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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

SKINMEDICA, INC.,

CASE NO. 09-CV-122 JLS (RBB)

[REDACTED] ORDER

Plaintiff,

vs.

HISTOGEN INC.; HISTOGEN
AESTHETICS LLC; GAIL K. NAUGHTON,

Defendants.

AND RELATED COUNTERCLAIMS

Presently before the Court are several motions for summary judgment of various claims and counterclaims brought by both parties, as well as SkinMedica’s motion for final judgment under Rule 54(b), and Histogen’s motion for attorneys’ fees. Having considered the parties’ arguments and the law, the Court rules as follows:

1. SkinMedica’s motion for partial summary judgment (ECF No. 196) is **GRANTED**.
2. Histogen’s motion for summary judgment (ECF No. 211) is **DENIED**.
3. SkinMedica’s motion for final judgment (ECF No. 237) is **DENIED**.
4. Histogen’s motion for attorneys’ fees (ECF No. 287) is **DENIED**.

BACKGROUND

1
2 Plaintiff SkinMedica is a privately held company that develops and sells products for
3 treating dermatologic conditions and diseases affecting skin appearance. SkinMedica sells its
4 products primarily to dermatologists and plastic surgeons. Among SkinMedica's products is its
5 TNS® (for Tissue Nutrient System) line of anti-aging products. The main ingredient in the TNS
6 line of products is NouriCel®. (See FAC ¶ 25, ECF No. 31.)

7 NouriCel was originally developed by Advanced Tissue Science, Inc. ("ATS"). In 2002,
8 ATS filed for bankruptcy. In 2003, through the ATS bankruptcy proceedings, SkinMedica claims
9 to have acquired all of the assets, "including the trade secrets and know-how," related to NouriCel
10 through an Asset Purchase Agreement ("APA"). (See FAC ¶¶ 8–10.) The APA gave SkinMedica
11 the rights to U.S. Patent Nos. 6,372,494 (the '494 patent) and 7,118,746 (the '746 patent), asserted
12 in this lawsuit. (See FAC ¶¶ 16–17.)

13 Defendant Gail Naughton was the co-founder, President, Chief Operating Officer, and
14 Chief Scientific Officer at ATS. (FAC ¶ 10.) She was also the lead named inventor on the '494
15 and '746 patents. (FAC Exs. A, B.) Naughton left ATS shortly after it filed for bankruptcy. She
16 is now the Chief Executive Officer and Chairman of the Board of Directors for Defendant
17 Histogen. (FAC ¶ 4.)

18 During her tenure at ATS, Naughton and her colleagues experimented with NouriCel,
19 ultimately discovering that NouriCel could possibly stimulate hair growth. By September 2002,
20 Naughton presented a confidential report on NouriCel's hair growth potential to ATS's Scientific
21 Advisory Board ("SAB Report"). In her official capacity as Vice Chairman of ATS, Naughton
22 claims to have been authorized to discuss the contents of the SAB Report with outside parties,
23 including a former ATS employee no longer under a confidentiality agreement, and competing
24 pharmaceutical companies.

25 Beginning in 2004, Naughton and Histogen began filing patent applications for
26 "conditioned medium" research similar to the NouriCel research Naughton performed at ATS.
27 However, as of January 2009, the U.S. Patent and Trademark Office and the European Patent
28 Office had rejected all of these claims in light of prior art.

1 In October 2008, SkinMedica became aware that Histogen planned to launch a line of skin
2 care products based on a conditioned medium called ReGenica™ that sounded similar to
3 SkinMedica's NouriCel technology. On January 22, 2009, SkinMedica filed the instant lawsuit
4 against Naughton, Histogen, and Histogen Aesthetics (collectively, "Histogen"). Histogen filed
5 counterclaims for a declaration of patent noninfringement and unfair competition under California
6 statutory law and common law. (ECF No. 35.) And each side asserts various affirmative defenses
7 to the other's claims. (*Id.*; ECF No. 40.)

8 On November 21, 2011, the Court granted Histogen's motion for partial summary
9 judgment of noninfringement of both the '494 and the '746 patents. (ECF No. 228.) Thus,
10 SkinMedica's remaining claims are for misappropriation of trade secrets, breach of contract,
11 imposition of constructive trust, and unfair competition. Histogen now moves for summary
12 judgment of the first three of these claims, and for an award of attorneys' fees for its defense of
13 SkinMedica's infringement claims. SkinMedica moves for partial summary judgment of
14 Histogen's unfair competition counterclaims, as well as for final judgment as to noninfringement
15 under Federal Rule of Civil Procedure 54(b).

16 A motion hearing was held on March 15, 2012, and the matters taken under submission.

17 ANALYSIS

18 1. Cross-Motions for Summary Judgment

19 A. Legal Standard

20 Federal Rule of Civil Procedure 56 permits a court to grant summary judgment where
21 (1) the moving party demonstrates the absence of a genuine issue of material fact and (2)
22 entitlement to judgment as a matter of law. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986).
23 "Material," for purposes of Rule 56, means that the fact, under governing substantive law, could
24 affect the outcome of the case. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986);
25 *Freeman v. Arpaio*, 125 F.3d 732, 735 (9th Cir. 1997). For a dispute to be "genuine," a reasonable
26 jury must be able to return a verdict for the nonmoving party. *Anderson*, 477 U.S. at 248.

27 The initial burden of establishing the absence of a genuine issue of material fact falls on the
28 moving party. *Celotex*, 477 U.S. at 323. The movant can carry his burden in two ways: (1) by

1 presenting evidence that negates an essential element of the nonmoving party's case; or (2) by
2 demonstrating that the nonmoving party "failed to make a sufficient showing on an essential
3 element of her case with respect to which she has the burden of proof." *Id.* at 322–23.

4 Once the moving party establishes the absence of genuine issues of material fact, the
5 burden shifts to the nonmoving party to set forth facts showing that a genuine issue of disputed
6 fact remains. *Celotex*, 477 U.S. at 324. The nonmoving party cannot oppose a properly supported
7 summary judgment motion by "rest[ing] on mere allegations or denials of his pleadings."
8 *Anderson*, 477 U.S. at 256. When ruling on a summary judgment motion, the court must view all
9 inferences drawn from the underlying facts in the light most favorable to the nonmoving party.
10 *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986).

11 ***B. SkinMedica's Motion for Summary Judgment***

12 SkinMedica argues that Histogen's measure of damages under its two unfair competition
13 counterclaims fails for three primary reasons.¹ First, nonrestitutionary disgorgement damages are
14 not available under Cal. Bus. & Prof. Code § 17200 ("UCL" or "section 17200"). Second,
15 Histogen's common law unfair competition counterclaim fails because it does not allege "passing
16 off." Third, SkinMedica argues Histogen's requested damages are too uncertain to be recoverable.
17 (*See* Pl.'s MSJ 1, ECF No. 219.) The Court addresses these arguments in turn.²

18
19 ¹ The Court declines to reject SkinMedica's motion on the basis that it is successive of a
20 summary judgment motion filed on September 14, 2009. (ECF No. 68.) Although Histogen correctly
21 points out that the Court has discretion to refuse to consider a second summary judgment motion as
22 to the same claim (*See* Def.'s Opp'n to Pl.'s MSJ 9-10), courts faced with a successive motion "often
23 exercise their discretion to consider the new arguments in the interests of judicial economy."
24 *Amaretto Ranch Breedables, LLC v. Ozimals, Inc.*, 2011 WL 2690437 at *2 n.1 (N.D. Cal. July 8,
2011); *see also Nat'l City Bank, N.A. v. Prime Lending, Inc.*, 2010 WL 2854247 at *2 (E.D. Wash.
25 July 19, 2010) ("The Court declines to pass on this opportunity to narrow the issues.") For the same
26 reasons, and to avoid inequity, the Court also declines to reject Histogen's motion as to SkinMedica's
27 breach of contract claim as successive. (*See* Pl.'s Opp'n to Def.'s MSJ 20.)

28 ² The Court rejects Histogen's argument that the Court's analysis and decision should be
limited narrowly to "lost profits." Although SkinMedica's motion caption somewhat misleadingly
states it seeks "Partial Summary Judgment on Defendants' Lost Profits Damages Claim," the Court
finds that the substance of the motion is not so limited. SkinMedica's memorandum clearly provides
adequate notice of the three different bases asserted for summary judgment, which are not directed
solely to "lost profits." Given that Histogen's own operative answer, as well as its damages expert's
description, uses the term "profits" repeatedly to describe the relief sought by Histogen under its
unfair competition claims, the Court will not fault SkinMedica for mirroring that language in styling
its motion caption.

1 (i) *Statutory UCL Claim*

2 According to SkinMedica, restitution is the only measure of nonpunitive monetary relief
3 available under the UCL, and Histogen has not and cannot claim damages in the form of
4 restitution. In fact, SkinMedica points out that “damages” of any sort are not recoverable under
5 the UCL. (Pl.’s MSJ 4-5.) Histogen counters that SkinMedica has mischaracterized Histogen’s
6 requested relief under the label of “lost profits” when in fact Histogen seeks “to recover its *lost*
7 *value* as a result of SkinMedica’s illegal and fraudulent business practices, which is a proper
8 remedy under section 17200.”³ (Def.’s Opp’n to Pl.’s MSJ 10, ECF No. 267.)

