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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

BLADEROOM GROUP LIMITED, et al.,
Plaintiffs,
v.
EMERSON ELECTRIC CO, et al.,
Defendants.

Case No. [5:15-cv-01370-EJD](#)

**ORDER DENYING DEFENDANTS’
MOTION FOR JUDGMENT AS A
MATTER OF LAW**

Re: Dkt. No. 898

I. INTRODUCTION

A jury returned a verdict in favor of BladeRoom Group Ltd. and Bripco (UK) Ltd.¹ on its claims against Emerson Electric Co., Emerson Network Power Solutions, Inc. and Liebert Corporation (collectively, “Emerson”) for misappropriation of trade secrets and breach of contract. Dkt. No. 867. The jury awarded BladeRoom \$10 million in lost profits damages, \$20 million in unjust enrichment damages, and found by clear and convincing evidence that Emerson’s misappropriation of trade secrets was willful and malicious.

Emerson now moves for judgment as a matter of law pursuant to Federal Rule of Civil Procedure 50(b). Dkt. No. 898. BladeRoom opposes the motion. Having carefully considered the parties’ arguments in light of the trial record, the court finds no legitimate basis to overturn any

¹ In this order, “BladeRoom” refers to both BladeRoom Group Ltd. and Bripco (UK) Ltd. Case No.: [5:15-cv-01370-EJD](#)
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1 portion of the verdict. Thus, Emerson’s motion will be denied for the reasons explained below.

2 **II. LEGAL STANDARD**

3 Federal Rule of Civil Procedure 50 permits a district court to grant judgment as a matter of
4 law when “the evidence, construed in the light most favorable to the nonmoving party, permits
5 only one reasonable conclusion, and that conclusion is contrary to that of the jury.” Estate of Diaz
6 v. City of Anaheim, 840 F.3d 592, 604 (9th Cir. 2016) (internal quotations omitted). The Ninth
7 Circuit has described this standard as “very high” and imposing a “high hurdle.” Costa v. Desert
8 Palace, Inc., 299 F.3d 838, 859 (9th Cir. 2002). To that end, the district court “can overturn the
9 jury’s verdict and grant [] a [Rule 50(b)] motion only if ““there is no legally sufficient basis for a
10 reasonable jury to find for that party on that issue.”” Id. (quoting Reeves v. Sanderson Plumbing
11 Prods., Inc., 530 U.S. 133, 149 (2000)). Conversely, a verdict must be upheld when supported by
12 substantial evidence, even if a contrary conclusion is possible. Janes v. Wal-Mart Stores, Inc., 279
13 F.3d 883, 888 (9th Cir. 2002). “Substantial evidence is ‘such relevant evidence as reasonable
14 minds might accept as adequate to support a conclusion.’” Mockler v. Multnomah Cnty., 140
15 F.3d 808, 815 n.8 (9th Cir. 1998); Pavao v. Pagay, 307 F.3d 915, 918 (9th Cir. 2002).

16 The court must “disregard all evidence favorable to the moving party that the jury is not
17 required to believe.” Reeves, 530 U.S. at 151. Functionally, this means “the court should give
18 credence to the evidence favoring the nonmovant as well as that ‘evidence supporting the moving
19 party that is uncontradicted and unimpeached, at least to the extent that evidence comes from
20 disinterested witnesses.’” Id. (quoting 9A C. Wright & A. Miller, Federal Practice and Procedure
21 § 2529, p. 300 (2d ed.1995)). However, the court may not make credibility determinations, weigh
22 the evidence, or draw inferences therefrom. Id. at 150.

23 **III. DISCUSSION**

24 **A. Misappropriation of Trade Secrets**

25 Emerson argues BladeRoom failed to prove a cause of action for misappropriation of trade
26 secrets because it needed to present expert testimony to prove the claim. Not so.

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i. Governing Authority

To sustain a claim for misappropriation of trade secrets under the California Uniform Trade Secrets Act (“CUTSA”), a plaintiff must prove: “(1) the plaintiff owned a trade secret, (2) the defendant acquired, disclosed, or used the plaintiff’s trade secret through improper means, and (3) the defendant’s actions damaged the plaintiff.” Cytodyn, Inc. v. Amerimmune Pharms., Inc., 160 Cal. App. 4th 288, 297 (2008).

