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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

ESI GROUP, a foreign corporation; ESI NORTH AMERICA, INC., a Michigan corporation; and ESI US R&D, INC., a Michigan corporation,

Plaintiffs,

v.

WAVE SIX, LLC, a California limited liability company; DASSAULT SYSTEMES SIMULIA CORP., a foreign corporation; PHILIP SHORTER, an individual; VINCENT COTONI; an individual; SASCHA MERZ, an individual; and TERENCE CONNELLY, an individual,

Defendants.

Case No.: 17-CV-2293 TWR (MSB)

**ORDER (1) GRANTING IN PART AND DENYING IN PART DEFENDANTS’ MOTION FOR SUMMARY JUDGMENT, (2) DENYING WITHOUT PREJUDICE DEFENDANTS’ MOTION TO EXCLUDE PLAINTIFFS’ EXPERTS, AND (3) DENYING WITHOUT PREJUDICE PLAINTIFFS’ MOTION TO EXCLUDE OPINIONS AND TESTIMONY OF DEFENDANTS’ PROPOSED EXPERTS DR. HAMBRIC AND MR. BRITVEN**

(ECF Nos. 119, 121, 124)

Presently before the Court are Defendants’ Motion for Summary Judgment (“MSJ,” ECF No. 119) and to Exclude Plaintiffs’ Experts (“Defendants’ *Daubert* Mot.,” ECF No. 121) and Plaintiffs’ Motion to Exclude Opinions and Testimony of Defendants’ Proposed Experts Dr. Hambric and Mr. Britven (“Plaintiffs’ *Daubert* Mot.,” ECF No. 124). The Court held a hearing on June 29, 2021. (*See* ECF No. 161.) Having carefully considered

1 the Parties’ arguments, the evidence, and the law, the Court **GRANTS IN PART AND**  
2 **DENIES IN PART** Defendants’ Motion for Summary Judgment, **DENIES WITHOUT**  
3 **PREJUDICE** Defendants’ *Daubert* Motion, and **DENIES WITHOUT PREJUDICE**  
4 Plaintiffs’ *Daubert* Motion, as follows.

### 5 **BACKGROUND<sup>1</sup>**

6 Plaintiffs (also referred to as “ESI”) are a leading innovator in Virtual Prototyping  
7 software and services. (*See* FAC, ECF No. 55 at 6.) Virtual Prototyping is a method in  
8 the process of product development to validate a design before committing to make a  
9 physical prototype. (*See id.*) In the case of vibro-acoustics analysis, this is done by creating  
10 computer generative geometrical shapes, building the shapes into a computer model, and  
11 analyzing the computer model to predict the vibration and the noise that would be observed  
12 if an actual test were to be performed. (*See id.*)

13 ESI developed and exclusively owns the VA One Vibro-Acoustic Simulation  
14 Software (“VA One”). (*See id.* at 10.) VA One allows users to diagnose potential noise  
15 and vibration problems in the design stage of a product. (*See id.*) This kind of simulation  
16 software is used in the auto, marine, aerospace and defense industries. (*See id.*) VA One  
17 consists of many sub-programs. (*See id.*) ESI also developed and exclusively owns the  
18 RAYON Boundary Element Method (“BEM”) Solver file and model format, a component  
19 of VA One, which is used to describe the acoustic wave propagation in bounded and  
20 unbounded acoustic spaces. (*See id.*) The BEM Solver file and model format is used to  
21 communicate with other sub-programs of VA One. (*See id.* at 11.) The BEM Solver is the  
22 only solver that can be used with the VA One, unless another party misappropriates the  
23 underlying file and model format that comprises the BEM Solver. (*See id.*) ESI’s internal  
24 documentation of the file and model format is a 24-page long French document, a trade  
25 secret, which is in a unique and custom format that would not be replicable by anyone  
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27 <sup>1</sup> This case was transferred after the Parties submitted their briefing for the Motion for Summary Judgment, and  
28 therefore, the Parties did not submit a statement of undisputed material facts pursuant to Civil Standing Order Section III.B.6.