9 (a) Available Remedies under the UCL

10 SkinMedica is correct that damages are not available under the UCL; the available
11 remedies are limited to restitution and injunctive relief. *See Korea Supply Co. v. Lockheed Martin*
12 *Corp.*, 29 Cal. 4th 1134, 1147 (2003); *Smit v. Charles Schwab & Co., Inc.*, 2011 U.S. Dist. LEXIS
13 25589 at *28 (N.D. Cal. Mar. 8, 2011). Courts are authorized to fashion remedies to prevent,
14 deter, and compensate for unfair business practices. *See* Cal. Bus. & Prof. Code § 17203. To that
15 end, California courts have found that injunctions are the proper remedy to combat unfair business
16 practices, and that “[a]ctual direct victims of unfair competition may obtain restitution as well.”
17 *Korea Supply Co.*, 29 Cal. 4th at 1152.

18 In determining what fits into this narrow category of restitution, the object is “to restore the
19 status quo by returning to the [actual direct victim] funds in which he or she has an ownership
20 interest.” *Feitelberg v. Credit Suisse First Boston, LLC*, 134 Cal. App. 4th 997, 1012 (2005).
21 Thus, “in the UCL context . . . restitution means the return of money to those persons from whom
22 it was taken or who had an ownership interest in it.” *Id.* at 1013 (quoting *Madrid v. Perot Systems*
23

24 ³ Histogen argues further that SkinMedica’s motion ignores the fact that Histogen also seeks
25 an injunction under its UCL claim. (Def.’s Opp’n to Pl.’s MSJ 10.) SkinMedica admits, and the
26 Court agrees, that Histogen’s UCL claim will survive, regardless of the Court’s ruling on
27 SkinMedica’s summary judgment motion. (Pl.’s Reply 2., ECF No. 284.) The Court interprets
28 SkinMedica’s motion as requesting only partial summary judgment of Histogen’s requested monetary
relief under its UCL claim, not of the injunctive relief sought thereunder. Courts have granted
summary judgment on the issue of damages under a UCL claim while allowing the UCL claim to go
forward. *See, e.g., Nat’l Rural Telecomm. v. Directv, Inc.*, 319 F. Supp. 2d 1059, 1082 (C.D. Cal.
2003) (granting summary judgment as to damages but denying summary judgment as to several
prongs under section 17200).

1 *Corp.*, 130 Cal. App. 4th 440, 455 (2005)). In order to constitute restitution, the victim must have
2 at least an identifiable vested interest in the money he seeks to recover. *Nat'l Rural Telecomm.*,
3 319 F. Supp. 2d at 1080. The interest may not be contingent upon an uncertain future event. *Id.*

4 Disgorgement is a broader remedy than restitution, but it may sometimes include a
5 restitutionary element. *Id.* Restitutionary disgorgement, which focuses on the victim's loss, may
6 be recovered under the UCL. This is typified in situations "where the disgorged money or
7 property [came] from the prospective plaintiff in the first instance." *Id.* (quoting *Korea Supply*, 29
8 Cal. 4th at 1152). However, nonrestitutionary disgorgement, which focuses on the defendant's
9 gain and does not require that the plaintiff suffered an identifiable loss, is not available under the
10 UCL. Thus, disgorgement of profits is an available remedy for an individual private plaintiff
11 under the UCL only to the extent that it constitutes restitution. *Id.*

12 (b) Histogen's Requested Remedy

13 In the operative answer, Histogen states a counterclaim for unfair competition under
14 section 17200. (Answer 12, ECF No. 35.) According to Histogen, "SkinMedica's actions and
15 conduct have had detrimental commercial, professional and personal impact on the Histogen-
16 Related Parties." (*Id.* at 14.) This impact took two primary forms. First, it allegedly caused
17 Histogen's "existing and prospective funding sources to decline to fund Histogen" or to "modify
18 the manner in which they fund and interact" with Histogen to its detriment. Second, it caused
19 Histogen's "existing and prospective sales, marketing and/or distribution sources to decline to
20 collaborate, do business or interact with Histogen" or to "modify the manner in which they
21 collaborate, do business or interact" with Histogen to its detriment. In fashioning its requested
22 remedy, Histogen alleges:

23 As a direct result of SkinMedica's unfair competition, SkinMedica has wrongfully
24 taken the Histogen-Related Parties' profits and the benefit of the Histogen-Related
25 Parties' creativity and investment of time, energy and money. SkinMedica should
26 therefore disgorge all profits and other ill-gotten gain and further should be ordered
to perform full restitution to the Histogen-Related Parties and restore to the
Histogen-Related Parties all monies which SkinMedica acquired or obtained by its
unfair competition.

27 (*Id.* at 15.) To this end, Histogen requests a trust be imposed upon "SkinMedica's ill-gotten gains
28 and/or monies which were acquired and/or obtained by means of unfair competition." (*Id.*)

1 In opposition to the instant motion, Histogen frames the above-referenced remedy as
2 “diminution of value,” which it styles as “a restitutionary remedy” that is proper under the UCL.
3 (Def.’s Opp’n to Pl.’s MSJ 10.) Histogen attempts to explain what it meant in seeking
4 disgorgement of SkinMedica’s profits and ill-gotten gains, stating that “lost profits are but one
5 component of several other types of losses and harm incurred by Histogen, all of which combined
6 to cause a loss of value to Histogen.” (*Id.*) In support of this lost *value* theory, Histogen submits a
7 report from its damages expert, Dr. Ryan Sullivan. Dr. Sullivan states:

8 SkinMedica and Histogen have established on multiple occasions that they are
9 direct competitors. . . . The nature of the direct competition between SkinMedica
10 and Histogen means that sales not made by Histogen were made by SkinMedica.
11 Because SkinMedica has earned the sales that Histogen would have made—i.e.,
SkinMedica has taken those sales from Histogen—lost profits would restore
Histogen.

12 (Sullivan Decl. ISO Def.’s Oppn to Pl.’s MSJ ¶ 10.) The expert report details Dr. Sullivan’s
13 attempts to identify Histogen’s “valuation prior to the conduct that reflects ownership of property,
14 as I understand it, which was misappropriated by SkinMedica.” (*Id.* ¶ 11.) Thus, the “lost value”
15 sought by Histogen “reflects ownership of property that would be restored by the amount
16 calculated in my report.” (*Id.*) Dr. Sullivan explains that unjust enrichment would not be a proper
17 measure of restitution damages here “because SkinMedica’s incremental profits are higher than the
18 incremental profits Histogen would have earned on those sales.” (*Id.* ¶ 16.)

19 The Court finds Histogen’s requested remedy does not qualify as restitution under the
20 UCL. Histogen does not have an identifiable and vested interest in the money it seeks to recover.
21 At best, Histogen’s claim is an expectancy or contingent interest in future profits or value, not
22 actual or committed sales or measurable loss in value.

23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 In *People v. Beaumont*, 111 Cal. App. 4th 102, 135 (2003), cited by Histogen, the
8 California Court of Appeal upheld the trial court's order requiring defendants to disgorge
9 unauthorized rents to the affected tenants. Although the remedy came in the form of
10 disgorgement, the court found it was a "carefully crafted restitution remedy . . . based on
11 appropriate factors, and it accomplishes the statutory objective of restoring to the victim sums
12 acquired through defendant's unfair practices." *Id.* Thus, the disgorgement in that case was a
13 proper restitutionary remedy under the UCL. *Beaumont* did not, as Histogen seems to argue, hold
14 that diminution in value is itself always a proper remedy under the UCL. (*See* Def.'s Opp'n to
15 Pl.'s MSJ 11.) Rather, in *Beaumont*, the proper measure of restitution was the identifiable
16 diminution in value of certain tenants' vested leasehold interests.

17 In another analogous situation, *Cortez v. Purolator Air Filtration Prods. Co.*, 23 Cal. 4th
18 163, 177 (2000), the California Supreme Court allowed the plaintiff to recover wages for overtime
19 she had actually worked as a restitutionary remedy under the UCL. In so doing, the court used the
20 principle of equitable conversion to find that earned wages that are due and payable are "as much
21 the property of the employee who has given his or her labor to the employer in exchange for that
22 property as is property a person surrenders through an unfair business practice." *Id.* at 178
23 (internal citations omitted).

24 Similarly, in *United States v. Rodrigues*, 229 F.3d 842, 847 (9th Cir. 2000), the Ninth
25 Circuit examined restitution under a different statute and held a company did not have a vested
26 interest in lost business opportunity based on future projects not yet under binding contracts. The
27 court noted, however, that a commitment letter in another project was a "thing of value" and stated
28 that if the plaintiff proved the defendant had "usurped Saratoga's vested contractual interest in the

1 property, restitution for that interest would be proper.” *Id.*; see also *MAI Sys. Corp. v. UIPS*, 856
2 F. Supp. 538, 542 (N.D. Cal. 1994) (finding that compensation for a lost business opportunity is a
3 measure of damages and not restitution to the alleged victims under the UCL).

4 Here, as in *Rodrigues*, the relief Histogen requests is essentially damages, not the return of
5 money in which it has an identifiable vested property interest. *Cf. Nat’l Rural Telecomm.*, 319
6 F. Supp. 2d at 1082 (finding that the plaintiffs could not recover “restitution” damages for profits
7 plaintiffs would have received had the alleged unfair business practice not occurred because this
8 was essentially a request for damages). The cases examined above make clear that parties cannot
9 simply restyle speculative damages claims as “restitution” for sales they might have made, or
10 value their business might have lost or gained, in order to obtain relief under section 17200. To
11 allow Histogen to recover for these contingent values would be to allow the UCL to function as
12 “an all-purpose substitute for a tort or contract action, something the legislature never intended.”
13 *Id.* (quoting *Korea Supply*, 29 Cal. 4th at 1151); see also *Echostar Satellite Corp. v. NDS Group*
14 *PLC*, 2008 U.S. Dist. LEXIS 110425 at *26 (C.D. Cal. Oct. 15, 2008) (“EchoStar’s proposed
15 definition of restitution would eviscerate the distinction between restitution and damages. Any
16 plaintiff who suffered injury to property could claim restitution because the defendant ‘took away’
17 the value of the property. This is not an equitable remedy authorized under [the UCL].”)

