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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

GATAN, INC.,  
Plaintiff,  
v.  
NION COMPANY,  
Defendant.

Case No. 15-cv-01862-PJH

**ORDER DENYING MOTION TO  
DISMISS THIRD AMENDED  
COMPLAINT**

Re: Dkt. Nos. 120, 121

Before the court is defendant Nion Company's motion to dismiss the third amended complaint. The matter is fully briefed and suitable for decision without oral argument. Accordingly, the hearing set for April 5, 2017 is VACATED. Having read the parties' papers and carefully considered their arguments and the relevant legal authority, and good cause appearing, the court DENIES the motion for the following reasons.

**BACKGROUND**

**A. Factual Background**

The court has reviewed the facts of this case in detail in its prior orders. See Dkt. 55, 106. In brief, plaintiff Gatan, Inc. ("Gatan") is a manufacturer of components used in electron microscopes, including spectrometers. Defendant Nion Company ("Nion") is a manufacturer of electron microscopes. Historically, Nion did not manufacture its own spectrometers, but instead would buy third-party spectrometers for use in its microscopes.

The parties' dispute centers on a February 2, 2010 "Reseller Agreement" between Gatan and Nion (the "Agreement"). Pursuant to the Agreement, the parties worked together to modify a Gatan spectrometer for integration into a Nion microscope for

1 Arizona State University (“ASU”). Gatan accuses Nion of breaching the contract and  
2 misusing confidential information divulged under the terms of the Agreement.

3 **B. Procedural History**

4 The original complaint was filed on April 25, 2015. Dkt. 1. After Nion filed a  
5 motion to dismiss, Dkt. 17, Gatan withdrew its original complaint and filed the first  
6 amended complaint (“FAC”) on July 20, 2015. Nion again moved to dismiss the FAC,  
7 arguing that the breach of contract claim—which relied on paragraph 16 of the  
8 Agreement—was preempted by California Business and Professions Code section 16600  
9 (“section 16600”), which prohibits enforcement of non-compete clauses. The court  
10 granted the motion to dismiss on November 18, 2015. Dkt. 32. The court gave leave to  
11 amend, however, so that Gatan could plead that a “trade secret exception” to section  
12 16600 saved its breach of contract claim. See Dkt. 33.

13 The second amended complaint (“SAC”) followed, asserting four causes of action.  
14 The first claim was for breach of contract, alleging that Nion competed with Gatan in  
15 violation of paragraph 16 of the Reseller Agreement. The second claim was also for  
16 breach of contract: Gatan argued that Nion did not provide spectrometer specifications to  
17 Gatan before developing its own spectrometer, violating the procedure set forth in  
18 paragraph 16. The third claim alleged that Nion’s actions violated the implied duty of  
19 good faith and fair dealing. The fourth claim was for declaratory relief based on  
20 paragraph 15 of the Agreement, which provides that Nion shall grant Gatan a  
21 nonexclusive license to “[a]ll discoveries and developments that [Nion] may conceive,  
22 develop, or acquire, whether alone or with others, arising out of the incorporation of  
23 [Gatan’s spectrometer] into [Nion’s] systems (collectively, ‘Developments’).” Gatan  
24 alleged that Nion had refused to grant it a license to all of the “Developments.”

25 On March 23, 2016, the court heard a motion to dismiss the SAC. The central  
26 issues were whether paragraph 16 was preempted by section 16600, and whether the  
27 “trade secret exception” could save the breach of contract claims. On March 30, 2016,  
28 the court granted the motion to dismiss in part. Dkt. 55. The court ruled that the alleged

1 “trade secret exception” did not apply because paragraph 16 was not “necessary to  
2 protect” Gatan’s trade secrets, which were protected by separate provisions of the  
3 Agreement—specifically paragraphs 12 and 13. Id. at 5–6. Accordingly, the court  
4 dismissed the first three causes of action. The court denied the motion to dismiss the  
5 declaratory relief claim regarding paragraph 15, however.