1 without knowledge of the original software coding. (*See id.* at 12.) ESI has spent millions  
2 of dollars and decades to perfect its BEM Solver. (*See id.*)

3 **I. BREACH OF CONTRACT AND**  
4 **MISAPPROPRIATION OF TRADE SECRETS**

5 Each individual Defendant worked for ESI with VA One, RAYONE BEM Solver,  
6 or both. (*See Opp'n to MSJ* at 1.) Mr. Terrence Connelly worked as a VA One Support  
7 Engineer, interfacing with customers and providing technical support on a daily basis; he  
8 also worked with ESI's BEM Solver, teaching customers to build models. (*See id.* at 2.)  
9 Mr. Vincent Cotoni was ESI's lead acoustic scientist and helped customers with technical  
10 issues pertaining to the BEM Solver. (*See id.*) ESI used Mr. Cotoni's research to make  
11 ESI's VA One talk to the BEM Solver. (*See id.*) Each of the individual Defendants signed  
12 an employment agreement with ESI. (*See FAC* at 6.) In their respective employment  
13 agreements, each Defendant acknowledged that he/she would be informed of or have  
14 access to confidential information of ESI's, including "trade secrets," and that his/her  
15 relationship with ESI was "one of confidence with respect to the trade secret [which] . . .  
16 is . . . the exclusive property of [ESI]." (*See id.* at 7; ECF Nos. 73-1;73-2; 73-3; and 73-  
17 4.)

18 Eventually, all four individual Defendants left ESI and began operating Wave Six,  
19 LLC ("Wave Six"), a direct competitor to ESI, and began working on a BEM Solver to  
20 replace ESI's. (*See id.* at 9.) Defendants misappropriated ESI's BEM Solver by using  
21 ESI's 24-page file and model format, a trade secret document, to parse a specific VA One  
22 output file (.ray file) and make it compatible with Defendants' "Wave6BEM Solver." (*See*  
23 *id.* at 15.) Wave6BEM Solver could interact with ESI's VA One, which consequentially  
24 replaced ESI's BEM Solver. (*See id.*) Plaintiffs allege that Defendants were only able to  
25 create this BEM Solver by having direct knowledge of the meaning of ESI's file and model  
26 format. (*See id.* at 15.) Defendants challenge that allegation, asserting that Dr. Merz  
27 created the Wave6BEM Solver by reverse engineering certain model .ray files (input and  
28 output files of VA One), which were created and provided by ESI's customers, including

1 Lockheed Martin. (*See* MSJ at 4.) Ultimately, Wave Six, LLC merged into Dassault  
2 Systemes Simulia Corp. (“Dassault”). (*See* FAC at 9.)

## 3 **II. COPYRIGHT INFRINGEMENT**

4 In addition to products and services, ESI also provides training materials for  
5 engineering products and methods. (*See id.* at 20.) On or around October 16, 2005, ESI  
6 created training material titled Advanced Statistical Energy Analysis (“SEA Course”),  
7 which was given as a short course at an Acoustical Society America (“ASA”) meeting in  
8 2005 and later presented numerous times by ESI Personnel. (*See id.*) ESI owns registered  
9 copyrights for the SEA Course, which were issued on September 15, 2017 under Copyright  
10 Registration No. TX 8-403-795, and supplemented on November 6, 2017 by Copyright  
11 Registration No. TX 8-436-076. (*See id.*) Additionally, on or around June 2, 2006, ESI  
12 created a training source called VA One Training – Hybrid FE-SEA Methods (“VA One  
13 Training”), which ESI personnel used many times as a training source. (*See id.*) ESI owns  
14 a registered copyright for the VA One Training under Registration No. TX 8-404-259,  
15 which was issued on September 15, 2017. (*See id.*)

16 On or about July 6, 2017, ESI learned that Wave Six had contributed to a published  
17 reference textbook titled, “Engineering Vibroacoustic Analysis, Methods and  
18 Applications,” edited by Stephen A. Hambric, Shung H. Sung, and Donald J. Nefske and  
19 published by John Wiley & Sons, Ltd. in 2016 as ISBN 978-1-119-95344-9. (*See id.* at 21.)  
20 Defendants Wave Six, Philip Shorter, and Vincent Cotoni were identified as contributors  
21 and authors of two chapters in that publication: Chapter 11, titled “Statistical Energy  
22 Analysis” and Chapter 12, titled “Hybrid FE-SEA.” (*See id.*) Defendants copied and  
23 pasted much of ESI’s work in these chapters. (*See id.* at 22.) These chapters have the same  
24 figures, in the same order, as the figures in the ESI materials. (*See id.*) While Defendant  
25 Mr. Shorter was employed at ESI, he created the Advanced Statistical Energy Analysis  
26 (SEA) Course and the VA One Training – Hybrid FE-SEA Methods. (*See id.* at 21.)  
27 Shortly before Mr. Shorter’s resignation from ESI, he was observed copying a nearly three-  
28 foot-high stack of documents including materials proprietary to ESI. (*See id.* at 21–22.)