18 Thus, Histogen has not raised a genuine issue of material fact as to whether it has a vested
19 identifiable interest in the monetary relief it has requested under its UCL claim. Because
20 restitution is the only form of monetary relief recoverable under the UCL, the Court **GRANTS**
21 SkinMedica’s motion for partial summary judgment as to damages currently sought under
22 Histogen’s UCL claims. Histogen’s claim for injunctive relief under the UCL survives, as such
23 relief is not dependent upon the right to seek restitution.⁴ If Histogen wishes, it may seek leave to
24 amend its UCL claim to specify a form of monetary relief that actually constitutes restitution,
25 consistent with the Court’s discussion of restitutionary remedies above.

26 _____
27 ⁴ Indeed, not only are the two remedies entirely independent, but injunctive relief is “the
28 primary form of relief available under the UCL,” while restitution is merely “ancillary.” *Clayworth*
v. Pfizer, Inc., 49 Cal. 4th 758 (2010) (quoting *In re Tobacco II Cases*, 46 Cal. 4th 298, 319 (2009)).

1 (ii) *Common Law Unfair Competition Claim*

2 SkinMedica admits that lost profits damages are available under a common law unfair
3 competition claim, but argues that Histogen cannot recover under this claim because it has not
4 alleged “passing off,” which is required to state a claim for common law unfair competition. (Pl.’s
5 MSJ 9.) Histogen counters that common law unfair competition is not limited to classic “passing
6 off,” and that it has stated a viable common law claim. (Def.’s Opp’n to Pl.’s MSJ 13-15.) In the
7 alternative, Histogen argues that it has alleged passing off. (*Id.* at 16-17.)

8 (a) *Scope of Common Law Unfair Competition*

9 Both parties agree that the common law tort of unfair competition had its origins in
10 allegations of “passing off.” (*See* Pl.’s MSJ 9; Def.’s Opp’n 14.) In *Bank of the West v. Superior*
11 *Court*, 2 Cal. 4th 1254, 1263 (Cal. 1993), the court stated in the context of an insurance coverage
12 dispute that:

13 The common law tort of unfair competition is generally thought to be synonymous
14 with the act of “passing off” one’s goods as those of another. The tort developed as
15 an equitable remedy against the wrongful exploitation of trade names and common
16 law trademarks that were not otherwise entitled to legal protection. According to
some authorities, the tort also includes acts analogous to “passing off,” such as the
sale of confusingly similar products, by which a person exploits a competitor’s
reputation in the market.

17 Although, as Histogen points out, this language is arguably dicta, the Ninth Circuit has followed
18 this characterization of common law unfair competition by California Supreme Court.

19 For example, in *Sybersound Records, Inc. v. UAV Corp.*, 517 F.3d 1137, 1153 (9th Cir.
20 2008), the Ninth Circuit quoted from the above-excerpted language in *Bank of the West* in
21 affirming the district court’s dismissal of a claim under California common law unfair competition
22 law because the plaintiff had “not alleged that the [defendants] have passed off their goods as
23 those of another nor that they exploit trade names or trademarks” And district courts in
24 California have followed *Sybersound* in limiting common law unfair competition to allegations of
25 “passing off” or analogous acts. *See, e.g., Oracle Corp. v. Druglogic, Inc.*, 2011 U.S. Dist. LEXIS
26 133642 at *37-43 (N.D. Cal. Nov. 16, 2011) (“DrugLogic’s claim for unfair competition fails to
27 state a claim because no passing off, or any analogous claim, is alleged.”); *see also Amaretto*
28 *Ranch*, 2011 WL 2690437 at *2 (N.D. Cal. July 8, 2011).

1 Histogen's attempt to extend common law unfair competition beyond its grounding in
2 consumer deception is unavailing. Histogen cites to the concurring and dissenting opinion of
3 Justice Kennard in *Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone Co.*, 20
4 Cal. 4th 163 (1999), for the proposition that unfair competition has a broad scope. (Def.'s Opp'n
5 to Pl.'s MSJ 14.) In that case, the California Supreme Court dealt with a cause of action under the
6 UCL, not common law unfair competition. In her concurring and dissenting opinion, Justice
7 Kennard began a discussion of the UCL claim by examining the history of unfair competition in
8 general, starting with common law. Although Histogen makes much of *Bank of the West's*
9 discussion of common law unfair competition as dicta and consequently unpersuasive, its own
10 reliance upon *Cel-Tech* is by that same logic even more tenuously grounded. And Histogen's
11 omission of crucial words from its quoted text is further misleading. In full, Justice Kennard
12 wrote: "Even though the tort has been extended to situations other than classic 'passing off,'
13 deceptive conduct has remained at the heart of unfair competition." *Cel-Tech*, 20 Cal. 4th at 193
14 (Kennard, J., concurring and dissenting). Thus, taken in the proper context, *Cel-Tech* is not
15 inapposite of *Bank of the West* or *Sybersound Records*. All of these cases make clear that the
16 common law tort of unfair competition consists of "passing off" or analogous acts, and is rooted in
17 preventing conduct that harms competitors by deceiving customers.

18 (b) Histogen's Common Law Unfair Competition Claim

19 Histogen states that, even if common law unfair competition is limited to "passing off" and
20 analogous acts, Histogen has alleged and provided evidence to support a claim of passing off.

21 According to Histogen, SkinMedica

22 unlawfully caused Dr. Zoe Draelos, a preeminent physician and scientist in the field
23 of cosmetic dermatology, to leave Histogen and to provide her services solely to
24 SkinMedica. As described . . . SkinMedica has since publicly passed off Dr.
Draelos' services and preeminent reputation as those of SkinMedica, solely for its
benefit, to the exclusion and detriment of Histogen.

25 (Def.'s Opp'n to Pl.'s MSJ 16.) However, even viewing all the evidence in the light most
26 favorable to Histogen, Histogen has not pointed to any facts that support this bare allegation that
27 SkinMedica has been "actively passing off the services of Dr. Draelos as those of SkinMedica" in
28 such a way as to cause consumer confusion.

1 The one piece of evidence cited in support of Histogen's allegation is the declaration of
2 Gail K. Naughton in opposition to SkinMedica's motion for summary judgment. (Naughton Decl.,
3 Def.'s Opp'n to Pl.'s MSJ Ex. 3.) However, this declaration does not contain any indication of
4 passing off. Although the declaration states facts relating to SkinMedica's recruitment of Dr.
5 Draelos and the negative impact upon Histogen of Dr. Draelos' decision to resign from Histogen's
6 Scientific Advisory Board ("SAB"), the declaration does not state even one instance of consumer
7 confusion based on Dr. Draelos' affiliation. (See Naughton Decl. ¶¶ 14-35.) Gail Naughton states
8 that "Histogen board members and other SAB members made many inquiries regarding why Dr.
9 Draelos resigned from Histogen," but does not even allege that any board members or customers
10 were confused or made any decisions based on a misunderstanding caused by SkinMedica's
11 trading on Histogen's reputation or goodwill. (*Id.* ¶ 33.) If anything, this statement indicates the
12 members were well aware of Dr. Draelos' change in affiliation, even if they did not understand it.

13 Nor has Histogen pointed to any precedent in which a court has held such allegations
14 constitute common law unfair competition under any standard. The cases it cites, including
15 *Balboa Ins. Co. v. Trans Global Equities*, 218 Cal. App. 3d 1327 (1990), *San Jose Construction,*
16 *Inc. v. S.B.C.C., Inc.*, 155 Cal. App. 4th 1528 (2007), *Greenly v. Cooper*, 77 Cal. App. 3d 382
17 (1978), *S. Cal. Disinfecting Co. v. Lomkin*, 183 Cal. App. 2d 431 (1960), and *Muranaka Farm,*
18 *Inc. v. Huacuja*, 2006 WL 3317733 at *6-7 (Ct. Cal. App. Nov. 16, 2006), all deal with instances
19 in which the alleged perpetrator of unfair competition unlawfully or deceptively obtained
20 information and used that information to solicit the victim's clients and customers. Here, Histogen
21 has focused entirely on SkinMedica's unlawful and deceptive actions in causing Dr. Draelos'
22 resignation, and the resulting negative impact on Histogen. But the crucial link to consumer
23 deception, present even in the cases Histogen holds up as establishing a broad reach for common
24 law unfair competition, is completely absent here.

25 For these reasons, the Court finds Histogen has not raised a genuine issue of material fact
26 as to its common law unfair competition claim. As explained *supra* at n. 2, the Court interprets
27 SkinMedica's motion as one requesting adjudication of Histogen's common law unfair
28 competition claim in its entirety. Looking beyond the motion's caption to its substance, this is the

1 only plausible interpretation of SkinMedica's arguments, of which Histogen had notice and
2 opportunity to reply. Accordingly, SkinMedica's motion for summary judgment as to Histogen's
3 common law unfair competition claim is **GRANTED**.