6 On January 5, 2017, the court granted Gatan’s motion for leave to file a third  
7 amended complaint in part. Dkt. 106. The proposed complaint sought to assert new  
8 claims for breach of contract based on paragraphs 12 and 13 of the Reseller Agreement,  
9 as well as a new claim for misappropriation of trade secrets. The court found that  
10 although Gatan unduly delayed in asserting these claims, it would permit the amendment  
11 in light of the lack of substantial prejudice to Nion. Id. at 7–9.

12 **C. Allegations in the Third Amended Complaint**

13 Gatan filed its third amended complaint (“TAC”) on January 26, 2017. Dkt. 115.  
14 The TAC asserts four claims: (1) misappropriation of trade secrets; (2) breach of  
15 paragraphs 12–14 of the Agreement regarding “confidential information”; (3) breach of  
16 paragraph 15 of the Agreement regarding the developments license; and (4) declaratory  
17 relief with respect to the developments license.

18 The factual background is the same as alleged in previous complaints. Gatan is a  
19 manufacturer of spectrometers, including the Enfinium (a.k.a. the “Quefina”), which is  
20 based on the technology of the GIF Quantum, an imaging energy filter. TAC ¶¶ 13–14.  
21 In the past, Nion did not market or sell its own spectrometers. TAC ¶ 15. In October  
22 2009, Nion approached Gatan to collaborate on an electron microscope for ASU. TAC ¶  
23 16. The project required Gatan to provide Nion with a partially assembled spectrometer,  
24 which Nion would then modify with Gatan’s help. Id. Because the collaboration would  
25 require Gatan to disclose confidential information, Gatan received assurances from  
26 Nion’s President (and former Gatan employee), Dr. Ondrej Krivanek, that Nion “won’t  
27 have any problems signing on the dotted line that Nion will never make a spectrometer  
28 [unless] it turned out we needed to go beyond what Gatan is doing.” TAC ¶¶ 18–19.

1           **1. The Reseller Agreement**

2           On February 2, 2010, Nion entered into the Reseller Agreement with Gatan. TAC  
3 ¶ 20. The key provisions for the purposes of this motion are paragraphs 12, 13, and 15.  
4 Paragraph 12 broadly defines the term “Confidential Information”:

5           **12. Confidential Information.** In the course of performing services for  
6 Gatan, [Nion] . . . will acquire, obtain, or have access to confidential and/or  
7 proprietary information relating to Gatan . . . including, without limitation, (a)  
8 information, ideas, inventions, designs, plans, prototypes, concepts,  
9 processes, formulations, specifications, materials, samples, applications,  
10 records, and technical and statistical data related to or used in connection  
11 with the design, development, manufacture, advertising, marketing,  
12 distribution, and sale of Gatan’s products and the operation of its  
13 businesses; (b) computer software, programs, applications, systems, and  
14 data . . . ; and (e) trade secrets (all such information hereinafter referred to  
15 as “Confidential Information”) . . . .

16 TAC Ex. A at 3.

17           Paragraph 13 limits Nion’s use of “Confidential Information,” providing that Nion  
18 may not disclose or use Gatan’s confidential information except in furtherance of the  
19 Agreement:

20           **13. Use of Confidential Information.** [Nion] shall hold and maintain  
21 strictly confidential all Confidential Information, and shall not at any time . . .  
22 directly or indirectly disclose or use any such Confidential Information,  
23 howsoever obtained or acquired, or compile, duplicate, develop or adapt  
24 such Confidential Information for any purpose, other than strictly incidental  
25 to, and solely in furtherance and with the scope of, the Agreement. . . .

26 TAC Ex. A at 3.

27           Paragraph 13 goes on to prohibit Nion from creating any products that  
28 compete with Gatan or to “otherwise use” Confidential Information for commercial  
purposes:

[Nion] agrees that it will not directly or indirectly create any products . . . or  
other technologies . . . at any time sold, marketed, used, or developed by  
Gatan . . . or otherwise use any Confidential Information for commercial  
purposes or in any manner detrimental to Gatan or its affiliates. . . .

Id.

