15

16 To state a claim for misappropriation of trade secrets under
17 the California Uniform Trade Secrets Act (CUTSA), Cal. Civ. Code
18 §§ 3426 through 3426.11, the plaintiff must allege that (1) the
19 plaintiff owned a trade secret; (2) the defendant acquired,
20 disclosed, or used the plaintiff's trade secret through improper
21 means, and (3) the defendant's actions damaged the plaintiff.
22

23 Cytodyn, Inc. v. Amerimmune Pharmaceuticals, Inc., 160 Cal. App.
24 4th 288, 297 (2008). Under California Civil Code section
25 3426.1(b), misappropriation of a trade secret means

26 (1) Acquisition of a trade secret of another by a person who
27 knows or has reason to know that the trade secret was
28 acquired by improper means; or

1 (2) Disclosure or use of a trade secret of another without
2 express or implied consent by a person who:

3 (A) Used improper means to acquire knowledge of the
4 trade secret; or

5 (B) At the time of disclosure or use, knew or had reason
6 to know that his or her knowledge of the trade secret
7 was:

8 (i) Derived from or through a person who had
9 utilized improper means to acquire it;

10 (ii) Acquired under circumstances giving rise to a
11 duty to maintain its secrecy or limit its use; or

12 (iii) Derived from or through a person who owed a
13 duty to the person seeking relief to maintain its
14 secrecy or limit its use; or

15 (C) Before a material change of his or her position,
16 knew or had reason to know that it was a trade secret
17 and that knowledge of it had been acquired by accident
18 or mistake.

19 Defendants Qi and ZaagTech argue that this claim against them
20 must be dismissed because the 1AC does not allege that they knew
21 that Nguyen obtained the alleged trade secrets by improper means
22 or that the customer information provided by Nguyen belonged to
23 Plaintiff.

24 The 1AC, taken as a whole, sufficiently alleges that Qi and
25 ZaagTech knew that the customer information they received from
26 Nguyen belonged to Plaintiff and that he obtained it through
27 improper means.

28 B. Claims 4, 5, 11 and 13 Preempted by CUTSA

Defendants Qi, ZaagTech and Li argue that Plaintiff's claims
against them for unfair competition, tortious interference with

1 prospective economic advantage and breach of fiduciary duty are
2 preempted by CUTSA because they are based on the same nucleus of
3 facts as Plaintiff's claims for trade secret misappropriation.
4 Plaintiff responds that these claims are not preempted because
5 claims 11 and 13 are based on the additional factual element of
6 breach of contract by Nguyen and claims 4 and 5 are based on the
7 misappropriation of proprietary information in addition to trade
8 secrets.

9
10 "CUTSA preempts common law claims that are based on
11 misappropriation of a trade secret." Ali v. Fasteners for Retail,
12 Inc., 544 F. Supp. 2d 1064, 1070 (E.D. Cal. 2008). However, CUTSA
13 exempts certain claims from the scope of its pre-emption: it "does
14 not affect (1) contractual remedies, whether or not based upon
15 misappropriation of a trade secret, (2) other civil remedies that
16 are not based upon misappropriation of a trade secret, or
17 (3) criminal remedies, whether or not based upon misappropriation
18 of a trade secret." Cal. Civ. Code § 3426.7(b). CUTSA defines a
19 trade secret as
20

21 Information, including a formula, pattern, compilation,
22 program, device, method, technique, or process, that:

23 (1) Derives independent economic value, actual or potential,
24 from not being generally known to the public or to other
25 persons who can obtain economic value from its disclosure or
26 use; and

26 (2) Is the subject of efforts that are reasonable under the
27 circumstances to maintain its secrecy.