“Misappropriation” includes the “[a]cquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means,” as well as the “[d]isclosure or use of a trade secret of another without express or implied consent” by a person who acquired the trade secret through improper means. Cal. Civ. Code § 3426.1(b); Silvaco Data Sys. v. Intel Corp., 184 Cal. App. 4th 210, 222 (2010) (“Under CUTSA, misappropriation of a trade secret may be achieved through three types of conduct: ‘[a]cquisition,’ ‘[d]isclosure,’ or ‘[u]se.’ ”). “Improper means” includes “theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means” but excludes “[r]everse engineering or independent derivation alone.” Cal. Civ. Code § 3426.1(a).

ii. Application

a. Existence of Trade Secrets

The jury found that BladeRoom proved by a preponderance of the evidence that it owned two trade secrets, Trade Secret 1 and Combination Trade Secret 8. Emerson’s challenge to the jury’s ownership finding boils down to one contention: it is unsustainable in the absence of technical expert testimony. This contention, however, is both legally erroneous and unpersuasive when compared to the record.

Initially, the court must dispel the notion that a plaintiff can never prove ownership of a trade secret without expert testimony. Information need not be complex, novel or outside the understanding of a layperson to constitute a trade secret. See Sinclair v. Aquarius Elecs., Inc., 42 Cal. App. 3d 216, 222 (1974) (holding that “[n]ovelty and invention are not requisite for a trade

1 secret as they are for patentability” and explaining that “a trade secret in the broad sense consists
2 of any unpatented idea which may be used for industrial and commercial purposes”); see also
3 Yield Dynamics, Inc. v. TEA Sys. Corp., 154 Cal. App. 4th 547, 562 (2007) (raising doubt that
4 California law requires a trade secret to be unique or novel); see also Kewanee Oil Co. v. Bicon
5 Corp., 416 U.S. 470, 476 (1974). “Rather, the value of a trade secret arises from its secrecy and
6 the ability to control whether, how and to whom it is disclosed.” BladeRoom Grp. Ltd. v.
7 Facebook, Inc., No. 5:15-cv-01370-EJD, 2018 WL 452111, *3 (N.D. Cal. Jan. 17, 2018) (citing
8 DVD Copy Control Assn., Inc. v. Bunner, 31 Cal. 4th 864, 880-81 (2003)). This measure of value
9 is reflected in CUTSA’s definition of what can constitute a “trade secret,” which makes no
10 reference to novelty or complexity. Instead, a trade secret is “information, including a formula,
11 pattern, compilation, program, device, method, technique, or process, that: (1) Derives
12 independent economic value, actual or potential, from not being generally known to the public or
13 to other persons who can obtain economic value from its disclosure or use; and (2) Is the subject
14 of efforts that are reasonable under the circumstances to maintain its secrecy.” Cal. Civ. Code §
15 3426.1(d).

16 CUTSA’s broad definition may explain why Emerson was unable to cite one decision
17 applying California law purporting to require expert testimony to prove a trade secret. Emerson
18 did cite out-of-circuit and out-of-state cases, but none of these support a sweeping expert
19 testimony requirement when it comes to trade secret existence or ownership. In Joseph v. Rassi,
20 58 Misc. 3d 1207 (N.Y. Sup. Ct. Jan. 4, 2018), the New York state trial court relied on the
21 Delaware Superior Court’s reasoning in ELENZA, Inc. v. Alcon Laboratories Holding
22 Corporation, No. N14C-03-185 MMJ CCLD (Del. Super. Ct. Apr. 20, 2017), to announce that
23 “[a]n expert witness is necessary to prove the presence of a trade secret.” A close review of
24 ELENZA reveals, however, that the Joseph court overstated its significance. ELENZA simply
25 does not stand for an unqualified expert testimony requirement in trade secret cases. This court,
26 therefore, does not imply from Joseph the same rule that Emerson does.

27 In Trident Products and Services, LLC v. Canadian Soiless Wholesale, Ltd., 859 F. Supp.

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1 2d 771 (E.D. Va. 2012), the plaintiff essentially alleged that a former customer disclosed its
2 formula for a chemical soil additive to another manufacturer, which manufacturer then began to
3 supply a competing product. Because the parties disagreed about the extent of the products'
4 similarity, the district court held the plaintiff needed expert testimony to explain issues outside the
5 common knowledge of a juror, including "the commonalities of the formulae, the likelihood that
6 [plaintiff's] microbes would wind up in another manufacturer's product, and the inventive process
7 by which a competitor would have created its product." 859 F. Supp. 2d at 776. Rather than
8 embodying a per se rule, Trident Products merely indicates that the need for expert testimony to
9 prove a trade secret is determined on a case-by-case basis, like any other case arising under any
10 other area of law. See Fed. R. Civ. P. 702 (providing that expert testimony is admissible if it "will
11 help the trier of fact to understand the evidence or to determine a fact in issue"); see also United
12 States v. Seschillie, 310 F.3d 1208, 1212 (9th Cir. 2002) (holding that expert testimony is not
13 required where the subject does not need expert "illumination" and the proponent is otherwise able
14 to elicit testimony about the subject). The particular trade secret at issue in Trident Products - a
15 chemical formula - and the conduct alleged to constitute misappropriation - the copying of the
16 formula - make it understandable why a jury would need assistance from an expert to compare the
17 two products; a visual comparison of the additive's components was impossible, and most jurors
18 are not chemical engineers.