4 *(iii) Speculative and Uncertain Damages*

5 Because the Court finds summary judgment is proper based on SkinMedica's motion as
6 detailed above, it need not address SkinMedica's third argument that Histogen's requested
7 monetary relief is too speculative and uncertain. Histogen's only remaining claim is that for
8 injunctive relief under the UCL, which does not implicate these concerns with regard to damages.

9 ***C. Defendant Histogen's Motion for Summary Judgment***

10 *(i) Trade Secrets*

11 California has adopted a version of the Uniform Trade Secret Act ("UTSA"). Cal. Civ.
12 Code § 3426 et seq. The UTSA defines a trade secret as

13 information, including a formula, pattern, compilation, program, device, method,
14 technique, or process, that:

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

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

20 Cal. Civ. Code § 3426.1(d). The UTSA further defines "misappropriation" of a trade secret as

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

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

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

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

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

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

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

1
2 (C) Before a material change of his or her position, knew or had
3 reason to know that it was a trade secret and that knowledge of it had been
4 acquired by accident or mistake.

5 *Id.* § 3426.1(b).

6 Histogen moves for summary judgment of SkinMedica's trade secret misappropriation
7 claims based on three primary arguments: first, that SkinMedica lacks standing to sue as it does
8 not own the trade secrets; second, that each of the three alleged trade secrets do not constitute
9 protectable trade secrets; and third, that the trade secrets were not misappropriated.⁵ (*See*
10 *generally* Def.'s MSJ 2-21, ECF No. 220.) Before addressing each of these arguments, the Court
11 first describes briefly each of SkinMedica's alleged trade secrets.⁶

12 (a) The Alleged Trade Secrets

13 (1) The Hair Growth Project

14 [REDACTED]
15 [REDACTED] (Pl.'s Opp'n to Def.'s MSJ 5, ECF No. 265.) In
16 support of this contention, SkinMedica provides the technical report prepared for the ATS
17 Scientific Advisory Board ("SAB") detailing these results, which was explicitly marked as
18 "Confidential." (*Id.* (citing Naughton Dep. at Ex. E, and SAB Report, Ex. G.))

19 [REDACTED]
20 [REDACTED]
21 _____
22 ⁵ SkinMedica does not contest Histogen's argument that the alleged Serum-Free Culture
23 Method trade secret was voluntarily abandoned. For the sake of clarity and consistency, the Court will
24 refer to the three remaining trade secrets as follows: (1) the Hair Growth Project; (2) the Bioreactor
25 Method; and (3) the Concentration System.

26 ⁶ Histogen also argues broadly that SkinMedica's trade secret claims should fail because they
27 have not been identified with "sufficient particularity." (Def.'s MSJ 2-3.) This argument is
28 unconvincing. A party's identification of its trade secret is sufficient where the identification "clearly
refer[s] to trade secret material." *Imax Corp. v. Cinema Techs., Inc.*, 152 F.2d 1045, 1057 (9th Cir.
1982). As discussed in the following section, SkinMedica has sufficiently identified the trade secrets
in its amended response to Interrogatory No. 1, and the expert reports of Rod Goodson and Tan
Leminh. *See, e.g., Neothermia Corp. v. Rubicor Medical, Inc.*, 345 F. Supp. 2d 1042, 1044 (N.D. Cal.
2004) (stating there was "no real dispute that [the plaintiff] has in fact identified its trade secrets with
'reasonable particularity' . . . by way of interrogatory responses and declarations.") The Court finds
SkinMedica's interrogatory response more than reasonably identifies the claimed trade secrets.

1 [REDACTED] (Am. Resp. to Interrog. No. 1 (“ARI”) at 10, Pl.’s
2 Opp’n to Def.’s MSJ Ex. A.) [REDACTED]

3 [REDACTED]
4 [REDACTED]

5 [REDACTED] (*Id.* at 11.) [REDACTED]

6 [REDACTED]

7 [REDACTED] (*Id.*)

8 [REDACTED]

9 [REDACTED] (SAB Report

10 2.) [REDACTED]

11 [REDACTED] (*Id.*) [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED] (*Id.* at 12.) When asked what conclusions she drew from reading
15 the report, Gail Naughton responded that [REDACTED]

16 [REDACTED]

17 [REDACTED] a conclusion which she believed was novel and potentially
18 valuable. (Naughton Dep. at 169, 175.)

19 (2) The Bioreactor Method

20 SkinMedica claims that ATS developed “methodology for producing conditioned media
21 having a high count of growth factors (*e.g.*, NouriCel) by [REDACTED]

22 [REDACTED]

23 [REDACTED] (ARI at 4.) [REDACTED]

24 [REDACTED]

25 [REDACTED] (Pl.’s Opp’n to Def.’s MSJ 13-14.)

26 According to the expert report of Tan Leminh, a former Senior Product Development
27 Engineer at ATS who worked on developing cell culture processes, ATS developed this
28 methodology in an effort to [REDACTED]

1 [REDACTED] (Leminh Decl. ¶ 11,
2 Pl.'s Opp'n to Def.'s MSJ Ex. CC.)

3 (3) The Concentration System

4 Finally, SkinMedica alleges ATS developed a [REDACTED]

5 [REDACTED]
6 [REDACTED] (Pl.'s Opp'n to Def.'s MSJ 18.) This method "resulted
7 from multiple experiments that were explored over approximately twenty-one months with the use
8 of extensive resources that were devoted by ATS to this project." (*Id.*)

9 SkinMedica provides the expert report of Rodney Goodson, a former ATS employee who
10 led a team to develop a concentration system between March, 2000, and August, 2002. (Goodson
11 Decl. ¶ 9, Pl.'s Opp'n to Def.'s MSJ Ex. BB.) [REDACTED]

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 (*Id.* at ¶ 13.) [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 [REDACTED] (*Id.* at ¶ 12.)

19 (b) Ownership of the Trade Secrets

20 Histogen argues that the 2003 APA between SkinMedica and ATS did not grant
21 SkinMedica sufficient rights to sue Histogen for trade secret misappropriation. SkinMedica
22 disagrees, stating that it acquired through the APA all intellectual property relating to developing,
23 manufacturing, marketing and selling the NouriCel product, and that Histogen's product is a
24 "knock-off" of NouriCel. (Pl.'s Opp'n to Def.'s MSJ 4.)

25 Under the terms of the APA, SkinMedica acquired the right, title, and interest of ATS and
26 its affiliates to the "Purchased Assets," which includes intellectual property, contracts, books and
27 records, inventory, product data, purchased equipment, and claims. (*See* APA, Pl.'s Opp'n to
28 Def.'s MSJ Ex. B.) However, ATS and its affiliates retained all of their right, title and interest to

1 the “Excluded Assets,” consisting of “any Intellectual Property which is not directly related to, or
2 used or held for use in, the Business in any respect.” (APA 8-9.) The APA defines “Business” as
3 “the activities of developing, manufacturing, marketing and selling Products,” where “Products”
4 refers to “the NouriCel™ product, NouriCel-MD™ product and similar solutions of varying
5 degrees of potency.” (APA 3, 6.)

6 By stitching together several of these contract terms, it becomes clear that SkinMedica only
7 acquired rights to the intellectual property “directly related to, or used or held for use in . . . the
8 activities of developing, manufacturing, marketing and selling the NouriCel product . . . and
9 similar solutions of varying degrees of potency.” Thus, the question before the Court is whether
10 the three asserted trade secrets fall within that scope.

11 Histogen’s statements that the “legal rights SkinMedica acquired are limited to rights *for*
12 *making* Nouricel,” (Def.’s MSJ 4) (emphasis added) and that SkinMedica may only prevail on its
13 trade secrets claims if it proves Histogen manufactured NouriCel, are misleading. A trade secret
14 could conceivably be “held for use in” the developing, manufacturing, marketing, or selling of a
15 product and could be misappropriated by a party that never uses it to make that exact product.
16 Histogen’s argument conflates two separate and independent inquiries: the use intellectual
17 property is held for (only relevant here because of the terms of the APA), and the way in which a
18 trade secret is allegedly misappropriated. But information may be valuable for more than one
19 purpose.

20 In its reply, Histogen addresses its standing argument with regard to the Hair Growth
21 Product only, stating that NouriCel is a skin product specifically not designed to promote hair
22 growth, and that as such SkinMedica could not have acquired rights to this claimed trade secret.
23 (Def.’s Reply ISO MSJ 2-3, ECF No. 283.) It is unclear if Histogen intended to abandon its
24 standing argument with regard to the Bioreactor Method and the Concentration System.

25 Regardless, the Court rejects Histogen’s standing argument with respect to all three trade
26 secrets. As described by SkinMedica, all three trade secrets relate at least to the development of
27 NouriCel, if not also to its manufacture. Determinations of whether or not Histogen actually
28 produces NouriCel or even to what hypothetical uses NouriCel may be put in the future are

1 irrelevant to the standing inquiry here, which focuses on the purpose of the trade secret as used or
2 held for use by SkinMedica, or possibly ATS—but not the alleged misappropriator. Thus, there is
3 at least a genuine issue of material fact as to whether SkinMedica acquired rights to the three
4 alleged trade secrets under the APA.

5 (c) Status as Protectable Trade Secrets

6 In order to constitute a protectable trade secret, the information must: (1) have independent
7 economic value, and (2) have been kept confidential. See Cal. Civ. Code § 3426.1(d); *Religious*
8 *Tech. Ctr. v. Netcom On-line Commc'n Serv., Inc.*, 923 F. Supp. 1231, 1250-51 (N.D. Cal. 1995).