27 Cal. Civ. Code § 3426.1(d).
28

1 "Courts have held that where a claim is based on the
2 'identical nucleus' of facts as a trade secrets misappropriation
3 claim, it is preempted by [C]UTSA." Silicon Image, Inc. v.
4 Analogix Semiconductor, Inc., 2007 WL 1455903, at *9 (N.D. Cal.).
5 "The preemption inquiry for those causes of action not
6 specifically exempted by § 3426.7(b) focuses on whether other
7 claims are no more than a restatement of the same operative facts
8 supporting trade secret misappropriation. . . . If there is no
9 material distinction between the wrongdoing alleged in a [C]UTSA
10 claim and that alleged in a different claim, the [C]UTSA preempts
11 the other claim." Convolve, Inc. v. Compaq Computer Corp., 2006
12 WL 839022, at *6 (S.D.N.Y.) (applying California law). If a claim
13 is based on confidential information other than a trade secret, as
14 that term is defined in CUTSA, it is not preempted. First
15 Advantage Background Servs. Corp. v. Private Eyes, Inc., 569 F.
16 Supp. 2d 929, 942 (N.D. Cal. 2008).

17
18 The Court must, therefore, compare Plaintiff's claims for
19 misappropriation of trade secrets with the claims Defendants argue
20 are preempted to determine if the latter are based on confidential
21 information other than a trade secret or if there is some material
22 distinction between the wrongdoing alleged in the claims.
23

24 Plaintiff's first and second causes of action are for
25 misappropriation of trade secrets. In the first cause of action,
26 Plaintiff defines its trade secret as "customer lists for its
27 products from which it obtained independent economic value from
28

1 the fact that, among other things, said lists were not generally
2 known to the public or to the touch screen industry and PQ Labs
3 utilized this trade secret information to sell its products to
4 customers, generate revenues, and generate profits." 1AC ¶ 43.

5 In the second cause of action, Plaintiff defines its trade secrets
6 as "confidential designs and drawings for hardware, circuitry, and
7 FPGA microchip, as well as multi-touch software code for its touch
8 screen products." 1AC ¶ 51.

9
10 Plaintiff's fourth cause of action for unfair competition
11 alleges that Qi, ZaagTech and Nguyen "appropriated PQ Labs'
12 valuable business property in the form of PQ Labs' stable of
13 customers and information relating to customers . . ." 1AC ¶ 65.
14 Plaintiff also alleges that "there is a public policy against
15 third parties, particularly newly established competitors,
16 stealing another business's list of customers, rather than
17 developing customers themselves." 1AC ¶ 67. Thus, the fourth
18 cause of action is premised upon the same nucleus of facts as the
19 first cause of action for misappropriation of trade secrets, and
20 it must be dismissed as preempted by CUTSA. Dismissal is with
21 leave to amend if Plaintiff is able to add allegations that remedy
22 this deficiency.
23

24 Plaintiff's fifth cause of action for unfair competition
25 alleges that Qi, ZaagTech and Nguyen "appropriated PQ Labs'
26 valuable business property in the form of PQ Labs' proprietary
27 product designs for touch screens, including internal and external
28

1 components and user interface . . ." 1AC ¶ 70. Thus, the fifth
2 cause of action is premised upon the same nucleus of facts as the
3 second cause of action for misappropriation of trade secrets and
4 must be dismissed as preempted by CUTSA. Dismissal is with leave
5 to amend if Plaintiff is able to add allegations that remedy this
6 deficiency.

7
8 The eleventh cause of action for tortious interference with
9 prospective economic advantage against Qi, ZaagTech and Nguyen
10 alleges that "Andy Nguyen intentionally disrupted PQ Labs'
11 business relationships with its customers and distributors by
12 collaborating with Yang Qi and ZaagTech to help them obtain that
13 business by disclosing PQ Labs' confidential customer lists to
14 them with knowledge that Yang Qi and ZaagTech would contact said
15 customers and distributors in an effort to poach sales from PQ
16 Labs." 1AC ¶ 114. Although Plaintiff argues that this claim is
17 also based on breach of contract by Nguyen, there is no allegation
18 in this cause of action addressing a contract or breach of
19 contract. Furthermore, this claim is brought against Qi and
20 ZaagTech as well as Nguyen. Qi and ZaagTech could not be liable
21 for the breach of Nguyen's contract with Plaintiff. Therefore,
22 this claim is dismissed as preempted by CUTSA. Dismissal is with
23 leave to amend if Plaintiff is able to add allegations that remedy
24 the deficiencies noted.
25
26

27 The thirteenth cause of action for breach of fiduciary duty
28 against Qi and Nguyen alleges that, as agents of PQ Labs, Qi and