19 With no expert testimony requirement, the real question for this case becomes whether the
20 evidence submitted by BladeRoom to prove trade secret ownership was so far beyond the common
21 knowledge of a layperson that the jury required the assistance of expert testimony? The answer to
22 that question is no, because BladeRoom proved it owned Trade Secret 1 and Combination Trade
23 Secret 8 with testimony from fact witnesses.

24 BladeRoom's CEO, Paul Rogers, identified the trade secrets in their asserted forms and
25 recounted at length how his experience with modular building techniques eventually led
26 BladeRoom to develop "throughout the course of 2011" the technology that became BladeRoom's
27 proprietary construction methods and designs for a warehouse-sized data center, including the

1 subassemblies known as the “chassis” and the “service cassette.” Tr., Vol. 2, at 377:8-437:21; Tr.,
2 Vol. 3, 546:8-550:9. The assessment of whether Rogers was capable of creating these methods
3 and designs is not outside the experience of a layperson. The jury, therefore, permissibly found
4 that BladeRoom satisfied the predicate element of Civil Code § 3426.1(d) by showing it owned
5 “information, including a formula, pattern, compilation, program, device, method, technique, or
6 process” without expert testimony.

7 Testimony from Rogers and Barnaby Smith, one of BladeRoom’s directors, also permitted
8 the jury to find in BladeRoom’s favor on the other two elements of Civil Code § 3426.1(d), and
9 neither required expert testimony. On the topic of confidentiality, Rogers stated that BladeRoom
10 maintains secrecy by using “employment contracts . . . written to protect [] confidential
11 information;” non-disclosure or confidentiality agreements with clients, suppliers, and distributors;
12 and a computer system with password protection. Tr., Vol. 3, at 550:12-24. He also stated that
13 BladeRoom does not maintain all of its confidential information “in the same place,” limits access
14 to the business (“We don’t just let anybody just wander into our business normally.”), and marks
15 documents “to be treated in confidence.” *Id.* at 550:24-551:16. Smith testified that BladeRoom
16 protects the details of its product with non-disclosure agreements with clients and curates the
17 amount of information disclosed on its website. Tr., Vol. 6, at 1285:16-1287:18.

18 As to economic value, Rogers testified that no other company provides a similar data
19 center product, and that the development of its confidential technology increased BladeRoom’s
20 sales from just under \$50 million to just under \$400 million. Tr., Vol. 3, at 552:19-553:4. In
21 addition, Rogers identified several partners and clients who have utilized BladeRoom’s
22 confidential technology or purchased data centers incorporating the technology, including
23 Metronade, Ark, and Mercedes Benz. *Id.* at 551:17-552:8. Crediting the testimony of
24 BladeRoom’s witnesses as true, the jury’s finding on trade secret ownership is supported by
25 substantial evidence.

26 Emerson’s arguments to the contrary do not alter this outcome. Most of them are improper
27 invitations for the court to reweigh or determine the credibility of evidence presented to the jury.

1 For example, Emerson argued at trial that BladeRoom’s trade secrets were disclosed in patents.
2 See, e.g., Tr., Vol. 20, at 4170:23-24 (“There is a mountain of patents, and we’ll go through those
3 later.”); 4233:23-4234:4 (“Every phrase, and these are page after page, the patents of BladeRoom
4 system, protected by key patents, a patented revolutionary air cooling system. All of it is
5 protected by this large stack of patents. All of their information that they’ve been talking about in
6 this case that they claim are trade secrets is right in there, and it was their burden to show you it
7 wasn’t in there.”). The jury was apparently unpersuaded by Emerson’s argument.

8 Furthermore, Emerson implies an extra burden requiring a trade secret plaintiff to disprove
9 public disclosure as part of a prima facie case. But Emerson cites no authority for this contention,
10 and relevant California law is against it. The secrecy element of a misappropriation claim required
11 BladeRoom to make a prima facie showing on which the jury could find it made efforts that were
12 “reasonable under the circumstances.” Cal. Civ. Code § 3426.1(d); see Sargent Fletcher, Inc. v.
13 Able Corp., 110 Cal. App. 4th 1658, 1667 (2003) (“To prevail, the party bearing the burden of
14 proof on the issue must present evidence sufficient to establish in the mind of the trier of fact or
15 the court a requisite degree of belief (commonly proof by a preponderance of the evidence).”); see
16 also Jury Instructions, Dkt. No. 849, at Nos. 29, 30. BladeRoom did so here, triggering Emerson’s
17 burden to produce evidence that BladeRoom’s efforts were not reasonable or that its trade secrets
18 were not, in fact, secret. See Sargent Fletcher, 110 Cal. App. 4th at 1668 (holding that once a
19 party “produces evidence sufficient to make its prima facie case, the burden of producing evidence
20 shifts to the other party to refute the prima facie case”). Though Emerson presented evidence in
21 support of a public disclosure theory, the verdict shows the jury was seemingly unmoved by it.