Finally, paragraph 15 requires that Nion grant to Gatan a non-exclusive license to  
any “Developments” conceived as a result of the collaboration:

1           **15. Developments.** All discoveries and developments that [Nion] may  
2           conceive, develop, or acquire, whether alone or with others, arising out of  
3           the incorporation of Products into [Nion’s] systems (collectively,  
4           “Developments”) shall be the sole property of [Nion]. [Nion] shall grant to  
5           Gatan a nonexclusive, perpetual, worldwide, irrevocable license to make,  
6           have made, sell, have sold, and use all of the Developments.

7           TAC Ex. A at 3–4.

8           **2. The Alleged Trade Secrets**

9           Gatan alleges that it disclosed confidential information and trade secrets to Nion  
10           pursuant to the Agreement, and that Nion “surreptitiously used [Gatan’s] trade secrets to  
11           develop its own competing spectrometer.” TAC ¶ 3. Although Nion assured Gatan that it  
12           did not want to compete in the spectrometer market, Nion already “had plans to develop  
13           its own spectrometer” at the time that the Agreement was signed. TAC ¶ 5.

14           Subsequently, pursuant to Nion’s 2011 Small Business Innovative Research (“SBIR”) application,  
15           Nion received over a million dollars in funding to develop a spectrometer that  
16           modified and enhanced Gatan’s Enfinium model. TAC ¶¶ 4, 41–45.

17           The alleged trade secrets divulged to Nion as part of the ASU collaboration  
18           comprise “details on the GIF Quantum’s optical design, including performance  
19           specifications, noise specifications of critical power supplies, and prism and dodecapole  
20           lens and coil designs.” TAC ¶ 21. Gatan generally describes this as “the trade secret  
21           recipes by which Gatan constructs the Enfinium’s magnetic optics.” TAC ¶ 22. More  
22           specifically, the alleged “trade secrets” include:

23           [T]he many magnetic lenses and their exact mechanical and electrical  
24           design and placement, the shape of the electron trajectories through the  
25           spectrometer, the number and location of the various electron-optical  
26           crossovers, the exact way Gatan corrects the many electron-optical  
27           aberrations encountered in [electron energy loss] spectrometers, and the  
28           fine details of the resulting electron-optical performance.

29           TAC ¶ 22. Subsequent paragraphs in the TAC claim aspects of Gatan’s technology that  
30           are interrelated with the five alleged trade secrets listed in TAC paragraph 22. See TAC  
31           ¶¶ 29–48. For example, Gatan claims “the number and location of crossovers” as a trade  
32           secret. TAC ¶ 30. “Crossovers” are “the locations of intermediate focus planes . . .  
33           relative to the lenses,” which are “established by turning on the many lenses in very

1 specific ways.” Id. Gatan claims the “detailed configuration of the 77 optical lenses” of  
2 the Enfinium as another trade secret. TAC ¶¶ 29, 34. The Enfinium uses seven  
3 “dodecapole” lenses to focus the electrons, each of which can be controlled  
4 independently. TAC ¶¶ 25, 28.

## 5 DISCUSSION

6 Nion now moves to dismiss the TAC. Dkt. 121. In conjunction with its motion,  
7 Nion seeks leave of the court to file portions of its papers under seal, and further requests  
8 that the court take judicial notice of several documents. Dkt. 120, 122.

### 9 A. Legal Standards

#### 10 1. Motions to Dismiss

11 A motion to dismiss under Federal Rule of Civil Procedure 12(b)(6) tests for the  
12 legal sufficiency of the claims alleged in the complaint. Ileto v. Glock, Inc., 349 F.3d  
13 1191, 1199–1200 (9th Cir. 2003). To survive a motion to dismiss for failure to state a  
14 claim, a complaint generally must satisfy the requirements of Federal Rule of Civil  
15 Procedure 8, which requires that a complaint include a “short and plain statement of the  
16 claim showing that the pleader is entitled to relief.” Fed. R. Civ. P. 8(a)(2).