1 Nguyen were in fiduciary relationships with PQ Labs which they
2 breached by disclosing PQ Labs' trade secret confidential customer
3 lists to others. 1AC ¶ 126-27. Even though this cause of action
4 adds the element of breach of fiduciary duty, it is also based on
5 the same nucleus of facts as the misappropriation claim and is
6 preempted. See Farhang v. Indian Inst. of Tech., Kharagpur, 2010
7 WL 2228936, *11 (N.D. Cal.) (breach of fiduciary duty claim
8 preempted by misappropriation claim where conduct alleged in both
9 claims based on same nucleus of facts). Therefore, this claim is
10 dismissed, with leave to amend.

11
12 C. Claims 13 and 15

13 Defendants argue that the thirteenth and fifteenth causes of
14 action for breach of fiduciary duty should be dismissed against Qi
15 because the allegations in the 1AC do not indicate the existence
16 of a fiduciary relationship between Plaintiff and Qi.

17
18 The elements of a cause of action for breach of fiduciary
19 duty are the existence of a fiduciary relationship, its breach,
20 and damage proximately caused by that breach. City of Atascadero
21 v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 68 Cal. App. 4th
22 445, 483 (1998); Pierce v. Lyman, 1 Cal. App. 4th 1093, 1101
23 (1991). Under California law, a fiduciary relationship arises in
24 one of two ways. A party may be subject to fiduciary obligations
25 if that party "knowingly undertake[s] to act on behalf and for the
26 benefit of another, or . . . enter[s] into a relationship which
27 imposes that undertaking as a matter of law." GAB Bus. Servs.

1 Inc. v. Lindsey & Newsom Claim Servs., Inc. 83 Cal. App. 4th 409,
2 416 (2000) ("There are two kinds of fiduciary duties--those
3 imposed by law, and those undertaken by agreement."), disapproved
4 on other grounds in Reeves v. Hanlon, 33 Cal. 4th 1140 (2004). A
5 fiduciary duty is undertaken by agreement when a confidence is
6 reposed by one party in the integrity of another, and the party in
7 whom the confidence is reposed voluntarily accepts or assumes to
8 accept the confidence. Id. at 417. The existence of the repose
9 and the acceptance of a confidence are questions of fact. Id.

11 Plaintiff acknowledges that the 1AC does not allege that Qi
12 was subject to fiduciary obligations as a matter of law, but
13 argues that the 1AC contains sufficient factual allegations of the
14 existence of a fiduciary relationship "so as to raise Plaintiff's
15 right to relief above the speculative level." Plaintiff points to
16 ¶ 126 of the 1AC which alleges that, as Plaintiff's "workers with
17 access to and knowledge of confidential information including
18 customer lists, and as agents of PQ Labs, Yang Qi and Andy Nguyen
19 were in fiduciary relationships, respectively, with PQ Labs during
20 the period they worked for PQ Labs and, thus they owed PQ Labs
21 undivided loyalty." Paragraph 126, however, does not allege that
22 Qi knowingly undertook the responsibility to act on behalf and for
23 the benefit of Plaintiff. In other words, the paragraph alleges
24 that Plaintiff may have reposed its confidence in Qi, but nowhere
25 does it allege that Qi accepted that responsibility. In paragraph
26 138 of the 1AC, Plaintiff alleges that Qi "was in a fiduciary
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28

1 relationship with PQ Labs as its sales representative and agent."
2 However, this conclusory allegation is also insufficient to
3 establish that Qi entered into an agreement with Plaintiff to act
4 as its fiduciary.

5 Therefore, Defendants' motion to dismiss claims 13 and 15 as
6 to Qi is granted. Dismissal is with leave to amend.

7
8 D. Claim 9

9 Defendants argue that claim 9 for fraud against Qi for
10 failure to disclose the existence of competitor MultiTouch Group
11 and the alleged diversion of customer sales orders from Plaintiff
12 to MultiTouch Group should be dismissed for failure to allege a
13 duty for Qi to disclose such information. Plaintiff does not
14 respond to this argument and, therefore, concedes it. Defendants'
15 motion to dismiss this claim is granted, with leave to amend.