22 Because substantial evidence supports the jury’s finding that BladeRoom owned Trade
23 Secret 1 and Combination Trade Secret 8, Emerson’s challenge to that portion of the verdict is
24 rejected.

25 **b. Disclosure or Use by Improper Means**

26 In a similar argument, Emerson believes the jury’s misappropriation verdict is
27 unsupportable without “[e]xpert evidence comparing the alleged trade secrets to what Emerson

1 designed and built.” This argument fares no better than the preceding one.

2 Much like the ownership question, BladeRoom’s burden was to admit sufficient evidence
3 on which the jury could find in its favor on the issue of misappropriation; that is, BladeRoom
4 needed to show to the jury’s satisfaction that Emerson disclosed or used its trade secrets by way of
5 improper means. See Cytodyn, Inc., 160 Cal. App. 4th at 297 (2008); see also Sargent Fletcher,
6 110 Cal. App. 4th at 1669 (“The plaintiff’s proof that another party used plaintiff’s trade secret, to
7 which that party gained access (properly, for a limited purpose, or otherwise), and that the party’s
8 identical or similar product incorporates the same design, is a prima facie showing that the party
9 did not independently derive or reverse engineer the product.”); see also Final Jury Instructions,
10 Dkt. No. 849, at Nos. 34-36. BladeRoom could do so with circumstantial evidence because direct
11 evidence of misappropriation is rare. UniRAM Tech., Inc. v. Taiwan Semiconductor Mfg. Co.,
12 617 F. Supp. 2d 938, 944 (N.D. Cal. 2007). Comments by another district court on this topic are
13 particularly relevant to this case:

14 It is well recognized with respect to trade secrets that:

15 [m]isappropriation and misuse can rarely be proved by convincing
16 direct evidence. In most cases plaintiffs must construct a web of
17 perhaps ambiguous circumstantial evidence from which the trier of
18 fact may draw inferences which convince him that it is more
19 probable than not that what plaintiffs allege happened did in fact
take place. Against this often delicate construction of circumstantial
evidence there frequently must be balanced defendants and
defendants’ witnesses who directly deny everything.

20 Q-Co Indus., Inc. v. Hoffman, 625 F. Supp. 608, 618 (S.D.N.Y. 1985) (quoting Greenberg v.
21 Croydon Plastics Co. Inc., 378 F. Supp. 806, 814 (E.D. Pa. 1974)).

22 Misappropriation through disclosure occurs “if a person knew or had reason to know at the
23 time of a trade secrets disclosure that his or her knowledge of the trade secret was ‘[a]cquired
24 under circumstances giving rise to a duty to maintain its secrecy or limit its use.’” BladeRoom
25 Group Ltd. v. Facebook, Inc., No. 5:15-cv-01370-EJD, 2018 WL 514923, at *7 (N.D. Cal. Jan. 23,
26 2018) (quoting Cal. Civ. Code § 3426.1(b)(2)). Here, BladeRoom presented substantial evidence
27 in support of a misappropriation by disclosure theory. The agreement between BladeRoom and

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1 Emerson “giving rise to a duty to maintain secrecy” and limiting the use of confidential
2 information was admitted. Trial Ex. No. 2; Tr., Vol. 2, at 375:4-20. The agreement permitted
3 Emerson to use BladeRoom’s information “only for the purpose of internal evaluation of whether
4 to enter into a business relationship.”

5 BladeRoom’s Rogers testified how Emerson obtained his company’s confidential
6 information: teams from Facebook and Emerson visited BladeRoom’s facilities in the United
7 Kingdom during the same week in 2012, and Rogers shared with Emerson’s team information and
8 several documents depicting the methods and designs underlying a BladeRoom modular data
9 center. Tr., Vol. 3, Dkt. No., at 575:10-14; 577:5-578:16; 582:11-586:13; 599:14-600:24. In
10 addition, the Emerson team toured a factory where the chassis was in production, and viewed a
11 “live” data center where prototypes of the service cassette and the chassis were displayed. *Id.* at
12 586:14-588:8. Fred Rebarber, who was a member of the visiting Emerson team, confirmed the
13 exchange of information. Tr., Vol. 13, at 2794:10-2796:1.