9 (1) Independent Economic Value

10 A trade secret requires proof of independent economic value derived from not being
11 generally known. Cal. Civ. Code § 3426.1(d)(1); see also *Yield Dynamics, Inc. v. TEA Sys. Corp.*,
12 154 Cal. App. 4th 547, 561 (2007) (affirming trial court's determination, after a bench trial, that
13 the plaintiff did not have a claim for trade secret misappropriation primarily because it had failed
14 to provide evidence that the trade secret possessed the independent value necessary). Histogen
15 only challenges the independent economic value of the first alleged trade secret, the Hair Growth
16 Product.

17 [REDACTED]
18 [REDACTED] (Def.'s MSJ
19 12.) [REDACTED]

20 [REDACTED] (*Id.*) In support of its motion for summary judgment,
21 Histogen submits the declaration of Gail Naughton, who attests that she learned “in late June 2007,
22 shortly after incorporating Histogen . . . that [REDACTED]” (Naughton
23 Decl. ¶ 28, Def.'s MSJ Ex. 3.) As a result, any hair growth product derived from the 2002
24 research “could cause deleterious effects [and] would be highly scrutinized by the [FDA] and only
25 be allowed to move forward in treating a life-threatening /no treatment alternative where the
26 benefit of the treatment greatly outweighs the risk.” (*Id.* ¶ 29.) Dr. Naughton thus believed that
27 Histogen could not commercialize such a product, because [REDACTED]

28 [REDACTED] (*Id.*) Histogen also provides what it deems

1 “controlling undisputed evidence” [REDACTED], a declaration from Matthew Croughan
2 attesting that, in his expert opinion, the NouriCel conditioned medium lacks value because it
3 contains Wnt5a, [REDACTED]. (Def.’s Reply ISO MSJ) (citing
4 Croughan Decl. ¶¶ 32-33.) This fact, coupled with the likelihood that the FDA would not approve
5 any product containing Wnt5a and that, even if it did, safety testing would be “onerous, lengthy,
6 and expensive,” apparently renders SkinMedica’s asserted trade secret worthless. (*Id.* ¶ 34.)

7 Histogen additionally asserts that the Hair Growth Project’s lack of value is demonstrated
8 by ATS’s abandonment of the research. (Def.’s MSJ 13.) [REDACTED]
9 [REDACTED]
10 [REDACTED] (Naughton Decl. ¶ 15.) [REDACTED]
11 [REDACTED]
12 [REDACTED] (*Id.* ¶ 16.) According to Histogen, the fact that ATS declared
13 bankruptcy within months of this September, 2002, meeting “further shows that the hair growth
14 project lacked any economic value.” (Def.’s MSJ 13.)

15 Histogen has not demonstrated the absence of a genuine issue of material fact as to the Hair
16 Growth Product’s economic value. Contrary to Histogen’s assertions, the evidence it has
17 presented is hardly uncontested. [REDACTED]
18 [REDACTED] (*See* Pl.’s Opp’n to Def.’s
19 MSJ 10.) Further, scientific discovery may be economically valuable even if initial formulations
20 have undesired characteristics. [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED] (*Id.* at
26 11.) And the fact that Dr. Naughton attempted to patent the information herself, beginning in
27 2004, casts doubt upon her statement that she believed the information lacked value, even though
28 the PTO rejected those applications. (*See* Def.’s MSJ 11-12.)

1 Thus, there is at least a genuine issue of material fact as to whether the Hair Growth
2 Product has independent economic value. Because Histogen only addressed the independent
3 economic value of the Hair Growth Method, presumably the Bioreactor Method or Concentration
4 System do have value, at least for the purposes of this motion, and the Court need not address this
5 prong further with regard to those alleged trade secrets.

6 (2) Secrecy

7 Axiomatically, a trade secret must be a secret to merit legal protection. Generally,
8 information is secret where it is not generally known, and where the owner has taken “efforts that
9 are reasonable under the circumstances to maintain its secrecy.” Cal. Civ. Code § 3426.1(d); *see*
10 *also Courtesy Temp. Serv., Inc. v. Leonel Camacho*, 222 Cal. App. 3d 1278, 1288 (1990).
11 Reasonable efforts to maintain secrecy have been held to include “advising employees of the
12 existence of a trade secret, limiting access to a trade secret on ‘need to know basis,’ and
13 controlling plant access.” *Id.* (citing Legis. Comm. Com., 12 West’s Ann. Civ. Code § 108.) And
14 information which is too generally known to derive value from secrecy is unable to obtain trade
15 secret protection even without disclosure. *See, e.g., Design Art v. NFL Props., Inc.*, 2000 U.S.
16 Dist. LEXIS 20172 at *10 (S.D. Cal. Nov. 27, 2000) (finding that the idea of a tiger for a logo for
17 the Cincinnati Bengals does not merit trade secret protection because the idea of using the subject
18 of a corporate name as a logo for that entity is generally known). In California, “information can
19 be a trade secret even though it is readily ascertainable, so long as it has not yet been ascertained
20 by others in the industry.” *ABBA Rubber Co. v. Seaquist*, 235 Cal. App. 3d 1, 21 (1991). Thus,
21 whether information is secret is “a relative concept and requires a fact-intensive analysis.”
22 *Premier Displays & Exhibits v. Cogswell*, 2009 U.S. Dist. LEXIS 119462 at *8 (C.D. Cal. Dec.
23 23, 2009) (citing *DVD Copy Control Ass’n Inc. v. Bunner*, 116 Cal. App. 4th 241, 251 (2004)).

24 Histogen argues that all three of SkinMedica’s alleged trade secrets were not actually
25 secret, because: (1) SkinMedica or ATS failed to take reasonable efforts to maintain their secrecy;
26 and/or (2) the information was generally known, and thus not a protectable secret.

27 //

28 //

1 (A) Public Disclosure

2 Histogen argues that three different public disclosures by ATS each provides an
3 independent basis to defeat the secrecy of the Hair Growth Project: the '494 patent application,
4 and two business meetings held by ATS, one with Merck and one with City of Hope. Apparently,
5 ATS and Dr. Naughton presented the Hair Growth Project research to Merck in a telephonic
6 business development meeting in June, 2002, without any nondisclosure agreement. (Def.'s MSJ
7 9.) Subsequently, Dr. Naughton sent an electronic copy of the presentation to Merck which was
8 not marked confidential. (*Id.*) Dr. Naughton also presented the Hair Growth Project research to
9 scientists and clinicians at City of Hope, a national cancer center. (*Id.*) Additionally, in the '494
10 patent application, Dr. Naughton stated that one use of the conditioned medium from cells cultured
11 in three dimensions was "Stimulation of Hair Growth." (*Id.* at 10.) According to Histogen, each
12 of these public disclosures revealed the information that NouriCel contains Wnt factors that
13 promote hair growth. (*Id.* at 9.)

14 From the general rule governing secrecy, it follows that an unprotected disclosure of the
15 holder's secret terminates the existence of the trade secret. *See Stutz Motor Car v. Reebok Int'l,*
16 *Ltd.*, 909 F. Supp. 1353, 1359 (C.D. Cal. 1995); *Vacco Indus., Inc. v. Van Den Berg*, 5 Cal. App.
17 4th 34, 50 (1992). Even a single public disclosure of information may defeat trade secret
18 protection. *See, e.g., HiRel Connectors, Inc. v. United States*, 2006 WL 3618011 at *8-10 (C.D.
19 Cal. Jan. 25, 2006) (finding information was not a protectable trade secret where plaintiff had sent
20 a drawing that disclosed claimed trade secret information to another entity without a non-
21 disclosure agreement). "The question is whether the information has retained its value *to the*
22 *creator* in spite any disclosure." *Premier Displays*, 2009 U.S. Dist. LEXIS 119462 at *8-9 (C.D.
23 Cal. Dec. 23, 2009) (internal quotations and citations omitted) (emphasis in original).

24 With regard to the '494 patent application, the parties dispute whether it constitutes a
25 disclosure of the Hair Growth Project. The '494 patent application states that the conditioned
26 media compositions may be fomulated for topical applications using an agent that facilitates
27 penetration of the compound into the skin, for example, DMSO, and applied as a topical
28 application for stimulating hair growth." ('494 patent, col. 31:8, Ex. A to Naughton Decl.)

1 However, SkinMedica argues that ATS had not done any testing of the use of conditioned media to
2 stimulate hair growth prior to filing the '494 patent, and that the idea was included in the patent
3 application, according to Dr. Naughton, as a "prophetic disclosure." (See Pl.'s Opp'n to Def.'s
4 MSJ 7) (citing Naughton Dep. at 115.) [REDACTED]

5 [REDACTED]
6 [REDACTED]
7 [REDACTED], which were not disclosed together in the '494 patent application. (*Id.* at 9.)
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 [REDACTED] A trade secret may comprised of partly or entirely non-
12 secret elements and still merit protection. *O2 Micro Intern. Ltd. v. Monolithic Power Sys., Inc.*,
13 420 F. Supp. 2d 1070, 1089-90 (N.D. Cal. 2006); *see also Uniram Tech., Inc. v. Taiwan*
14 *SemiConductor Mfg. Co.*, 617 F. Supp. 2d 938, 942 (N.D. Cal. 2007). Thus, whether the '494
15 patent publicly disclosed the Hair Growth Project trade secret in the correct combination so as to
16 defeat the secrecy of the information is a triable question of fact.