16
17 E. Claim 16

18 The sixteenth cause of action for conversion alleges that
19 Plaintiff owned and possessed a certain thirty-two inch touch
20 screen monitor entitled PQ Labs Multi-Touch 32 G3X32 Overlay which
21 was "involved in a sales transaction" with one of Plaintiff's
22 customers on February 10, 2010. 1AC ¶ 145. Qi, through his
23 company MultiTouch Group LLC, took possession of the monitor and
24 fulfilled an order request sent directly to Plaintiff. 1AC ¶ 146.
25 Plaintiff did not consent to Qi's taking possession of the monitor
26 and acting as its distributor, nor did Plaintiff have knowledge of
27 Qi's actions. 1AC ¶ 147. Plaintiff was harmed by Qi's actions
28

1 because MultiTouch Group LLC took payment at the full retail price
2 of \$3,300 and paid to Plaintiff the wholesale price of \$2,650.
3 Plaintiff would have realized the full retail price of \$3,300 but
4 for Qi's interference. 1AC ¶ 148.

5 Defendants argue that the cause of action for conversion must
6 be dismissed because the intangible right of a sales opportunity
7 cannot be converted and because Plaintiff admits that it was paid
8 for the touch screen monitor that it alleges was converted.
9

10 Under California law, a claim for conversion requires a
11 plaintiff to allege (1) "ownership or right to possession of
12 property;" (2) a defendant's wrongful act toward the property,
13 causing interference with the plaintiff's possession; and
14 (3) damage to the plaintiff. PCO, Inc. v. Christensen, Miller,
15 Fink, Jacobs, Glaser, Weil & Shapiro, LLP, 150 Cal. App. 4th 384,
16 394 (2007).
17

18 Plaintiff alleges all of the elements necessary to state a
19 claim for conversion. That Plaintiff was given partial payment
20 for the allegedly converted property does not negate the
21 allegations that Qi acted wrongfully in regard to it and that his
22 actions caused damage to Plaintiff. Therefore, the motion to
23 dismiss this claim is denied.
24

25 F. Claim 19 and 20

26 Defendants argue that the nineteenth and twentieth causes of
27 action for conspiracy and aiding and abetting should be dismissed
28 because they do not constitute independent causes of action.

1 Plaintiff responds that, although conspiracy is not a cause of
2 action, it is a legal doctrine that imposes liability on persons
3 who have not actually committed a tort themselves, but shared with
4 the tortfeasors a common plan or design. Similarly, Plaintiff
5 argues that the aiding and abetting claim is sufficient to state a
6 claim because the IAC alleges that each Defendant provided
7 substantial assistance and encouragement to the others in
8 perpetrating the alleged wrongs.
9

10 Civil conspiracy "is not a cause of action, but a legal
11 doctrine that imposes liability on persons who, although not
12 actually committing a tort themselves, share with the immediate
13 tortfeasors a common plan or design in its perpetration." Applied
14 Equipment Corp. v. Litton Saudi Arabia Ltd., 7 Cal. 4th 503, 510
15 (1994) (citing Wyatt v. Union Mortgage Co., 24 Cal. 3d 773, 784
16 (1979)). "Standing alone, a conspiracy does no harm and engenders
17 no tort liability. It must be activated by the commission of an
18 actual tort." Applied Equipment Corp., 7 Cal. 4th at 511.
19

20 Civil conspiracy consists of three elements: "(1) the
21 formation and operation of the conspiracy, (2) wrongful conduct in
22 furtherance of the conspiracy, and (3) damages arising from the
23 wrongful conduct." Kidron v. Movie Acquisition Corp., 40 Cal.
24 App. 4th 1571, 1581 (1995). "The conspiring defendants must . . .
25 have actual knowledge that a tort is planned and concur in the
26 tortious scheme with knowledge of its unlawful purpose." Id. at
27 1582 (citing Wyatt, 24 Cal. 3d at 784-86). This knowledge must be
28

1 combined with an intent to aid in achieving the objective of the
2 conspiracy. Kidron, 40 Cal. App. 4th at 1582; Schick v. Bach, 193
3 Cal. App. 3d 1321, 1328 (1987). A claim of unlawful conspiracy
4 must contain "enough fact to raise a reasonable expectation that
5 discovery will reveal evidence of illegal agreement." Twombly,
6 550 U.S. at 556. A bare allegation that a conspiracy existed does
7 not suffice. Id.