14 The evidence also revealed a collection of instances from which the jury could permissibly
15 infer that Emerson failed to observe its contractual duty by disclosing BladeRoom’s confidential
16 information. First, BladeRoom’s Rogers stated that despite efforts to keep the teams from
17 Facebook and Emerson apart during their visits, he received a subsequent email from Emerson’s
18 David Gerhart indicating the two teams nonetheless met while in the United Kingdom. Tr., Vol.
19 3, at 590:12-17. In fact, the meeting was arranged in advance, unbeknownst to Rogers. Trial Ex.
20 No. 919; Tr., Vol. 9, at 1962:16-21. According to Emerson’s Rebarber, one purpose of this
21 meeting was to understand Facebook’s “level of interest and engagement in BladeRoom.” Tr.,
22 Vol. 13, at 2808:7-9; Trial Ex. No. 880. Rebarber wrote in his notes, along with technical
23 information describing BladeRoom’s technology:

24 This is facebook’s second visit to BladeRoom. Tim² Tse mentioned
25 a potential four BladeRooms in Sweden. Tim commented that they
26 could get the BladeRooms manufactured, installed and in operation

27 ² The court understands Rebarber to reference Facebook’s Tin Tse, rather than another individual
28 named Tim Tse.

1 much earlier than the current planned structures would be available
2 which has been in planning for a year with DPR and Fortis
3 Construction Although Facebook says they are still evaluating
4 BladeRoom, BladeRoom commented that they are in the quotation
5 stage. Tim also mentioned that technically they are satisfied with
6 BladeRooms approach and they are confident that BladeRoom could
7 make some changes that facebook requires (potential elimination of
8 DX back-up, ceiling height, cable tray management).

9 Second, Facebook’s Tin Tse testified about a meeting between Facebook and Emerson in
10 St. Louis in July, 2012. Tse agreed that though Emerson was “starting from scratch” with a
11 modular data center product at the time, the purpose of the meeting was to determine whether
12 Emerson could build a data center comparable to BladeRoom’s product. Tr., Vol. 7, at 1448:7-9;
13 1449:10-15. Tse later wrote an email to his supervisor, Jay Park, on July 27, 2012, about his
14 upcoming goals. Tse wrote, in pertinent part:

15 I am dropping the indirect solution with Bladeroom and will put it
16 on Emerson’s plate
17 5) Work with Emerson to help them develop modular solution
18 similar to Bladeroom

19 Trial Ex. No. 1456.

20 Tse testified that consistent with his July 27th email, he worked closely with Emerson
21 between August and December 2012 to develop a modular data center solution and used
22 BladeRoom’s terminology during his communications with Emerson. Tr., Vol. 7, at 1467:3-9;
23 1468:19-20. In one email from Emerson’s Wilcox to Tse and others at Facebook from this time
24 period, Wilcox specifically references “the approach taken by others in the modular solution
25 business (UK) that has the air-handler located at the end of the data halls to allow for stacked
26 solutions.” Trial Ex. No. 1662.

27 Third, Tse testified that teams from Facebook and Emerson participated in a “design
28 charrette” in August, 2012, the purpose of which was to help Emerson understand how to meet
Facebook’s need for a modular data center. Tr., Vol. 7, at 1473:18-1474:7. The evidence showed
that during the charrette, Tse presented the “BladeRoom Solution,” which presentation included
parts of the proposal that BladeRoom made to Facebook for the construction of Lulea 2. Trial Ex.
Nos. 895, 2034. Emerson’s Wilcox wrote in notes from the meeting in reference to BladeRoom:

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1 Not moving forward beyond technology approach due to business
2 constraints/concerns. (Trial Ex. No. 895; Tr., Vol. 10, at 2062:19-
2063:5);

3 Concerns with Bladeroom overall container size due to 28 cabinet
4 building block. (Trial Ex. No. 895);

5 Looking for a merger of Emerson’s and Bladeroom best practices of
6 design. (Trial Ex. No. 895);
7 Facebook Psychometric chart is now driven as a sacred cow - not
8 yet up for discussion Mentioned that the stage control from
Bladeroom is significantly ahead of Facebook concepts - this is an
9 area we must focus in our presentation to show we have value. (Trial
10 Ex. No. 895).

11 Fourth, on September 19, 2012, Emerson’s Wilcox emailed Facebook’s Tse requesting a
12 “short write-up or more detail” about Facebook’s concerns regarding the media used for air
13 cooling. Trial Ex. No. 995. Tse responded there were three ways to control the media capacity,
14 including “[s]taging and By-pass dampers (the other vendor in the UK).” Id. Tse confirmed he
15 was referring to BladeRoom as the “other vendor in the UK.” Tr., Vol. 7, at 1470:5-8.