17 A complaint may be dismissed under Rule 12(b)(6) for failure to state a claim if the  
18 plaintiff fails to state a cognizable legal theory, or has not alleged sufficient facts to  
19 support a cognizable legal theory. Balistreri v. Pacifica Police Dep’t, 901 F.2d 696, 699  
20 (9th Cir. 1990). The court is to “accept all factual allegations in the complaint as true and  
21 construe the pleadings in the light most favorable to the nonmoving party.” Outdoor  
22 Media Group, Inc. v. City of Beaumont, 506 F.3d 895, 899–900 (9th Cir. 2007).

23 Legally conclusory statements, not supported by actual factual allegations, need  
24 not be accepted by the court. Ashcroft v. Iqbal, 556 U.S. 662, 678–79 (2009). The  
25 allegations in the complaint “must be enough to raise a right to relief above the  
26 speculative level.” Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555 (2007) (citations  
27 and quotations omitted). “A claim has facial plausibility when the plaintiff pleads factual  
28 content that allows the court to draw the reasonable inference that the defendant is liable

1 for the misconduct alleged.” Iqbal, 556 U.S. at 678 (citation omitted). “[W]here the well-  
2 pleaded facts do not permit the court to infer more than the mere possibility of  
3 misconduct, the complaint has alleged – but it has not ‘show[n]’ – ‘that the pleader is  
4 entitled to relief.’” Id. at 679.

5 **2. Motions for Leave to File Under Seal**

6 “The proponent of sealing bears the burden with respect to sealing. A failure to  
7 meet that burden means that the default posture of public access prevails.” Kamakana v.  
8 City & County of Honolulu, 447 F.3d 1172, 1182 (9th Cir. 2006).

9 When a motion is “more than tangentially related to the merits of a case,” a strong  
10 presumption in favor of access applies. See Ctr. for Auto Safety v. Chrysler Grp., LLC,  
11 809 F.3d 1092, 1101 (9th Cir. 2016). The party seeking to seal needs to articulate  
12 “compelling reasons” supported by specific factual findings to seal a document.  
13 Kamakana, 447 F.3d at 1178. In contrast, a lower burden—the “good cause” standard—  
14 applies to non-dispositive motions only tangentially related to the merits. Id. at 1179–80.  
15 For “private materials unearthed during discovery”—as opposed to true judicial records—  
16 the movant need only show that “‘good cause’ exists to protect th[e] information from  
17 being disclosed to the public by balancing the needs for discovery against the need for  
18 confidentiality.” Phillips ex rel. Estates of Byrd v. Gen. Motors Corp., 307 F.3d 1206,  
19 1213 (9th Cir. 2002).

20 In this district, requests to file documents under seal in civil cases are governed by  
21 Civil Local Rule 79-5, which provides that “[n]o document may be filed under seal . . .  
22 except pursuant to a Court order that authorizes the sealing of the particular document,  
23 or portions thereof[;]” and further, that a sealing order may issue only based upon a  
24 request showing that the document, or portions thereof, is privileged, or protectable as a  
25 trade secret, or otherwise entitled to protection under the law. Civ. L.R. 79-5(b). “The  
26 request must be narrowly tailored to seek sealing only of sealable material . . . .” Id.

27 If a party seeks to file under seal a document that has been designated  
28 confidential by another party pursuant to a protective order, or if a party wishes to refer to

1 information so designated by another party, the submitting party must file a motion for a  
2 sealing order, and the designating party must file a declaration within seven days  
3 “establishing that the designated information is sealable, and must lodge and serve a  
4 narrowly tailored proposed sealing order, or must withdraw the designation of  
5 confidentiality. If the designating party does not file its responsive declaration as required  
6 by this subsection, the document or proposed filing will be made part of the public  
7 record.” Civ. L.R. 79-5(e).

8 **B. Analysis**

9 Nion now moves to dismiss the TAC on the grounds that it (1) fails to state a claim  
10 for misappropriation of trade secrets; and (2) cannot state a claim for breach of contract  
11 because the relevant contractual provisions are invalid non-compete clauses under  
12 section 16600.