1 On November 10, 2017, Plaintiffs filed a Verified Complaint against Defendants,  
2 alleging causes of actions for misappropriation, breach of confidentiality agreement,  
3 preliminary injunctive and permanent injunctive relief, copyright infringement, and civil  
4 conspiracy. (See ECF No. 1.) Defendants filed a Motion to Dismiss, or in the alternative,  
5 Motion for a More Definite Statement, which was denied on September 25, 2018, by Judge  
6 Anthony J. Battaglia. (See ECF No. 31.) On May 31, 2019, Plaintiffs filed a First  
7 Amended Verified Complaint, adding Dassault as a Defendant. (See ECF No. 55.)  
8 Subsequently, on September 1, 2020, Defendants filed the instant Motion for Summary  
9 Judgment (ECF No. 119, “MSJ”) and *Daubert* Motion (ECF No. 121, “Defendants’  
10 *Daubert* Mot.”) to exclude testimony of Plaintiffs’ Experts, Mr. J. Stott Matthews, Mr.  
11 Robert J. Winiarski, and Dr. Kenneth Cunefare. Plaintiffs then filed a *Daubert* Motion  
12 (ECF No. 124, “Plaintiffs’ *Daubert* Mot.”) to exclude testimony of Defendants’ experts,  
13 Dr. Stephen Hambric and Mr. Thomas Britven. On October 6, 2020, the case was  
14 transferred to the undersigned. (See ECF No. 152.)

## 15 MOTION FOR SUMMARY JUDGMENT

### 16 I. Legal Standard

17 Under Federal Rule of Civil Procedure 56(a), a party may move for summary  
18 judgment as to a claim or defense or part of a claim or defense. Summary judgment is  
19 appropriate where the Court is satisfied that there is “no genuine dispute as to any material  
20 fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a);  
21 *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). Material facts are those that may affect  
22 the outcome of the case. *Anderson*, 477 U.S. at 248. A genuine dispute of material fact  
23 exists only if “the evidence is such that a reasonable jury could return a verdict for the  
24 nonmoving party.” *Id.* When the Court considers the evidence presented by the parties,  
25 “[t]he evidence of the non-movant is to be believed, and all justifiable inferences are to be  
26 drawn in his favor.” *Id.* at 255.

27 The initial burden of establishing the absence of a genuine issue of material fact falls  
28 on the moving party. *Celotex*, 477 U.S. at 323. The moving party may meet this burden

1 by identifying the “portions of ‘the pleadings, depositions, answers to interrogatories, and  
2 admissions on file, together with the affidavits, if any,’” that show an absence of dispute  
3 regarding a material fact. *Id.* When a plaintiff seeks summary judgment as to an element  
4 for which it bears the burden of proof, “it must come forward with evidence which would  
5 entitle it to a directed verdict if the evidence went uncontroverted at trial.” *C.A.R. Transp.*  
6 *Brokerage Co. v. Darden Rests., Inc.*, 213 F.3d 474, 480 (9th Cir. 2000) (quoting *Houghton*  
7 *v. South*, 965 F.2d 1532, 1536 (9th Cir. 1992)).

8       Once the moving party satisfies this initial burden, the nonmoving party must  
9 identify specific facts showing that there is a genuine dispute for trial. *Celotex*, 477 U.S.  
10 at 324. This requires “more than simply show[ing] that there is some metaphysical doubt  
11 as to the material facts.” *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574,  
12 586 (1986). Rather, to survive summary judgment, the nonmoving party must “by her own  
13 affidavits, or by the ‘depositions, answers to interrogatories, and admissions on file,’  
14 designate ‘specific facts’” that would allow a reasonable fact finder to return a verdict for  
15 the non-moving party. *Celotex*, 477 U.S. at 324; *Anderson*, 477 U.S. at 248. The non-  
16 moving party cannot oppose a properly supported summary judgment motion by “rest[ing]  
17 on mere allegations or denials of his pleadings.” *Anderson*, 477 U.S. at 256.