16 Fifth, Emerson presented its modular data center design for Lulea 2 to Facebook on
17 October 30, 2012. Tr., Vol. 10, at 2086:9-2088:9. Emerson’s Jon Carr emailed notes from the
18 presentation meeting to Wilcox on October 31, 2012, which included the entry: “Do not use the
19 word ‘Cassette’ - This is Bladeroom terminology.” Trial Ex. No. 945. The notes also included
20 this entry: “Blade Room back draft damper - take a look at it. Marco likes it” Id. In addition,
21 Emerson’s Michael Rockwell emailed Wilcox that same day about Facebook’s request for a copy
22 of Emerson’s presentation and Emerson’s concerns about providing it. Trial Ex. No. 1114.
Rockwell wrote: “I agree with this concern, especially given the Bladeroom related disclosures
23 from facebook yesterday” Id.

24 Moreover, the jury could find based on the evidence that Emerson disclosed BladeRoom’s
25 trade secrets in patent applications. BladeRoom’s Rogers stated that after receiving BladeRoom’s
26 information, Emerson applied for patents based on BladeRoom’s technology. Tr., Vol. 3, at
27 623:23-624:12. Emerson’s Wilcox confirmed that Emerson’s patents cover inventive aspects of
Lulea 2, including the Unit I.T. and the sectional modularized air handling unit. Tr., Vol. 10, at

1 2126:16-2127:6; Trial Ex. No. 1260.

2 Emerson’s challenge to the misappropriation verdict - focused solely on improper use -
3 collapses against the disclosure evidence, all of which independently supports the jury’s finding.
4 The jury’s examination of disclosure by improper means did not require the assistance of an
5 expert, and Emerson does not argue otherwise in this motion.

6 In any event, the jury was also capable of analyzing evidence of improper use without
7 technical expert testimony. The court has previously explained that a plaintiff need not undertake
8 a patent infringement analysis to prove an improper use claim, because “‘use’ is not such an
9 inflexible term when it comes to trade secret misappropriation.” BladeRoom Group Ltd., 2018
10 WL 514923, at *8. Indeed, “the actor need not use the trade secret in its original form,” and
11 “unauthorized use need not extend to every aspect or feature of the trade secret; use of any
12 substantial portion of the secret is sufficient to subject the actor to liability.” Restatement (Third)
13 of Unfair Competition § 40 cmt. c (1995). “[A]n actor is liable for using the trade secret with
14 independently created improvements or modifications if the result is substantially derived from the
15 trade secret.” Id.; accord Mangren Res. & Dev. Corp. v. Nat’l Chem. Co., Inc., 87 F.3d 937, 944
16 (7th Cir. 1996) (“[I]f trade secret law were not flexible enough to encompass modified or even
17 new products that are substantially derived from the trade secret of another, the protections that
18 law provides would be hollow indeed.”).

19 The technical aspects of the trial evidence were not so complex that the jury was unable to
20 validly find that Emerson’s design for Lulea 2 was substantially derived from BladeRoom’s trade
21 secrets. A layperson is able to compare Rogers’ recitation of the trade secrets with the evidence
22 describing Emerson’s design and construction of Lulea 2 and determine whether Lulea 2 was
23 “substantially derived” from the trade secrets, given Emerson’s access to BladeRoom’s
24 confidential information and its prior lack of experience with a modular data center solution. See,
25 e.g., Tr., Vol. 10, at 2088:10-2113:17; Tr., Vol. 14, at 3029:23-3036:3.

26 Finally, Emerson’s argument that BladeRoom failed to prove any element of a
27 misappropriation or breach of contract claim neglects the substantial evidence recited above, all of

1 which the jury could have used to establish the requisite elements. Emerson also invites the court
2 to accept evidence it finds convenient to its position, reject contrary evidence, and draw inferences
3 from the evidence in Emerson’s favor. The court cannot do so on this motion. See Reeves, 530
4 U.S. at 151

5 In sum, the absence of expert testimony does not undermine the substantial evidence
6 supporting the jury’s misappropriation verdict, all of which was within the reach of a layperson.
7 Thus, Emerson is not entitled to relief under Rule 50(b).

8 **B. Causation**

9 The jury found that Emerson’s misappropriation of trade secrets was a substantial factor in
10 causing harm to BladeRoom. Emerson argues the evidence is insufficient to support this finding
11 because it does not show that BladeRoom would have been awarded the Lulea 2 contract but for
12 Emerson’s conduct. Emerson’s argument is misplaced as both a legal and factual matter.

13 **i. Governing Authority**

14 The court instructed the jury regarding causation under California law, which is the same
15 for both contract and tort claims. See Ortega v. Kmart Corp., 26 Cal. 4th 1200, 1205 (2001)
16 (holding that “substantial factor” causation is a factual question for the jury unless the facts
17 regarding causation are undisputed); see also Tribeca Cos., LLC v. First Am. Title Ins. Co., 239
18 Cal. App. 4th 1088, 1103 (2015).