13 **1. The Trade Secret Claim**

14 **i. Identification of the Trade Secrets**

15 California law requires that a party alleging trade secret misappropriation “identify  
16 the trade secret with reasonable particularity” prior to discovery. Cal. Civ. Proc. Code  
17 § 2019.210. This provision requires “some showing that is reasonable, i.e., fair, proper,  
18 just and rational, under all of the circumstances.” Advanced Modular Sputtering, Inc. v.  
19 Superior Court, 132 Cal. App. 4th 826, 833 (2005). The purpose of this requirement is to  
20 “give both the court and the defendant reasonable notice of the issues which must be met  
21 at the time of trial and to provide reasonable guidance in ascertaining the scope of  
22 appropriate discovery.” Brescia v. Angelin, 172 Cal. App. 4th 133, 144 (2009) (quoting  
23 Diodes, Inc. v. Franzen, 260 Cal. App. 2d 244, 253 (1968)).

24 The identification requirement is a “flexib[le]” one. Brescia, 172 Cal App. 4th at  
25 145. Sometimes, as when “the alleged trade secrets consist of incremental variations . . .  
26 in a highly specialized technical field, a more exacting level of particularity may be  
27 required to distinguish the alleged trade secrets from matters already known to persons  
28 skilled in that field.” Advanced Modular, 132 Cal App. 4th at 836. However, this “more



1 exacting” explanation is not required “in every case,” and should be made only when  
 2 needed to further the goals of the statute. Brescia, 172 Cal. App. 4th at 148. Thus, “the  
 3 trade secret claimant need not particularize how the alleged secret differs from matters  
 4 already known to skilled persons in the field” unless its identification is “inadequate to  
 5 permit the defendant to discern the boundaries of the trade secret so as to prepare  
 6 available defenses, or to permit the court to understand the identification so as to craft  
 7 discovery.” Id. at 143.

8 Here, the TAC identifies the “trade secrets” as the “recipes by which Gatan  
 9 constructs the Enfinium’s magnetic optics,” including: (1) “the many magnetic lenses and  
 10 their exact mechanical and electrical design and placement”; (2) “the shape of the  
 11 electron trajectories through the spectrometer”; (3) “the number and location of the  
 12 various electron-optical crossovers”; (4) “the exact way Gatan corrects the many  
 13 electron-optical aberrations encountered in EEL spectrometers”; and (5) “the fine details  
 14 of the resulting electron-optical performance.” TAC ¶ 22. More details about these  
 15 alleged trade secrets are given in subsequent paragraphs. TAC ¶¶ 23–34.

16 Essentially, the TAC claims that the precise way that the Enfinium’s lenses focus  
 17 the electrons (i.e., placement of lenses, crossovers, electron trajectories) and correct for  
 18 aberrations (i.e., lens settings, performance) is a trade secret. Although the TAC could  
 19 be clearer about the “boundaries” of the alleged trade secrets, CUTSA does not require  
 20 that the party alleging misappropriation “define every minute detail of its claimed trade  
 21 secret at the outset of the litigation.” Advanced Modular, 132 Cal. App. 4th at 835. The  
 22 court thus finds the TAC contains “reasonable” detail—enough to permit Nion to prepare  
 23 a defense and for the court to craft limits on discovery. Cf. TMX Funding, Inc. v. Impero  
 24 Techs., Inc., No. C 10-00202 JF (PVT), 2010 WL 2509979, at \*3 (N.D. Cal. June 17,  
 25 2010). At the pleading stage, that is all that California law requires.

26 **ii. Other Elements**

27 Nion also argues that the TAC does not plausibly plead all of the other elements of  
 28 a trade secret claim. To state a claim for trade secret misappropriation, the plaintiff must

1 allege that “(1) the plaintiff owned a trade secret, (2) the defendant acquired, disclosed,  
2 or used the plaintiff’s trade secret through improper means, and (3) the defendant’s  
3 actions damaged the plaintiff.” Sargent Fletcher, Inc. v. Able Corp., 110 Cal. App. 4th  
4 1658, 1665 (2003). In its motion, Nion challenges whether Gatan’s alleged confidential  
5 information meets the definition of a “trade secret” and whether the second element of  
6 misappropriation is sufficiently alleged.