## 18 **II. Analysis**

19       Plaintiffs allege claims for misappropriation of trade secrets in violation of the  
20 Defend Trade Secrets Act (“DTSA”) of 2016 (Count I) and in violation of California  
21 Uniform Trade Secrets Act (“CUTSA”) (Count II), (collectively, “trade secrets  
22 misappropriation claims”), Preliminary Injunctive and Permanent Injunctive Relief (Count  
23 IV), Civil Conspiracy (Count VI) against all Defendants, Breach of Confidentiality  
24 Agreement (Count III) against the individual Defendants, and Copyright Infringement  
25 (Count V) against Wave Six, Dassault, Mr. Shorter, and Mr. Cotoni. (*See generally* FAC.)  
26 Defendants seek summary judgment in their favor as to Breach of Confidentiality  
27 Agreement (Count III), Copyright Infringement (Count V), and the trade secrets  
28 misappropriation claims (Counts I and II). (*See generally* MSJ.)

1           **A.     *Trade Secret Misappropriation***

2           Defendants argue the trade secrets misappropriation claims fail as a matter of law  
3 because: (1) they are time-barred; and (2) because Plaintiffs fail to meet their burden of  
4 proving misappropriation by a preponderance of evidence. (*See* MSJ at 13–25.) The  
5 elements of trade secret misappropriation under DTSA and CUTSA are essentially the  
6 same. *Becton, Dickinson & Co. v. Cytek Biosciences Inc.*, No. 18-CV-00933-MMC, 2018  
7 WL 2298500, at \*2 (N.D. Cal. May 21, 2018). A plaintiff must allege: “(1) that it is the  
8 owner of a trade secret, (2) that the defendant misappropriated the trade secret, and (3) that  
9 it was damaged by the defendant's actions.” *Way.com, Inc. v. Singh*, No. 3:18-CV-04819-  
10 WHO, 2018 WL 6704464, at \*4 (N.D. Cal. Dec. 20, 2018) (quotations and citation  
11 omitted); *see CytoDyn of New Mexico, Inc. v. Amerimmune Pharm., Inc.*, 160 Cal. App.  
12 4th 288, 297 (2008). The DTSA and CUTSA define a trade secret as information that: (1)  
13 derives its economic value from not being generally known; and (2) is subject to reasonable  
14 measures of secrecy by its owner. *See* 18 U.S.C. § 1839(3); Cal. Civ. Code § 3426.1(d).  
15 “A plaintiff seeking relief for misappropriation of trade secrets must identify the trade  
16 secrets and carry the burden of showing that they exist,” and “describe the subject matter  
17 of the trade secret with sufficient particularity to separate it from matters of general  
18 knowledge in the trade or of special knowledge of those persons . . . skilled in the trade.”  
19 *Imax Corp. v. Cinema Techs., Inc.*, 152 F.3d 1161, 1164–65 (9th Cir. 1998) (quotations  
20 and citations omitted).

21                   **1.     *Time-Barred***

22           The Parties dispute when the statute of limitations began to run under CUTSA and  
23 DTSA. The statute of limitations provision in the CUTSA states: “[a]n action for  
24 misappropriation must be brought within three years after the misappropriation is  
25 discovered [(“actual notice”)] or by the exercise of reasonable diligence should have been  
26 discovered [(“inquiry notice”)]. Cal. Civ. Code § 3426.6. For the purposes of this section,  
27 a continuing misappropriation constitutes a single claim.” *Id.* The statute of limitations for  
28 the DTSA mirrors that of the CUTSA and provides that an action for misappropriation

1 “may not be commenced later than 3 years after the date on which the misappropriation  
2 with respect to which the action would relate is discovered or by the exercise of reasonable  
3 diligence should have been discovered. 18 U.S.C. § 1836(d). For purposes of this section,  
4 a continuing misappropriation constitutes a single claim of misappropriation.” *Id.*

5 First, Defendants argue that Plaintiffs had actual notice of the alleged trade secret  
6 misappropriation as of February 2013, when ESI sent letters to Defendants Shorter, Cotoni,  
7 and Merz, threatening legal action for “alleged solicitation and disclosure of confidential  
8 ESI information.” (*See* MSJ at 23 (citing ECF Nos. 24-7; 24-8; 24-9).) Plaintiffs respond  
9 that the Defendants cannot credibly argue that the February 2013 letter gave actual notice  
10 of misappropriation while simultaneously claiming that infringement did not begin until  
11 November 2013. (*See* Opp’n to MSJ at 22–24.)