8
9 Plaintiff's cause of action for conspiracy alleges that each
10 Defendant "did agree, conspire, plan and effectuate a common plan
11 and scheme to misappropriate PQ Labs proprietary information in
12 order to establish a new business to compete directly with PQ
13 Labs, poach PQ Labs customers, interfere with PQ Labs business and
14 divert the same to ZaagTech and otherwise for Defendants'
15 commercial gain. Defendants did the acts and things herein
16 alleged pursuant to, and furtherance [sic] of, the conspiracy and
17 above-alleged Plan. Each of the Defendants furthered the
18 conspiracy by cooperating with, lending aid and encouragement to,
19 and/or ratifying and adopting acts of other Defendants, as alleged
20 above." 1AC ¶ 162. These conclusory allegations are insufficient
21 to raise a reasonable expectation that discovery will reveal
22 evidence of an illegal agreement. Furthermore, Plaintiff has not
23 specified which alleged torts are the predicate for the conspiracy
24 claim. See Kelly v. Mortgage Electronic Registration Sys.,
25 Inc., 642 F. Supp. 2d 1048, 1058 (N.D. Cal. 2009). Therefore, the
26
27 claim of civil conspiracy is dismissed, with leave to amend.
28

1 "Liability may also be imposed on one who aids and abets the
2 commission of an intentional tort if the person (a) knows the
3 other's conduct constitutes a breach of duty and gives substantial
4 assistance or encouragement to the other to so act or (b) gives
5 substantial assistance to the other in accomplishing a tortious
6 result and the person's own conduct, separately considered,
7 constitutes a breach of duty to the third person." Saunders v.
8 Sup. Ct., 27 Cal. App. 4th 832, 846 (1994). Aiding and abetting
9 does not require an agreement, but simply assistance. Janken v.
10 GM Hughes Elecs., 46 Cal. App. 4th 55, 78 (1996). Like
11 conspiracy, the basis for liability for aiding and abetting is
12 concerted wrongful action. Id.

14 Plaintiff's cause of action for aiding and abetting alleges
15 that Defendants "gave substantial assistance and encouragement to
16 one or more of the intentionally tortious actions of other
17 Defendants alleged hereinabove, with knowledge that the other
18 Defendants' conduct constitutes a wrongful action, and did so by,
19 inter alia, cooperating with each other, assisting each other,
20 and/or failing to conduct themselves in a fashion requisite to
21 protect Plaintiff's interests or to avoid any adverse effect on
22 Plaintiff where the other Defendants had a fiduciary duty to
23 Plaintiff." 1AC ¶ 167. These conclusory allegations fail to
24 indicate how or what Defendants aided and abetted. Therefore, the
25 claim of aiding and abetting is dismissed, with leave to amend.
26
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1 Defendants also argue that, because Plaintiff alleges that
2 all Defendants did all the wrongful acts, the concepts of
3 liability through conspiracy or aiding and abetting is
4 unnecessary. However, a complaint may contain alternative
5 theories of relief. Therefore, the conspiracy and aiding and
6 abetting allegations are not dismissed on this ground.

7
8 III. Motion to Strike

9 Defendants argue that the portions of Plaintiff's fifth cause
10 of action for unfair competition that are based on a copyrighted
11 work are preempted by the Copyright Act, 17 U.S.C. § 301(a), and
12 should be stricken. They also argue that portions of the eighth
13 cause of action for unfair competition should be stricken because
14 they are preempted by CUTSA. Without addressing the merits of
15 Defendants' motion, Plaintiff argues that the motion should be
16 denied because striking these allegations would be tantamount to
17 dismissing the claims on which they are based. These allegations
18 are stricken, and Plaintiff is granted leave to amend to remedy
19 the noted deficiencies.
20