7 A “trade secret “ is defined as information that (1) derives independent economic  
8 value from not being generally known to the public; and (2) is the subject of efforts that  
9 are reasonable under the circumstances to maintain its secrecy. Cal. Civ. Code  
10 § 3426.1. Nion argues that Gatan has not pleaded that its alleged trade secrets have  
11 “independent economic value” and are kept secret by “reasonable” efforts. As to  
12 economic value, Gatan alleges that Nion used its trade secrets to “bypass years of costly  
13 research and development”, win a \$1.1 million grant, and compete with Gatan in the  
14 spectrometer market. TAC ¶¶ 4–6. As to secrecy efforts, Gatan alleges that it stored its  
15 information on password-protected computers, limited employee access on a “need to  
16 know” basis, and required employees and contractors to sign non-disclosure agreements.  
17 TAC ¶ 48. Moreover, Gatan required Nion to sign a non-disclosure agreement and agree  
18 to paragraphs 12–14 of the Agreement. TAC ¶¶ 20–21. The court finds that these  
19 allegations are sufficient to meet Rule 8’s standards.

20 Finally, Nion argues that Gatan has not sufficiently pleaded misappropriation.  
21 “Misappropriation” is defined in relevant part as “[d]isclosure or use of a trade secret of  
22 another without express or implied consent” by a person who:

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

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

26 . . .

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

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

Cal. Civ. Code § 3426.1(b)(2). “Improper means” includes “breach or inducement of a breach of a duty to maintain secrecy.” *Id.* § 3426.1(a).

Here, because Nion was subject to the restrictions of the Agreement, Gatan alleges that Nion had “a contractual duty to maintain the confidentiality of Gatan’s trade secrets.” TAC ¶ 50. Gatan further alleges that Nion “disclosed” its trade secrets “to the government” and “used [the trade secrets] to develop its own spectrometer.” TAC ¶¶ 54, 56. “Use” misappropriation includes situations where the defendant “built upon or modified” the trade secret before disclosure. *SkinMedica, Inc. v. Histogen Inc.*, 869 F. Supp. 2d 1176, 1197 (S.D. Cal. 2012). Gatan has so alleged, *see* TAC ¶¶ 45, 50, 54, and therefore adequately pleaded misappropriation.

In summary, the court finds that Gatan has identified the alleged trade secrets with “reasonable particularity” and that the other elements of the trade secret claim are plausibly alleged. Nion’s motion to dismiss the trade secret claim is therefore DENIED.

**2. The Contract Claims**

Nion also challenges the TAC’s claims for breach of contract, arguing that the paragraphs of the Agreement relied on by Gatan are invalid under section 16600.

**i. Breach of Paragraphs 12–14 of the Agreement**

Section 16600 provides that “every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.” Cal. Bus. & Prof. Code § 16600. Nion argues that paragraph 13 is void as an “extremely broad non-compete . . . not remotely limited to trade secrets.” Mot. at 20. Gatan responds that paragraph 13 does not restrain competition, but only prohibits Nion from “disclosing or using” confidential information.

Paragraph 13 contains several operative prohibitions. The first sentence provides that Nion “shall not . . . directly or indirectly disclose or use” any “Confidential Information” as defined in paragraph 12. TAC Ex. A at 3. The third sentence provides that Nion “will

1 not directly or indirectly create any products . . . sold . . . by Gatan” or “otherwise use any  
2 Confidential Information.” Id. Although this latter sentence more clearly restrains  
3 competition, Gatan does not appear to rely upon this part of paragraph 13. The TAC  
4 quotes only the first part of paragraph 13, TAC ¶ 68, and alleges that Nion breached it by  
5 “using, divulging, adapting, or disclosing Gatan’s trade secrets.” TAC ¶ 70.