12 Second, Defendants claim that Plaintiffs had constructive notice of the alleged trade  
13 secret misappropriation as early as September 11, 2014, when NASA issued a pre-  
14 solicitation publication stating that NASA would be purchasing the Wave6 BEM License  
15 from Wave Six, LLC and that it was seeking a BEM Solver “compatible with VA One Pre  
16 and Post Processor.” (*See* MSJ at 23 (citing FAC at ¶¶ 80–81).) Plaintiffs respond they  
17 did not know any product existed that was “compatible” with VA One or, if such a product  
18 existed, how it was created or how it worked. (*See* Opp’n to MSJ at 23.)

19 Third, Defendants argue that ESI’s employees were on notice that Defendants were  
20 creating a BEM Solver intended to be interoperable with VA One months before the “bar  
21 date.” (*See* MSJ at 23–24.) Defendants point to an e-mail from November 4, 2014, in  
22 which Mr. Sebastien Chaigne, ESI’s VA One Product Manager in 2014, says that he “knew  
23 [Lockheed Martin] was using [Defendants’] stuff (knew that from last Feb),” and that he  
24 “asked [Dr. Bryce Gardner from ESI] for 6 months to get in touch with them and ask what’s  
25 up.” (*See id.* (citing Ex. 22 at ECF No. 122-23).) Defendants also point to an April 3, 2014  
26 business record from Wave Six, which details a trip report in which Dr. Phil Shorter from  
27 CD-Adapco recounts a conversation with Dr. Indranil Dandaroy, a non-party witness  
28 employed by Lockheed Martin. (*See id.* (citing Ex. 21 at ECF No. 123-12).) Defendants



1 state that the report details that Dr. Gardner at ESI “called [Dr. Dandaroy] and asked if he  
2 was working with CD-Adapco on a BEM Solver,” and that Dr. Dandaroy “told [Dr.  
3 Gardner] that he was and that ESI needed to be a lot more reactive if they wanted to keep  
4 [Lockheed Martin’s] business.” (*See id.*) Additionally, on November 6, 2014, Mr. Chaigne  
5 wrote “I have an array of legal ways ready to be rolled out as soon as we have insights on  
6 their technique.” (*Id.*)

7 In response, Plaintiffs contend that while Dr. Dandaroy testified during his  
8 deposition that he spoke with Dr. Gardner in 2014 or 2015, he stated that he “did [not]  
9 discuss the details of what [Lockheed Martin] was doing with the Wave6BEM,” did not  
10 tell Dr. Gardner that “Lockheed had sent .ray files to Wave Six,” and did not tell Dr.  
11 Gardner that “Lockheed would create models in VA One, solve that with Wave Six’s  
12 solver, then read them back into VA One.” (*See Opp’n at 24 (citing Dandaroy Deposition*  
13 *at 229).*) Thus, Plaintiffs reason that no detail of any kind about what Wave Six or  
14 Lockheed Martin was working on was ever divulged. (*See id.*) Instead, Plaintiffs claim  
15 that it was not until April 2016, when NASA gave such details, that Plaintiffs had actual  
16 knowledge of the facts giving rise to their trade secret misappropriation claim. (*See id.*)  
17 Plaintiffs further emphasize that Defendants made sure to conceal what they were working  
18 on and that “nobody within ESI knew what [they are] working on.” (*See id. at 24 (citing*  
19 *Ex. 28 at ECF No. 151-29; Ex. 9 at ECF No. 151-10).*)

20 Given the foregoing, the Court **CONCLUDES** that there is a genuine dispute as to  
21 whether Plaintiffs had either actual or inquiry notice of Defendants’ alleged  
22 misappropriation involving ESI’s BEM Solver three years prior to November 10, 2017, the  
23 date this case was filed.