17 Similarly, questions of fact remain as to whether the Merck and City of Hope meetings
18 were public disclosures. In her declaration in support of Defendant's motion for summary
19 judgment, Dr. Naughton states: "The presentation was not marked confidential by ATS, and I do
20 not recall any confidentiality agreement with Merck." (Naughton Decl. ¶ 11.) In her 2009
21 deposition, Dr. Naughton said "I don't remember the Merck presentation having an NDA or
22 CDA." (Naughton Dep. 160.) The Court agrees with SkinMedica that the duty of weighing the
23 credibility of Dr. Naughton's statements should fall to the jury. A jury could interpret Dr.
24 Naughton's statements in a number of ways, and could reasonably form either conclusion as to
25 whether the meeting was confidential. With respect to the City of Hope meeting, the part of the
26 Naughton declaration Histogen points to in support of an absence of non-disclosure agreement
27 there does not actually address whether such an agreement existed, and the Court could not find
28 any affirmative evidence in the record. Thus, there is a genuine issue of material fact as to

1 whether ATS used reasonable efforts to maintain the secrecy of the Hair Growth Product at the
2 Merck and City of Hope meetings. And depending on that determination, the issue may also
3 remain whether the trade secret was disclosed in its entirety so as to defeat protection.

4 (B) Generally Known

5 Histogen also alleges all three trade secrets consist of information generally known and
6 thus not secret. The Court addresses this argument with regard to each trade secret.

7 i. Hair Growth Project

8 According to Histogen, the PTO's rejection of several similar patent applications as
9 obvious in view of the prior art is means the Hair Growth Project was generally known. (Def.'s
10 MSJ 11-12.) [REDACTED]

11 [REDACTED]
12 [REDACTED] (*Id.* at 12.)

13 But the determination of secrecy under the UTSA is not the same as the PTO's decision
14 whether an invention is obvious in view of the prior art, and it does not follow as a matter of law
15 that something rejected by the PTO as obvious can never be part of a protectable trade secret.
16 Although they may be highly persuasive, these patent rejections based on prior art are not
17 necessarily determinative of the fact that the claimed trade secret was generally known at the time.
18 *See Celeritas Techs., Ltd. v. Rockwell Intern. Corp.*, 150 F.3d 1354, 1358 (Fed. Cir. 1998) (finding
19 that "reliance on the [patent] prosecution history and the prior art submitted to the PTO is
20 misplaced" in upholding a jury verdict of trade secret misappropriation). And regardless of
21 whether a patent application is accepted or rejected, a plaintiff may certainly have a viable trade
22 secret claim where the "implementation details and techniques" or other elements of the trade
23 secret go beyond what was disclosed in the patent. *Id.* Thus, it remains for the jury to decide the
24 fact-intensive question of whether these patent applications, or the referenced prior art, made the
25 Hair Growth Project—all elements in combination—generally known.

26 ii. The Bioreactor Method

27 Intertwining its remaining arguments, Histogen asserts that all eight of the elements of the
28 Bioreactor Method are either generally known, not misappropriated by Histogen, or both. (Def.'s

1 MSJ 15-19.) Elements 1-7 are apparently generally known, and elements 2 and 4-8 have not been
2 misappropriated. The Court addresses the arguments with regard to misappropriation separately
3 below.

4 As to elements 1-7 being generally known, even if taken as true, this fact alone is
5 insufficient to establish the claimed trade secret is not protectable. [REDACTED]
6 [REDACTED], and none of the references disclose that unique
7 combination of elements together, nor has Histogen argued that the combination is generally
8 known so as to lack value as a trade secret. (Pl.'s Opp'n to Def.'s MSJ 15-16.) To the contrary,
9 according to SkinMedica, "the development of the [Bioreactor Method] trade secret required the
10 work of multiple technical professionals at ATS over a period of at least two years." (*Id.* at 16)
11 (citing Leminh Decl. ¶¶ 14-24.) Histogen seemingly ignores this "combination" argument, instead
12 focusing on the lack of misappropriation in its reply.

13 However, as indicated above, a trade secret may consist of several elements, each of which
14 is generally known, put together in a novel and previously unknown combination. *O2 Micro*
15 *Intern. Ltd.*, 420 F. Supp. 2d at 1089-90 (N.D. Cal. 2006) ("Combinations of public information
16 from a variety of different sources when combined in a novel way can be a trade secret. It does
17 not matter if a portion of the trade secret is generally known, or even that every individual portion
18 of the trade secret is generally known, as long as the combination of all such information is not
19 generally known.") Thus, establishing that most (or even all) of the elements are generally known
20 does not foreclose the possibility that the eight steps, taken together, constitute a protectable trade
21 secret.

22 iii. The Concentration System

23 Histogen addresses the Concentration System only briefly, again providing a chart
24 indicating [REDACTED], and
25 that others were not misappropriated. (Def.'s MSJ 20.) However, as with the Concentration
26 System, Histogen has not established that the trade secret is generally known in its entirety—
27 [REDACTED]. SkinMedica states the development of this Concentration System
28 "resulted from multiple experiments that were explored over approximately twenty-one months

1 with the use of extensive resources that were devoted by ATS to this project.” (Pl.’s Opp’n to
2 Def.’s MSJ 18.) As above, a jury could determine that the efforts of ATS or SkinMedica
3 converted some bits of generally known knowledge into a process that derives value from not
4 being generally known.

5 (d) Misappropriation

6 The final element of SkinMedica’s trade secret claim is whether the protected information
7 was misappropriated by Histogen. As defined above, a “misappropriation” requires the disclosure
8 or use of a trade secret without consent by a person who knew or should have known that his or
9 her knowledge of the trade secret was: (1) derived from or through a person who had utilized
10 improper means to acquire it; (2) acquired under circumstances giving rise to a duty to maintain its
11 secrecy or limit its use; or (3) derived from or through a person who owed a duty to the person
12 seeking relief to maintain its secrecy or limit its use. Cal. Civ. Code § 3246.1(b)(2); *see also*
13 *Wyatt Tech. Corp. v. Malvern Inst. Inc.*, 2009 WL 2365647 at *16-17 (C.D. Cal. July 29, 2009).

14 First, Histogen asserts vaguely that it cannot be held liable because the trade secrets were
15 “readily ascertainable based upon the same proof showing that the information was generally
16 known.” (*Id.* at 13, 15-19, 20.) The Court interprets Histogen’s argument as a defense to the
17 intent element of misappropriation. *See O2 Micro*, 420 F. Supp. 2d at 1091 (noting that
18 “misappropriation of trade secrets is an intentional tort”). Under California law, “the assertion that
19 a matter is readily ascertainable by proper means remains available as a defense to a claim of
20 misappropriation.” *DVD Copy Control Ass’n, Inc. v. Bunner*, 31 Cal. 4th 864, 899 (2003) (citing
21 Legis. Comm. Com., 12A pt. 1 West’s Ann. Civ. Code § 3426.1). Discussing information made
22 readily ascertainable by a third-party internet posting, the court in *DVD Copy Control* clarified that
23 “a trade secret is [not] automatically lost any time it is [published],” such as when the plaintiff can
24 show the information remained secret. *Id.* at 901. Based on the evidence Histogen has provided,
25 the Court cannot determine that any of the alleged trade secrets were readily ascertainable, nor
26 that, even if they were, this would operate to bar liability here. It must be left to the jury to
27 conclude whether Histogen obtained SkinMedica’s protected trade secret information by proper
28 means because that information was readily ascertainable.

1 With regard to the Bioreactor Method trade secret, Histogen additionally argues that its
2 actions cannot constitute misappropriation because it only grows cells in monolayer and on
3 microcarrier beads, not in three-dimensions. (Def.'s MSJ 15.) Although the Court's previous
4 Order in this case pertaining to patent noninfringement found that Histogen does not culture cells
5 in three-dimensions as claimed in the patents-in-suit, these patent limitations are not imported to
6 SkinMedica's trade secrets claims. (See Nov. 21, 2011 MSJ Order 12-14, ECF No. 228.) Indeed,
7 during its discussion of patent infringement, the Court noted that Histogen *does culture* in three-
8 dimensions, using beads, but that the patents-in-suit specifically exclude culturing using beads.
9 The Bioreactor Method trade secret is not the same as the patents-in-suit; if it were, trade secret
10 protection would be extinguished. See *Aqua-Lung America, Inc. v. American Underwater Prods.,*
11 *Inc.*, 709 F. Supp. 2d 773, 787-88 (N.D. Cal. 2010) ("A trade secret cannot possibly be patented.
12 This claim is a separate one, just as a suit for appropriation of literary property is separate from a
13 suit under the copyright laws.") (citations omitted). Thus, the Court rejects the argument that the
14 Court's claim construction and noninfringement ruling preclude Histogen from having
15 misappropriated the Bioreactor Method trade secret as a matter of law.