6 As a general matter, under California law, “agreements designed to protect an  
7 employer's proprietary information do not violate section 16600.” Fowler v. Varian  
8 Assocs., Inc., 196 Cal. App. 3d 34, 44 (1987). Provisions “necessary to protect an  
9 employer's trade secret” are therefore enforceable despite section 16600. Asset Mktg.  
10 Sys., Inc. v. Gagnon, 542 F.3d 748, 758 (9th Cir. 2008); see also Latona v. Aetna U.S.  
11 Healthcare Inc., 82 F. Supp. 2d 1089, 1096 (C.D. Cal. 1999) (“[R]estrictions that serve to  
12 protect a former employer's trade secrets, proprietary information, and confidential  
13 information are valid in California.”). There is no reason that the logic of these decisions  
14 would be restricted to the employer-employee context. Thus, so long as paragraph 13 is  
15 “necessary” to protect confidential information, it is valid despite section 16600.

16 However, Nion argues that paragraphs 12 and 13 are written too broadly, relying  
17 on Dowell v. Biosense Webster, Inc., 179 Cal. App. 4th 564 (2009). Dowell involved an  
18 employer’s “Secrecy, Non-Competition and Non-Solicitation Agreement.” Id. at 567. In  
19 relevant part, the agreement prohibited former employees from “rendering services,  
20 directly or indirectly, to any competitor in which the services they may provide could  
21 enhance the use or marketability of a conflicting product by application of confidential  
22 information to which the employees had access during employment.” Id. at 575.  
23 “Confidential Information” was defined as information to which the employee had access  
24 that was “not generally known to the trade or industry.” Id. at 568. The California Court  
25 of Appeal invalidated this provision under section 16600, finding that the “clauses in the  
26 agreements are not narrowly tailored or carefully limited to the protection of trade secrets,  
27 but are so broadly worded as to restrain competition.” Id. at 577. “Given such an  
28 inclusive and broad list of confidential information, it seems nearly impossible that

1 employees . . . who worked directly with customers, would not have possession of such  
2 information.” Id.

3 Paragraph 12 does define “Confidential Information” broadly, but its breadth is  
4 mostly a list of the different forms that confidential information can take. The definition  
5 remains limited, somewhat circularly, to “confidential and/or proprietary information.”  
6 TAC Ex. at 3. Moreover, Gatan does not seek to restrict the use of any information that  
7 Nion acquired during the Agreement; the TAC only alleges a breach of paragraph 13 as  
8 to “trade secrets” and “confidential information.” TAC ¶¶ 68, 70–71. Thus, although  
9 other aspects of paragraph 13 might be unenforceable, the basis of Gatan’s second claim  
10 is the prohibition on the use and disclosure of confidential information, which is  
11 permissible in California. See Allied N. Am. Ins. Brokerage Corp. of Cal. v. Woodruff-  
12 Sawyer, No. C 04-2527 MJJ, 2005 WL 6583937, at \*8 (N.D. Cal. Feb. 22, 2005)  
13 (“[S]ection 16600 does not void contractual provisions that restrict a former employee  
14 from using or disclosing a former employer’s confidential or proprietary information.”).  
15 The court therefore declines to dismiss the claim for breach of paragraphs 12–14 of the  
16 Agreement on the basis of section 16600.

17 **ii. Breach of Paragraph 15 of the Agreement**

18 Gatan’s final argument asserts that the TAC’s third and fourth claims must be  
19 dismissed because paragraph 15 is unenforceable under section 16600. This argument  
20 fails because paragraph 15 does not actually restrain competition. This provision only  
21 requires that Nion grant Gatan a “non-exclusive” license. TAC Ex. A at 4. Even after the  
22 grant of the license, Nion and Gatan both remain free to compete against each other in  
23 the spectrometer market.

24 Nion’s contrary argument primarily relies on Applied Materials, Inc. v. Advanced  
25 Micro-Fabrication Equipment Company, 630 F. Supp. 2d 1084 (N.D. Cal. 2009), but that  
26 case is clearly distinguishable. The contract in Applied Materials required employees to  
27 assign any patent to their former employer for one year after the employment relationship  
28 ended. See 630 F. Supp. 2d at 1090. That provision reached “any invention disclosed

1 by former employees, regardless of when or where they were conceived.” Id. Here, in  
2 contrast, paragraph 15 requires only a license, not an assignment, and is limited to  
3 “developments” “arising out of the incorporation of [Gatan’s] Products into [Nion’s]  
4 systems.” TAC Ex. A at 3–4.