## 24 2. *Failure to Meet Evidentiary Burden*

25 Defendants also claim that Plaintiffs have failed to meet their burden of establishing  
26 misappropriation by a preponderance of the evidence. (*See MSJ at 13–29.*) However,  
27 “misappropriation and misuse can rarely be proved by convincing direct evidence. In most  
28 cases plaintiffs must construct a web of perhaps ambiguous circumstantial evidence from

1 which the trier of fact may draw inferences . . . that it is more probable than not that what  
2 plaintiffs allege happened did in fact take place.” *Hanger Prosthetics & Orthotics, Inc. v.*  
3 *Capstone Orthopedic, Inc.*, 556 F. Supp. 2d 1122, 1136 (E.D. Cal. 2008) (internal citations  
4 omitted); *see also Computer Sciences Corp. v. Computer Associates, Int’l, Inc.*, Nos. CV  
5 98-1374-WMB SHX, 1999 WL 675446, at \*12 (C.D. Cal. Aug. 12, 1999) (“[D]irect  
6 evidence of trade secret misappropriation is often hard to come by, and . . .  
7 misappropriation may therefore be inferred from ambiguous circumstantial evidence . . .”).

8 First, Defendants argue Plaintiffs fail to establish that the 24-page BEM Solver  
9 document is a trade secret because Dr. Cunefare failed to conduct a proper analysis as to  
10 the document’s status as a trade secret, including the fact that he made no effort to ascertain  
11 whether Plaintiffs made reasonable efforts under the circumstances to maintain the secrecy  
12 of the document. (*See* MSJ at 20.) While Plaintiffs do allege the 24-page trade secret  
13 document is one component of the trade secret that was misappropriated, Plaintiffs more  
14 broadly allege that their BEM Solver is the product at issue and there are other documents  
15 related to the BEM Solver that Plaintiffs allege are trade secrets that were infringed, such  
16 as the VA One Theory Manual and VA One User’s Guide. (*See* Order Denying  
17 Defendants’ Motion to Dismiss at 10, ECF No. 31; Opp’n to MSJ at 7 (citing Cunefare  
18 Report at ¶¶ 35; 41–51).) Further, as Judge Battaglia found, Plaintiffs have properly alleged  
19 that Defendants misappropriated their BEM Solver. (*See* ECF No. 31.) Defendants have  
20 therefore failed to show the absence of disputed material fact as to their claim that Plaintiffs  
21 have fail to meet the first element of misappropriation—ownership of trade secrets.

22 Second, Defendants contend Plaintiffs failed to take reasonable steps to protect their  
23 trade secrets, because none of their experts identified that the 24-page trade secret  
24 document was confidential or a trade secret, none of their witnesses knew that the  
25 document was an alleged trade secret, and no evidence shows they took any efforts to  
26 maintain the secrecy of the document. (*See* MSJ at 20.) Plaintiffs claim they took  
27 reasonable steps to maintain the confidentiality of its trade secrets, including  
28 confidentiality agreements, and the use of EULAs. (*See* Opp’n at 18 (citing *MAI Sys. Corp.*

1 *v. Peak Comp., Inc.*, 991 F.2d 511, 521 (9th Cir. 1993) (finding confidentiality agreement  
2 supported “reasonable efforts”).) Moreover, Plaintiffs state Defendants concede the 24-  
3 page document was confidential and cite to the testimony by Drs. Connelly, Cotoni, Shorter  
4 and the declaration of Mr. Nicolas Zerbib.<sup>2</sup> Among these, Mr. Zerbib’s declaration states  
5 that Dr. Shorter asked him if he had access to the source code for ESI’s BEM Solver, the  
6 trade secret document, and Mr. Zerbib told him he was not able to do so even within ESI,  
7 because it was confidential and could only be shared with those who had access to it. (*See*  
8 ECF No. 151-7.) Hence, genuine issues of material fact exist as to the reasonableness of  
9 Plaintiffs’ effort to maintain the secrecy of their trade secrets.