19 “The test for causation in a breach of contract . . . action is whether the breach was a
20 substantial factor in causing the damages.” Id. (quoting US Ecology v. California, 129 Cal. App.
21 4th 887, 909 (2005)). “Similarly, in tort cases, ‘California has definitively adopted the substantial
22 factor test.’” Id. (quoting Rutherford v. Owens-Illinois, Inc., 16 Cal. 4th 953, 968-69 (1997)).
23 Under that test, “‘a cause in fact is something that is a substantial factor in bringing about the
24 injury.’” Id. (quoting Rutherford, 16 Cal.4th at 968-69).

25 “The term ‘substantial factor’ has not been judicially defined with specificity, and indeed it
26 has been observed that it is ‘neither possible nor desirable to reduce it to any lower terms.’”
27 Rutherford, 16 Cal. 4th at 696. The California Supreme Court has suggested, however, that

1 “[u]ndue emphasis should not be placed on the term ‘substantial.’” Id. But at the same time, “a
2 force which plays only an ‘infinitesimal’ or ‘theoretical’ part in bringing about injury, damages or
3 loss is not a substantial factor.” Id.

4 **ii. Application**

5 Emerson argues that in a case like this one involving the loss of a contractual opportunity,
6 BladeRoom needed to show it would have obtained the contract for Lulea 2 from Facebook had
7 Emerson not breached the confidentiality agreement or misappropriated its trade secrets. That
8 framing is not completely accurate under California law, however, because it is not consistent with
9 the cause-and-effect language of the substantial factor test. BladeRoom’s burden was not to
10 affirmatively prove it would have otherwise obtained the Lulea 2 contract, but rather to admit
11 sufficient evidence upon which the jury could find that Emerson’s conduct was a substantial factor
12 in causing BladeRoom to lose or not be awarded the Lulea 2 contract. Though subtle, the
13 distinction is important because the record shows that BladeRoom satisfied its burden under that
14 standard.

15 Facebook’s Park testified that BladeRoom and Emerson were the only two companies
16 being considered for the construction of Lulea 2. Tr., Vol. 9, at 1858:7-10. Moreover, the jury
17 could reasonably infer from the testimony of Facebook’s witnesses, Tse and Marco Magarelli, that
18 only BladeRoom satisfied all of Facebook’s design preferences, that Facebook was willing to
19 work with BladeRoom’s proposal submitted on July 20, 2012, and that Facebook was “probably
20 going to use BladeRoom for Lulea 2.” Tr., Vol. 7, at 1525:23-1526:19; Tr., Vol. 12, at 2578:11-
21 2579:1; Trial Ex. No. 1455. The jury could also infer from the evidence - including the short
22 timeframe in which Emerson developed a modular solution and the subsequent, ongoing
23 interactions between Facebook and Emerson after meeting with BladeRoom in the United
24 Kingdom - that Emerson would not have otherwise been able to compete against BladeRoom in
25 the two-business race for Lulea 2, and could not have submitted a winning proposal in October,
26 2012, had Emerson not misappropriated BladeRoom’s confidential information. In sum,
27 substantial evidence in the record supports the jury’s finding that Emerson’s conduct was a

1 substantial factor in causing BladeRoom to lose the Lulea 2 contract.

2 Emerson’s argument to the contrary is unpersuasive. For the most part, it employs a
3 backwards Rule 50(b) analysis by citing to causation evidence in its favor but ignoring the
4 evidence supporting the jury’s verdict. As an example, Emerson relies on evidence suggesting
5 Facebook was considering BladeRoom only for the data hall portions of Lulea 2, but overlooks
6 that the jury could permissibly find that Emerson could not have competed with BladeRoom at all
7 unless it submitted a design similar to BladeRoom’s product for that portion of the data center.
8 Trial Ex. No. 926; Tr., Vol. 8, at 1708:17-20. And because of that evidence and the inferences
9 reasonably drawn therefrom, Emerson’s challenge to the amount of the unjust enrichment award
10 falls apart. As Emerson itself recognizes, it was *Emerson’s* burden to prove any portion of its
11 earnings from Lulea 2 not attributable to BladeRoom’s trade secrets. See Restatement (Third) of
12 Unfair Competition § 45 cmt. f (1995). To the extent Emerson presented evidence for the jury to
13 parse its earnings between the data hall and other portions of that project, the jury was free to
14 disbelieve it. It apparently did in some form, instead accepting evidence that Emerson would not
15 have been compensated for Lulea 2 had it not used BladeRoom’s trade secrets.

16 Emerson also argues that BladeRoom “terminated its longshot play” for Lulea 2. But as
17 the embellishment suggests, Emerson supports the argument with its own interpretation of cherry-
18 picked evidence. The evidence was not undisputed on this point.

19 Finally, Emerson argues it could not have used BladeRoom’s confidential information in
20 its proposal for Lulea 2 because, in its view, any contractual confidentiality restrictions expired on
21 August 17, 2013. The court rejected that interpretation of the contract in an order filed during trial
22 (Dkt. No. 839) and finds no reason to reconsider that issue for this motion.