21 A. Preemption by Copyright Act

22 The Copyright Act protects "original works of authorship
23 fixed in any tangible medium of expression, now known or later
24 developed, from which they can be perceived, reproduced, or
25 otherwise communicated, either directly or with the aid of a
26 machine or device." 17 U.S.C. § 102(a). Two conditions must be
27 satisfied for the Copyright Act to preempt a state law cause of
28

1 action: (1) "the content of the protected right must fall within
2 the subject matter of copyright as described in 17 U.S.C. §§ 102
3 and 103'" and (2) "the right asserted under state law must be
4 equivalent to the exclusive rights contained in section 106 of the
5 Copyright Act.'" Sybersound Records, Inc. v. UAV Corp., 517 F.3d
6 1137, 1150 (9th Cir. 2008) (quoting Downing & Abercrombie & Fitch,
7 265 F.3d 994, 1003 (9th Cir. 2001)).

8
9 The "equivalent rights" prong of the test requires a court to
10 consider whether the state claim asserts rights

11 within the general scope of copyright as specified by section
12 106 of the Copyright Act. Section 106 provides a copyright
13 owner with the exclusive rights of reproduction, preparation
14 of derivative works, distribution, and display. To survive
15 preemption, the state cause of action must protect rights
16 which are qualitatively different from the copyright rights.
17 The state claim must have an extra element which changes the
18 nature of the action.

19 Laws v. Sony Music Entm't, Inc., 448 F.3d 1134, 1143 (9th Cir.
20 2006).

21 In its third cause of action for copyright infringement,
22 Plaintiff alleges that it owns a copyright for software which
23 collaborates with its hardware circuitry and microchips to produce
24 the interface of its touch screen products. 1AC ¶ 59. Plaintiff
25 alleges that Qi, ZaagTech and Jinpeng Li infringed its copyright
26 by "copying, reproducing, adapting, distributing, and otherwise
27 using the copyrighted material of PQ Labs' multi-touch system
28 software in touch screen products developed and offered for sale
by ZaagTech." 1AC ¶ 60. Furthermore, this cause of action

1 incorporates previous allegations of the IAC, in particular
2 paragraph 23, which alleges that Qi and ZaagTech copied "PQ Labs'
3 FPGA software, driver code, and ARM processor code registered with
4 the Copyright Office in its touch screen products designed and
5 manufactured after the establishment of ZaagTech."

6 Plaintiff's fifth cause of action for unfair competition is
7 premised almost entirely on Defendants' misappropriation of
8 Plaintiff's trade secrets, and as such is preempted by CUTSA. One
9 sentence in paragraph 72 mentions infringement: "The motivation,
10 reasons, justifications, and actions behind said Defendants'
11 infringement and misappropriation evince a desire to develop a
12 business to compete in the touch screen business against PQ Labs
13 while not expending the work necessary to achieve independent
14 success lawfully and fairly." To the extent that Plaintiff is
15 alleging unfair competition based upon Defendants' infringement of
16 copyrighted material, the allegation meets the first requirement
17 for preemption in that it falls within the subject matter of the
18 Copyright Act. To the extent that it is without an extra element
19 that changes the nature of the action, it meets the second
20 requirement for copyright preemption.
21
22

23 Therefore, the allegation regarding infringement in the fifth
24 cause of action is preempted by the Copyright Act and is stricken.
25 Plaintiff is granted leave to amend to show that its allegation of
26 infringement does not meet the requirements for preemption, if it
27 truthfully can do so.
28

1 B. Preemption by CUTSA

2 Paragraph 86 of Plaintiff's eighth cause of action for unfair
3 competition is based, in part, on the allegation that Jinpeng Li
4 wrongfully transmitted to Qi, at Qi's urging, "certain PQ Labs
5 confidential, trade secret computer files containing schematics
6 and design drawings for the newest circuitry and hardware and
7 software for PQ Labs touch screen prototypes." As discussed
8 previously, Plaintiff's second cause of action for
9 misappropriation of trade secrets alleges that Defendants
10 misappropriated its confidential designs and drawings for
11 hardware, circuitry and microchips as well as its multi-touch
12 software code for its touch screen products. 1AC ¶ 51. Thus, the
13 allegation in paragraph 86 is premised upon the same nucleus of
14 facts as the second cause of action for misappropriation of trade
15 secrets, and is stricken as preempted by CUTSA. Plaintiff is
16 granted leave to amend to remedy this deficiency, if it truthfully
17 can do so.
18
19