10 Third, Defendants reason that Dr. Cunefare, Plaintiffs’ technical expert, does not  
11 opine on any trade secret that was misappropriated by Defendants. Rather, Defendants  
12 claim that Dr. Cunefare provides three possible paths Defendants could have taken to create  
13 the Wave6BEM parser code and make it interoperable with VA One, but does not offer  
14 any affirmative opinion as to which path Defendants actually took. (*See MSJ* at 13–15.)  
15 Plaintiffs, however, point to Dr. Cunefare’s opinion that his analysis of the source code for  
16 the Wave Six proves Defendants must have used information from explicit ESI proprietary  
17 documentation. (*See Opp’n* at 8 (citing Dr. Cunefare Deposition and Report).)<sup>3</sup>

18 Defendants further argue that there is no evidence supporting any of the postulated  
19 paths. As to the first postulated path—that the individual Defendants could have used prior  
20 knowledge based on employment with ESI—Defendants argue that there is no evidence  
21 the individual Defendants had any knowledge of the input and output files or the internal  
22 working of ESI’s BEM Solver while employed at ESI, and even if they did, use of prior  
23 generalized knowledge cannot sustain a misappropriation claim pursuant to Cal. Bus. &  
24 Prof. Code § 16600. (*See MSJ* at 13–15.) Plaintiffs reply that prior generalized knowledge  
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26 <sup>2</sup> Plaintiffs further claim that even if the 24-page document did not say the word confidential, employees knew it was  
27 a confidential document. (*See Opp’n* at 18 (citing *Mattel, Inc. v. MGA Ent., Inc.*, 782 F. Supp. 2d 911, 959 (C.D. Cal. 2011))  
(An employee’s failure to mark documents as confidential or trade secret does not preclude a finding of reasonable efforts.))

28 <sup>3</sup> The fact that Dr. Cunefare does give an opinion as to which specific path Defendants took is beside the point. Dr.  
Cunefare’s three postulated paths are each evidence ESI presents to establish misappropriation.

1 of the industry is different from specific knowledge or memorization of trade secrets, that  
2 is, information “learned as an employee.” (*See* Opp’n to MSJ at 22.)

3 The Court agrees with Plaintiffs. Prior knowledge from a previous employer is  
4 distinct from prior generalized industry knowledge and that misappropriation can be  
5 predicated on the use of prior knowledge of trade secrets from a previous employer.  
6 *WeRide Corp. v. Kun Huang*, 379 F. Supp. 3d 834, 847 (N.D. Cal. 2019), modified in part,  
7 No. 5:18-CV-07233-EJD, 2019 WL 5722620 (N.D. Cal. Nov. 5, 2019) (distinguishing  
8 trade secrets of source code from common knowledge in the industry or publicly available  
9 code); *Greenly v. Cooper*, 77 Cal. App. 3d 382, 392 (Ct. App. 1978) (stating to afford  
10 protection to the employer, the information need not be in writing but may be in the  
11 employee's memory (citing *George v. Burdusis* 21 Cal.2d 153 (1942))). Further, Plaintiffs,  
12 at the very least, point to evidence that Mr. Cotoni conceded that in working for Wave Six,  
13 he did use some of his experience. (*See* Opp’n to MSJ at 22 (citing Cotoni Deposition at  
14 127:1–25).) Plaintiffs have put forth sufficient evidence to show that genuine issues of  
15 material fact exist as to whether Defendants used knowledge and information gained  
16 through their prior employment at ESI to develop the Wave6BEM.

17 As to the second postulated path—that the individual Defendants could have used  
18 reverse engineering based on the VA One .ray model files provided by ESI customers—  
19 Defendants argue that the model files were ESI customers’ property and not subject to any  
20 requirement for confidentiality Defendants owed under the EULAs, which only prohibited  
21 ESI-supplied software. (*See* MSJ at 16–17.) Additionally, Defendants assert that their  
22 technical expert, Dr. Hambric, was able to reverse engineer the input and output file  
23 formats for Wave6BEM without ever consulting the 24-page trade secret document.  
24 Defendants contrast Dr. Hambric’s analysis with that of Plaintiff expert Dr. Cunefare, who  
25 not only failed to try and reverse engineer the Wave6BEM input/output file formats, but  
26 who also failed to offer an opinion as to whether the Defendants could have conducted  
27 such reverse engineering. (*See id.*)