5 Nion claims that paragraph 15 requires it to license “any idea that Nion . . .  
6 conceives, simply as a result of installing a Gatan spectrometer.” Mot. at 24. However,  
7 the actual contractual language is not so broad. Paragraph 15 only reaches  
8 developments “arising out of the incorporation” of Gatan’s spectrometer into Nion’s  
9 systems. A natural reading of the “arise out of” limitation is that the covered  
10 developments must be the result of confidential information acquired during the  
11 collaboration contemplated in the Agreement. Developments that Nion conceived  
12 independently would not be covered by the “Developments” license.

13 Finally, Nion argues that paragraph 15 must be read “in tandem” with paragraph  
14 16. Taken together, Nion claims that these contractual provisions require it to first license  
15 its innovations to Gatan, and then subsequently be forced to buy them from Gatan per  
16 paragraph 16. This argument fails for the simple reason that this court has already held  
17 that paragraph 16 is unenforceable under section 16660. Dkt. 55 at 6.

18 **3. The Motion to File Under Seal and Request for Judicial Notice**

19 Nion’s request for judicial notice (“RJN”) asks the court to take notice of (1) patents  
20 registered by Gatan bearing Krivanek’s name as an inventor, Def.’s RJN at Exs. A–E;  
21 and (2) publicly available pages from Gatan’s website, id. Exs. F–K. Nion uses the  
22 patents as evidence tending to show that Nion had the expertise to develop its own  
23 spectrometer without relying on Gatan’s alleged “trade secrets.” Nion uses the  
24 webpages to show that Gatan’s website states that the Quantum performs “aberration  
25 correction up to the fifth order.” Id. Ex. F at 2.

26 The court will GRANT the RJN because these documents are properly the subject  
27 of judicial notice. However, the court cannot make the improper factual inferences that  
28 the Nion urges on the basis of these documents. The patents do indeed list Krivanek as

1 an inventor, and the court may take notice of that, but it is improper to ask the court to  
2 infer from this that Nion's invention of its competing spectrometer was independent of  
3 Gatan's trade secrets. This is not a summary judgment motion. For purposes of a  
4 motion to dismiss, the court must take Gatan's allegation that "Nion could not have  
5 developed its own spectrometer from scratch" as true. TAC ¶ 71.

6 Nion has also filed an administrative motion for leave to file under seal, seeking to  
7 make five minor redactions to its motion and RJN. Dkt. 120. Gatan has not responded to  
8 or opposed this motion. Because the court has already granted leave to make  
9 substantially identical redactions, this motion was not necessary. See Dkt. 118.  
10 However, the documents submitted with Nion's RJN reveal that the fact that the Quantum  
11 performs "[a]berration correction up to the fifth order" is advertised on Gatan's website.  
12 Def.'s RJN Ex. G at 2. Since this information is public, there is no longer good cause to  
13 redact the term "partial fifth order aberration correction." Nion's motion for leave to file  
14 under seal is therefore DENIED as to this phrase.

15 **CONCLUSION**

16 For the foregoing reasons, Nion's motion to dismiss is DENIED. Nion's motion to  
17 file under seal is GRANTED IN PART and DENIED IN PART. Within 14 days of the date  
18 of this order, Nion shall refile its motion papers with no redaction of the language  
19 regarding "fifth order aberration correction."

20 The court will hold a further case management conference in this matter on **April**  
21 **20, 2017**, at 2:00 p.m. in Courtroom 3, 3rd Floor, Federal Building, 1301 Clay Street,  
22 Oakland, California. The parties shall file a joint case management statement no later  
23 than 7 days prior to the conference.

24 **IT IS SO ORDERED.**

25 Dated: March 31, 2017



26  
27 PHYLLIS J. HAMILTON  
28 United States District Judge