20 IV. Nguyen's Motion to Dismiss for Improper Venue

21 Nguyen moves to dismiss all the claims against him for
22 improper venue based on the fact that his written employment
23 agreement with Plaintiff promised that a California state court,
24 not a federal court in California, would be the only court to hear
25 disputes relative to the employment agreement. Plaintiff argues
26 that the forum selection clauses in the employment agreement and
27 the confidentiality agreement do not require it to bring suit
28

1 against Nguyen in a California state court, but allows suit in a
2 federal court in California.

3 The facts that are relevant to this motion are as follows.
4 When Plaintiff hired Nguyen in May 2010 as a sales and account
5 manager in its San Jose, California office, he signed an
6 Employment Agreement and an Employee Confidentiality Agreement,
7 both dated May 28, 2010. The Employment Agreement specifies the
8 terms of Nguyen's employment with Plaintiff, such as his salary.
9 Paragraph D of the Employment Agreement provides that Nguyen must
10 keep confidential Plaintiff's proprietary information specified in
11 that paragraph. Section S of the Employment Agreement, entitled,
12 "Exclusive Jurisdiction for Suit in Case of Breach," provides:

14 The Parties, by entering into this agreement, submit to the
15 jurisdiction in the State of California for adjudication of
16 any disputes and/or claims between the parties under this
17 agreement. Furthermore, the parties hereby agree that the
18 courts of State of California shall have exclusive
19 jurisdiction over any disputes between the parties relative
20 to this agreement, whether said disputes sounds [sic] in
21 contract, tort, or other areas of the law.

22 The Employee Confidentiality Agreement also contains a forum
23 selection clause, entitled, "Jurisdiction and Venue," which
24 provides:

25 In case of any dispute hereunder, the parties will submit to
26 the exclusive jurisdiction and venue of any court of
27 competent jurisdiction sitting in Santa Clara County,
28 California, and will comply with all requirements necessary
to give such court jurisdiction over the parties and the
controversy.

Employee Confidentiality Agreement, ¶ 14.8.

1 A contract must be interpreted to give effect to the mutual
2 intention of the parties as it existed at the time of contracting.
3 Cal. Civ. Code § 1636. When interpreting a contract, the whole of
4 a contract is to be taken together, so as to give effect to every
5 part, each clause helping to interpret the other. Cal. Civ. Code
6 § 1641. "It is solely a judicial function to interpret a written
7 instrument unless the interpretation turns upon the credibility of
8 extrinsic evidence." De Guere v. Universal City Studios, Inc., 56
9 Cal. App. 4th 482, 501 (1997). First, the court provisionally
10 receives all credible evidence concerning the parties' intentions
11 to determine if there is an ambiguity. Id. If, in light of the
12 extrinsic evidence, the court determines the language of the
13 contract is ambiguous, the extrinsic evidence is admitted to aid
14 in the second step: interpreting the contract. Id.

15
16 Here, the two forum selection clauses read together appear to
17 be ambiguous, but the parties do not submit extrinsic evidence to
18 aid in the determination of their intent at the time the
19 agreements were signed. Therefore, the Court must resolve the
20 ambiguity solely on the agreements themselves.

21
22 The parties agree that, in general, federal law governs the
23 interpretation of the forum selection clauses in the Employment
24 Agreement and the Employment Confidentiality Agreement because
25 this is a diversity case. See Manetti-Farrow, Inc. v. Gucci Am.,
26 Inc., 858 F.2d 509, 513 (9th Cir. 1988) (in diversity cases,
27
28

1 federal procedural issues raised by forum selection clauses
2 significantly outweigh state interests). However, as
3 Plaintiff points out, both agreements contain provisions that
4 California law should govern the interpretation of the agreements.
5 Whether federal or California law applies here is not
6 determinative of the outcome because federal courts interpreting a
7 contract under federal law look for guidance to general principles
8 for interpreting contracts. Doe 1 v. AOL LLC, 552 F.3d 1077, 1081
9 (9th Cir. 2009).
10