23 Because the jury’s causation verdict is supported by substantial evidence, Emerson’s Rule
24 50(b) motion on that topic must be denied.

25 **C. The Willful and Malicious Finding**

26 Emerson’s challenge to the jury’s willful and malicious finding requires little discussion
27 because it rests upon issues already decided by the court. Emerson argues BladeRoom “never

1 gave Emerson clear or fair notice regarding what precisely were the trade secrets.” The court,
2 however, found otherwise at summary judgment. Dkt. Nos. 493, 494. Nothing new is asserted
3 now.

4 Furthermore, Emerson’s representation of “massive differences between [BladeRoom’s]
5 standard offering and what Facebook asked Emerson to design and build” does not cut against the
6 verdict for two reasons. First, that statement embodies an evidentiary inference by Emerson
7 adding no value to this motion. Second, it reflects a narrow approach to the types of evidence that
8 can prove trade secret misappropriation. But as the court has explained, the jury could permissibly
9 find misappropriation based on inferences drawn from the evidence, including inferences drawn
10 from circumstantial evidence, even if Emerson’s design for Lulea 2 was not an exact reproduction
11 of BladeRoom’s trade secrets. See Restatement (Third) of Unfair Competition § 40 cmt. c (1995).

12 Accordingly, the court will not disturb the finding that Emerson engaged in willful and
13 malicious misappropriation of trade secrets.

14 **D. Damages**

15 Emerson argues the jury’s damages awards are unsustainable because (1) the jury was not
16 asked to apportion damages among the trade secrets, (2) the evidence of future lost profits was
17 speculative, and (3) the amount of unjust enrichment is either a double-recovery or based on
18 speculative evidence. These bases are each unpersuasive.

19 The court has already considered, and rejected, the first basis. Dkt. No. 738. Relevant
20 California authority does not require an apportionment of damages. In the absence of such a rule,
21 BladeRoom’s theory was not legally improper in the context of this case; that is, BladeRoom
22 could argue that since its trade secrets encompass the designs and methods used to create parts of a
23 unified structure, the misappropriation of any of the asserted trade secrets would have caused all of
24 the damages it sought.

25 The second basis is equally unavailing. Emerson’s argument focuses only on problems
26 with the evidence of future lost profits, not the evidence of actual lost profits. Since the verdict
27 does not specify which type of profits the jury awarded, and since the latter type could

1 independently support the verdict, there is nothing gained from examining the sufficiency of the
2 future lost profits evidence.

3 The third basis similarly fails. Like lost profits, the jury was not asked to specify the basis
4 for the amount of unjust enrichment damages it awarded. As such, Emerson can only speculate
5 exactly how the jury measured unjust enrichment, and certainly cannot show with any reasonable
6 certainty that the jury double-counted “Emerson’s supposed operating profit” from Lulea 2.

7 Furthermore, the court disagrees that BladeRoom’s unjust enrichment evidence “is
8 contrary to the basic foundation of disgorgement damages in trade secret misappropriation
9 matters.” As the court explained:

10 While the sale of Emerson Network Power may represent a unique
11 form of unjust enrichment damages - it is not “sales” in the classic
12 sense - no authority provides that an award cannot be made based on
13 the sale of a business so long as causation and the fact of existing
14 damages are proven. Furthermore, Emerson is in the better position
15 to show any portion of the sale not attributable to the trade secret,
16 which observation conforms to the purpose of the burden shifting
17 occurring when unjust enrichment damages are at issue.

18 Dkt. No. 850.

19 The unpublished opinion cited by Emerson, Litton Systems, Inc. v. Ssangyong Cement
20 Industrial Co., Ltd., 107 F.3d 30 (Fed. Cir. 1997), does not provide reasons to alter that analysis.
21 There, the Federal Circuit understandably found the calculation of unjust enrichment damages
22 “unsupported in the law of unfair competition” because the district court based it on an *expected*
23 stream of income. Here, the unjust enrichment evidence described *realized* profits from the sale of
24 Emerson Network Power.

25 In short, Emerson has not shown an entitlement to judgment as a matter of law on any
26 portion of the damages award.

27 **E. Standing**

28 The standing of BladeRoom Group Ltd. is challenged for a third time. Addressing this
issue twice before (Dkt. Nos. 191, 493), the court determined that BladeRoom Group Ltd. has
standing since it possesses confidential information that could be misappropriated. Emerson raises

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nothing new, and its argument for judgment on this issue is rejected.

IV. ORDER

Based on the foregoing, Emerson’s Motion for Judgment as a Matter of Law (Dkt. No. 898) is DENIED.

IT IS SO ORDERED.

Dated: August 3, 2018



EDWARD J. DAVILA
United States District Judge