16 Lastly, as mentioned above, Histogen argues it has not misappropriated the Bioreactor
17 Method or Concentration System trade secrets because it does not use several of the claimed
18 elements. (MSJ 15-19, 20.) However, this argument misunderstands the law on this point. In the
19 context of trade secret misappropriation, information may be improperly "used" in that it is
20 unlawfully acquired and then built upon or modified before being disclosed or benefit derived.
21 See, e.g., *Speech Tech. Assocs. v. Adaptive Commc'n Sys.*, 1994 WL 449032 at *10 (N.D. Cal.
22 Aug. 16, 1994) (finding misappropriation where some of the technology used in the offending new
23 products was different from that claimed in the trade secret, but most of the functional aspects of
24 the trade secret technology were incorporated) (citing *American Can Co. v. Mansukhani*, 742 F.2d
25 314, 328-29 (7th Cir. 1984) ("[A] party may not use another's trade secret even with independent
26 improvements or modifications so long as the product or process is substantially derived from the
27 trade secret.)) Accordingly, this scattershot attempt to disclaim use of various elements of the
28 claimed trade secrets does not foreclose the possibility that Histogen's process was not

1 substantially derived from the claimed trade secrets, even if it differed in specifics from the
2 process described therein.

3 (e) Reasonable Royalty

4 Histogen also argues that a reasonable royalty, the only monetary remedy SkinMedica
5 seeks for its trade secret claim, is unavailable as a matter of law under Cal. Civ. Code § 3426.3
6 because SkinMedica cannot establish that damages or unjust enrichment are not provable. (Def.'s
7 MSJ 23.) SkinMedica does not contest that the applicable California law permits reasonable
8 royalty damages only if actual damages or unjust enrichment are not provable in trade secret
9 actions. (Pl.'s Opp'n to Def.'s MSJ 22-25); *see also Cacique, Inc. v. Robert Reiser & Co., Inc.*,
10 169 F.3d 619, 623 (9th Cir. 1999) (explaining that California law differs on this point from both
11 the UTSA and patent law, neither of which requires alternative methods of damages to be
12 unprovable before courts may impose a reasonable royalty). Instead, SkinMedica challenges the
13 sufficiency of Histogen's evidence and asserts its own arguments as to why actual damages and
14 unjust enrichment are unprovable. (*Id.*)

15 Based on the parties' contradicting evidence and broadly sweeping unsupported assertions,
16 the Court cannot determine what measure of damages are provable. Histogen's arguments that
17 actual damages are provable "by analyzing SkinMedica's lost sales and profits resulting from
18 Histogen's sales of ReGenica products" and that SkinMedica's unjust enrichment is provable "by
19 analyzing Histogen's costs to independently develop or acquire the alleged trade secret
20 information" fail to convince. (*Id.* at 23-24.) Merely stating what damages are doesn't make them
21 provable given the specific facts of the case.

22 Further, the Court cannot conclusively reject SkinMedica's arguments that no evidence is
23 available as to lost profits where the products are used for hair growth rather than skincare because
24 neither party has yet sold any such hair growth product, and that any apportionment of loss is
25 speculative based on the multi-player market and other factors specific to this case. (Pl.'s Opp'n
26 to Def.'s MSJ 22-25.) Indeed, such "unusual circumstances" may render unjust enrichment
27 unprovable. *Cacique*, 169 F.3d at 623; *see also 02 Micro*, 399 F. Supp. 2d at 1077 (awarding
28 reasonable royalties where expert evidence left the jury to rely on "speculation and guesswork");

1 *Unilogic v. Burroughs*, 10 Cal. App. 4th 612, 626-630 (1992) (infringing product never brought to
2 market). Thus, the Court finds it improper to summarily adjudicate the issue of damages based on
3 the evidence before it. The parties may revisit this issue in their pretrial motions.

4 (f) Conclusion

5 For the foregoing reasons, numerous genuine issues of material fact remain as to
6 SkinMedica's trade secrets claims. Consequently, Histogen's motion for summary judgment of
7 SkinMedica's trade secret claims is **DENIED**.

8 (ii) *Constructive Trust*

9 According to Histogen, SkinMedica premises its claim for constructive trust on its claim
10 for alleged misappropriation of the Hair Growth Project trade secret. (Def.'s MSJ 22.) Thus,
11 Histogen argues that SkinMedica's constructive trust claim must fail because its trade secret claim
12 fails. (*Id.*) Given the Court's determination that summary judgment is unwarranted as to the Hair
13 Growth Product trade secret claim, it follows that the Court should reject the motion as to the
14 constructive trust claim as well, under Histogen's own reasoning. Accordingly, Histogen's motion
15 for summary judgment of SkinMedica's constructive trust claim is **DENIED**.

16 (iii) *Breach of Contract*

17 Histogen argues that SkinMedica's breach of contract claim fails as a matter of law for two
18 reasons: (1) because Dr. Naughton's confidentiality obligations ended before the alleged breach
19 occurred, and (2) because the statute of limitations has run.

20 According to Histogen, Dr. Naughton only entered into two written agreements with ATS
21 that included confidentiality agreements. (Def.'s MSJ 21.) The first was an employment
22 agreement between Dr. Naughton and Marrow-Tech Incorporated, the predecessor company to
23 ATS, dated December 9, 1987. ("First Employment Agreement," Naughton Decl. Ex. 7.) The
24 second was also an employment agreement between Dr. Naughton and Marrow-Tech
25 Incorporated, dated June 16, 1989. ("Second Employment Agreement," Naughton Decl. Ex. 8.)
26 The Second Employment Agreement expressly superseded the First Employment Agreement in its
27 entirety. (Def.'s MSJ 21; Naughton Decl. Ex. 8 ¶ 20.) Although a draft of a new employment
28 agreement was created, Histogen claims the terms were never finalized. (Def.'s MSJ 21.)

1 Under the terms of the Second Employment Agreement, Dr. Naughton was obligated to a
2 three-year period of confidentiality after the termination of the agreement, which had a six-year
3 term. (Def.'s MSJ 21.) Thus, Histogen calculates that Dr. Naughton's employment agreement
4 with ATS terminated on June 16, 1995, and any confidentiality obligation she had under the
5 Second Employment Agreement ended by at least June 16, 1998. (*Id.*) Histogen does not dispute
6 that SkinMedica may enforce any agreements between Naughton and ATS relating to the Nouricel
7 product under the APA.

8 Instead, Histogen claims that the earliest events alleged by SkinMedica as giving rise to its
9 breach of contract claim did not occur until 2002, at which time she was no longer bound by any
10 contractual confidentiality obligation to ATS. (*Id.* at 22.) This argument was considered by Judge
11 Whelan in his March 29, 2010 Order denying Defendant's motion for summary judgment as to
12 SkinMedica's breach of contract claim. (March 29, 2010 Order 8-10, ECF No. 117.) Judge
13 Whelan found that a genuine issue of material fact existed as to whether Dr. Naughton had also
14 signed a Proprietary Agreement while she was employed at ATS, and whether any breaches of
15 confidentiality occurred during the contractual period governed by the Second Employment
16 Agreement. (*Id.*) SkinMedica has provided three "representative" copies of ATS Proprietary
17 Agreements, signed by former ATS employees, and alleges that ATS had a formal policy requiring
18 all of its employees to sign these agreements. (*See* March 29, 2010 Order 9; Gergen Decl. ¶ 3,
19 ECF No. 66.) Judge Whelan found that, although SkinMedica has not provided a Proprietary
20 Agreement signed by Dr. Naughton, SkinMedica's allegations were sufficient to create a genuine
21 issue of material fact as to whether she actually signed one. (*Id.*) And, "[w]ithout further
22 explanation from the parties, the Court can not assume that the alleged breach did not occur based
23 upon information acquired about NouriCel during those time periods." (*Id.* at 10.) The Court
24 agrees with Judge Whelan's determination that a genuine issue of material fact remains as to the
25 extent of Dr. Naughton's contractual obligations and the timing and extent of any breach of
26 confidentiality.

27 Histogen also argues that SkinMedica's breach of contract claim must fail because it is
28 barred by the applicable four-year statute of limitations under California Code of Civil Procedure

1 section 337(1). (*Id.*) SkinMedica counters that California law states the statute of limitations for
2 breach of contract begins to run from the date the breach was discovered or could have been
3 discovered with reasonable diligence, not from the date of the breach itself, citing *Gryczman v.*
4 *4550 Pico Partners, Ltd.*, 107 Cal. App. 4th 1, 5-6 (2003) (articulating the “delayed discovery
5 rule” for breaches of contract which are committed in secret, which states the statute shall run
6 from the date of discovery where plaintiff exercised due diligence in discovering the breach).
7 “Because Dr. Naughton’s misappropriation was surreptitious, SkinMedica could not and did not
8 discover her breach of contract until the patent applications she filed covering the stolen Hair
9 Growth Trade Secrets were published.” (Pl.’s Opp’n to Def.’s MSJ 21; Naughton Nov. 11, 2009
10 Dep.) According to SkinMedica, because the earliest of those patent applications was filed in
11 2006, SkinMedica’s breach of contract claim which it asserted in 2009 is not barred by the four-
12 year statute of limitations. (*Id.*) In its reply, Histogen does not respond to these arguments, and the
13 Court finds them sufficient to establish at least a genuine issue of material fact as to whether
14 SkinMedica could have discovered the alleged breach prior to the allowed statutory period.
15 Accordingly, the Court Histogen’s motion for summary judgment of SkinMedica’s breach of
16 contract claim is **DENIED**.

17 **2. SkinMedica’s Motion for Final Judgment under Rule 54(b)**

18 SkinMedica also moves for entry of final judgment. (FJ Motion, ECF No. 237.) Arguing
19 that the parties’ remaining state law claims are severable from SkinMedica’s patent claims, which
20 the Court’s summary judgment ruling on noninfringement fully adjudicated, SkinMedica requests
21 final judgment so that it may immediately pursue an appeal of its patent claims. (*Id.* at 1.)
22 Histogen opposes, arguing that the remaining state law claims are factually intertwined with the
23 patent issues, leading to multiple appeals on the same issues and rendering entry of final judgment
24 at cross-purposes with judicial economy. (Def.’s Opp’n to FJ Motion, ECF No. 245.)