11 The parties agree that the phrase, "the courts of State of
12 California," in the second sentence of Section 8 of the Employment
13 Agreement, provides that the forum for disputes shall be the state
14 courts of California. This is a correct interpretation of this
15 phrase; the Ninth Circuit has interpreted the language, "of the
16 court of a specific state," to mean that jurisdiction is proper in
17 the courts of the state specified, not in the federal courts
18 located in that state. Id. at 1082.
19

20 The parties also agree that the phrase, "any court of
21 competent jurisdiction in the county of Santa Clara," in the forum
22 selection clause in the Employee Confidentiality Agreement permits
23 venue in either state or federal courts located in Santa Clara
24 County. However, this case is pending in the Oakland division of
25 this Court, which is located in Alameda County; therefore, the
26 forum selection requirement of the Employee Confidentiality
27 Agreement is not satisfied.
28

1 In Simonoff v. Expedia, Inc., 643 F.3d 1202, 1206 (9th Cir.
2 2011), the court interpreted the phrase, "in the court in King
3 County," to refer to both federal as well as state courts located
4 in King County because, when a federal court sits in a particular
5 county, the district court is undoubtedly "in" that county. The
6 court explained that the preposition, "in," denoted geographic
7 limitation; thus, the phrase, "courts in" a particular state,
8 includes any court within the physical boundaries of the state,
9 which would include both state and federal courts located in that
10 state. Id.

11 Simonoff does not apply here because, for this intellectual
12 property case, there is no federal court that sits only in Santa
13 Clara County. The Northern District of California has three
14 divisions, but parties in intellectual property actions have no
15 right to venue in a particular division. See Local Civil Rule 3-
16 2(a) (actions in the excepted categories, including intellectual
17 property, shall be assigned on a district-wide basis). This case
18 is an example of the inter-district assignment of actions;
19 Plaintiff filed it in the San Jose division, which is located in
20 Santa Clara County, but it was assigned to the Oakland division of
21 the Court, which is located in Alameda County. Therefore, even
22 though Plaintiff filed this action in the San Jose division, it
23 has not been able to keep it there. Thus, there is no federal
24 court that can meet the forum selection requirements of the
25 Confidentiality Agreement.
26
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1 Further, the two forum selection clauses are not
2 inconsistent. If claims under the Employment Agreement can be
3 brought only in state court, even if claims under the
4 Confidentiality Agreement could be brought in state or federal
5 court, the forum selection clauses are in harmony when all the
6 claims are brought in state court. In addition, because the
7 Employment Agreement contains a confidentiality clause, all of
8 Plaintiff's causes of action against Nguyen are "relative" to that
9 agreement. In contrast, some of the causes of action, such as
10 breach of fiduciary duty, which relies upon the Employment
11 Agreement to create a duty, do not arise under the Employment
12 Confidentiality Agreement.
13


14 Relying on the statutory rule that the whole of a contract
15 should be taken together to give meaning to every part, the Court
16 concludes that the two agreements should be read together.
17 The forum selection clause in the Employment Agreement means that
18 the parties shall litigate claims relative to the Employment
19 Agreement in a California state court. The forum selection clause
20 in the Employee Confidentiality Agreement means that the parties
21 shall litigate claims under that agreement in a court of competent
22 jurisdiction located in Santa Clara County. Because there is no
23 federal court that is located solely in Santa Clara County, the
24 claims based on the Confidentiality Agreement must be litigated in
25 state court in Santa Clara County.
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trespass to chattels against Qi, Zaagtech and Jinpeng Li; and claim 18 for violation of the computer fraud and abuse act against Qi and Zaagtech. Defendants' motion to strike is granted in regard to the specific allegations in claims 5 and 8 and Plaintiff is granted leave to amend to remedy the deficiencies noted. Nguyen's motion to dismiss for improper venue is granted. Dismissal of the claims against Nguyen is without prejudice to re-filing them in Santa Clara County Superior Court. Plaintiff may wish to dismiss its claims against all Defendants so that it may litigate all its claims together in state court.

IT IS SO ORDERED.

Dated: 6/7/2012



CLAUDIA WILKEN
United States District Judge