25 **A. Legal Standard**

26 In order to hear an appeal of a ruling from this Court under the patent statute, the Federal
27 Circuit must determine if the appeal is of a final judgment or whether there is some other basis for
28 jurisdiction over an interlocutory order. *Nystrom v. TREX Co.*, 339 F.3d 1347, 1350 (Fed. Cir.

1 2003); *see also* 28 U.S.C. § 1295. On matters relating to its jurisdiction, the Federal Circuit
2 applies its own law, not that of the regional circuit from which the case arose. *Nystrom*, 339 F.3d
3 at 1350; *State Contracting & Eng'g Corp. v. State of Florida*, 258 F.3d 1329, 1334-35 (Fed. Cir.
4 2001). Although interlocutory appeal of claim construction orders or orders granting summary
5 judgment of non-infringement is often desired by one or both parties in the patent context for
6 strategic or other reasons, “piecemeal litigation is as strictly precluded by the rule of finality for
7 patent cases as it is for any other case.” *Nystrom*, 339 F.3d at 1350.

8 However, in such a situation, a district court may consider whether there is a proper basis
9 to direct the entry of final judgment on fewer than all of the claims under Federal Rule of Civil
10 Procedure 54(b). *Id.* In order to do so, the court must make two determinations. First, it must
11 determine whether the judgment is final in the sense that it is an “ultimate disposition of an
12 individual claim entered in the course of a multiple claims action.” *Ultra-Precision Mfg.*, 338
13 F.3d 1353, 1357 (Fed. Cir. 2003) (quoting *Sears, Roebuck & Co. v. Mackey*, 351 U.S. 427, 435
14 (1956)). Second, the court must determine “whether any just reason for delay exists.” *Curtiss-*
15 *Wright Corp. v. General Elec. Co.*, 446 U.S. 1, 7 (1980); *see also* Fed. R. Civ. P. 54(b). Factors
16 relevant to this decision include “whether the claims under review were separable from the others
17 remaining to be adjudicated and whether the nature of the claims already determined was such that
18 no appellate court would have to decide the same issues more than once even if there were
19 subsequent appeals.” *Curtiss-Wright*, 446 U.S. at 8.

20 ***B. Efficient Resolution of this Case***

21 The mere fact that claims share common facts does not preclude the entry of partial final
22 judgment as to one or more of those claims. In *Intergraph Corp. v. Intel Corp.*, 253 F.3d 695, 699
23 (Fed. Cir. 2001), the Federal Circuit affirmed the district court’s entry of final judgment as to
24 antitrust laws under Rule 54(b) when related contract and tort claims remained for trial, stating
25 that “[e]ven for claims that arise out of the same transaction or occurrence, sound case
26 management may warrant entry of partial final judgment.”

27 In the context of patent litigation in particular, many courts have entered partial final
28 judgment as to some or all patent law issues in order to permit appeal to the Federal Circuit where

1 distinct legal issues remained, even where factually related. *See, e.g., Schoenhaus v. Genesco,*
2 *Inc.*, 440 F.3d 1354, 1356 (Fed. Cir. 2006) (noting district court’s entry of final judgment as to all
3 patent-related claims where state law trade secrets, conversion, and unjust enrichment claims
4 remained); *W.L. Gore*, 975 F.2d 858, 861 (Fed Cir. 1992) (affirming district court’s entry of final
5 judgment as to infringement where patent misuse and antitrust claims remained); *The Laryngeal*
6 *Mask Co. Ltd. v. Ambu*, 2009 U.S. Dist. LEXIS 129822 (S.D. Cal. Sept. 25, 2009) (court entered
7 final judgment as to all patent-related claims under 54(b) where state law claims remained).

8 Based on the above-cited cases, it would likely be within the Court’s discretion to enter
9 partial final judgment of noninfringement here. However, ultimately the Court finds based on the
10 circumstances of this case that sound case management does not warrant doing so. For one,
11 SkinMedica has not presented any compelling reason to incite piecemeal appeals of this case down
12 the road. The trial is set to commence in six months, at which point it is very unlikely the Federal
13 Circuit will have heard any appeal of the Court’s prior summary judgment ruling. Histogen points
14 out that an earlier date was available for trial, and that SkinMedica rejected the date. Instead, it
15 seeks to “expedite” the resolution of this case by separately appealing the Court’s prior
16 noninfringement ruling. However, introducing the potential for two separate appeals and two
17 separate trials, or for one party to request a stay of the remaining state law claims, would more
18 likely cause further delay of these proceedings which have already encountered too much delay.
19 Many issues remain to be tried, and, in all likelihood, appealed. Thus, immediate appeal will not
20 aid the efficient resolution of this entire case. The Court accordingly **DENIES** SkinMedica’s
21 motion for final judgment as to noninfringement.

22 **3. Histogen’s Motion for Attorneys’ Fees**

23 Finally, Histogen also seeks an order requiring SkinMedica to pay its reasonable attorneys’
24 fees, costs, and expenses incurred in defending SkinMedica’s “blatantly meritless” patent
25 infringement claims. (Fees Motion I, ECF No. 287.) According to Histogen, SkinMedica
26 deliberately advanced specious positions in pursuing a patent infringement action against Histogen
27 for the improper purpose of harming its competitor. (*Id.*) Histogen summarizes this allegedly
28 sanctionable conduct as follows: (1) SkinMedica’s legally unsound claim construction tactics;

1 (2) SkinMedica’s presentation of evidence at claim construction that contradicted the patent
2 specifications; (3) SkinMedica’s “refusal to back down” after the adverse Markman Order; and
3 (4) SkinMedica’s decision to contest Histogen’s motion for summary judgment “which
4 unnecessarily extended the duration of the meritless patent lawsuit by many months and caused the
5 accumulation of further unnecessary attorneys fees for Histogen.” (*Id.*)

6 Histogen argues that the award of attorneys’ fees at this point is justified under three
7 theories. First, under 35 U.S.C. § 285, the Court may award reasonable attorneys’ fees to the
8 prevailing party “in exceptional cases.” Courts have found cases exceptional and awarded such
9 fees where the plaintiff “pursued objectively baseless infringement claims.” *See Eon-Net LP v.*
10 *Flagstar Bancorp*, 653 F.3d 1314, 1324 (Fed. Cir. 2011). Second, 28 U.S.C. § 1927 provides:
11 “Any attorney . . . who so multiplies the proceedings in any case unreasonably and vexatiously
12 may be required by the court to satisfy personally the excess costs, expenses, and attorneys’ fees
13 reasonably incurred because of such conduct.” Third, Histogen argues the Court may award
14 attorneys’ fees “based on the conduct of the parties and their counsel under the court’s inherent
15 authority.” (Fees Motion 16-17.) A party’s “bad faith” or recklessness may support such an
16 award of attorneys’ fees as a sanction. *See Chambers v. Nasco, Inc.*, 501 U.S. 32, 43 (1991).

17 The Court declines to award attorneys’ fees on any of these bases at this time. Histogen
18 points to the Court’s Order granting summary judgment of noninfringement as proof that
19 SkinMedica’s opposition was “objectively baseless” and “legally unsound.” In that Order, the
20 Court stated that “SkinMedica’s premise is contrary to the patent history and contrary to the
21 Court’s claim construction analysis.” (ECF No. 228.) However, nothing about this language, or
22 anything else stated in that Order, leads to the conclusion advanced by Histogen that this case is
23 exceptional, that SkinMedica’s infringement claims were objectively baseless, or that SkinMedica
24 has multiplied the proceedings unreasonably and vexatiously. Contrary to Histogen’s assertions,
25 there is no evidence of egregious litigation misconduct. Histogen also fails to establish why the
26 award of fees is necessary now, in the middle of this ongoing litigation. Accordingly, Histogen’s
27 motion for attorneys’ fees, costs, and expenses incurred in defending against SkinMedica’s patent
28 infringement claims is **DENIED** without prejudice.

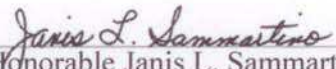
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CONCLUSION

For the foregoing reasons, the Court **GRANTS** SkinMedica’s motion for partial summary judgment of Histogen’s statutory unfair competition claim as to nonrestitutionary disgorgement and for summary judgment of Histogen’s common law unfair competition claim. In addition, the Court **DENIES** Histogen’s motion for summary judgment, SkinMedica’s motion for final judgment and Histogen’s motion for attorneys’ fees.

IT IS FURTHER ORDERED that the Clerk shall file this Order provisionally under seal. Portions of the motion hearing in this matter were sealed by agreement of the parties, and many of the documents filed by both parties in support of these motions have been filed under seal (for counsel only) pursuant to the Protective Order in this case (ECF No. 27). Counsel may confer and submit one joint statement clearly indicating any portions of the Order they seek to have redacted by April 20, 2012. The Court will consider any such requests and shall thereafter file the Order publicly, with any necessary redactions, on the docket.

DATED: April 4, 2012



Honorable Janis L. Sammartino
United States District Judge

Copy only: Counsel for Plaintiff/counterdefendant SkinMedica
Counsel for Defendants/counterclaimants Histogen and Gail K. Naughton
(See Protective Order ¶ 3, ECF No. 27.)