1 In response, Plaintiffs claim that Lockheed Martin signed EULAs with ESI. (*See*  
2 Opp’n to MSJ at 19.) Plaintiffs cite the EULA agreement signed by Lockheed Martin and  
3 ESI, (*see id.* (citing ECF Nos. 151-24, 151-25)), and the Proprietary Information  
4 Agreement signed by Lockheed Martin in which it states Lockheed Martin will not share  
5 ESI proprietary information outside of its organization. (*See id.* (citing ECF No. 151-26).)  
6 Plaintiffs explain that the EULAs state Lockheed Martin “may not reverse engineer,  
7 decompile, or disassemble any compute model” and “it was strictly forbidden from  
8 reproducing or communicating all or part of the Software Product . . . which included  
9 software code and any technical documentation or associated manuals enabling  
10 performance of the program and/or . . . the database delivered,” to Lockheed Martin. (*See*  
11 *id.* (citing ECF Nos. 151-24, 151-25).) Plaintiffs also claim Defendants induced Lockheed  
12 Martin to send Wave Six the .ray model files, to reverse engineer and create interoperable  
13 software. (*See* Opp’n at 20 (citing Dandaroy Deposition at 46:6–25 stating he did not know  
14 whether it was permitted under EULA to send the .ray files); Connelly Deposition at 93:8–  
15 94:25 stating it is his understanding Dr. Shorter asked Lockheed Martin to send him the  
16 .ray files).) Indeed, as Plaintiffs note, CUTSA and DTSA recognize “indirect trade secret  
17 misappropriation,” a claim for which a plaintiff needs to establish, *inter alia*, the defendant  
18 acquired the trade secret from someone other than the plaintiff. *Navigation Holdings,*  
19 *LLC*, 445 F. Supp. 3d at 79. Plaintiffs therefore raise issues of material fact that the .ray  
20 model files were ESI’s property and subject to a requirement for confidentiality owed under  
21 the EULAs.<sup>4</sup>

22 Lastly, as to the third postulated path—that Defendants used the 24-page trade secret  
23 document—Defendants argue there is no evidence that any of the individual Defendants  
24 used or consulted the document to create the Wave6BEM parser code, and hence, Plaintiffs  
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26 <sup>4</sup> Plaintiffs are correct that their expert did not need to disprove the possibility of reverse engineering. Reverse  
27 engineering is a defense to a misappropriation of trade secrets claim. *Bal Seal Eng’g, Inc. v. Nelson Prod., Inc.*, No.  
28 813CV01880JLSKESX, 2018 WL 4697255, at \*4 (C.D. Cal. Aug. 3, 2018). The evidence before the Court sufficiently  
establishes the existence of disputed material facts regarding the issue of reverse engineering. For example, Dr. Cunefare  
opined that Wave Six’s source code contains evidence that the authors did not exclusively rely on the .ray model files and that  
the authors must have had access to ESI’s proprietary information. (*See generally* Cunefare Report.)

1 fail to show the 24-page trade secret document was misappropriated. (See MSJ at 18.)  
2 However, Plaintiffs present various opinions by Dr. Cunefare that Defendants must have  
3 used example ESI VA One input and output files before they received the .ray model files  
4 to create their Wave6BEM Solver. (See Opp'n to MSJ at 8–9; Cunefare Report.)

5 For the reasons set forth above, the Court **DENIES** Defendants' Motion for  
6 Summary Judgment as to the trade secrets misappropriation claims (Counts I and II).

7 ***B. Breach of Contract***

8 Defendants argue that the non-solicitation provisions of the individual Defendant's  
9 employment contracts with ESI are void under Cal. Bus. & Prof. Code § 16600.  
10 Defendants also assert that Plaintiffs have failed to produce evidence supporting their  
11 claims for breach of the non-solicitation covenants as alleged in the First Amended  
12 Complaint. (See MSJ at 11–13.) Plaintiffs counter that they are only seeking to enforce  
13 the Defendants' confidentiality agreements and that Section 16600 does not preclude  
14 restrictions that protect an employer's trade secrets, proprietary information, and  
15 confidential information. (See Opp'n to MSJ at 6–7.)

16 Although California courts have consistently “condemn[ed]” agreements that place  
17 restraints on the pursuit of a business or profession, *Richmond Techs., Inc. v. Aumtech Bus.*  
18 *Sols.*, No. 11-CV-02460-LHK, 2011 WL 2607158, at \*18 (N.D. Cal. July 1, 2011) (citing  
19 *Edwards v. Arthur Andersen LLP*, 44 Cal.4th 937946 (2008)), “[a]n equally lengthy line  
20 of cases has consistently held former employees may not misappropriate the former  
21 employer's trade secrets to unfairly compete with the former employer.” *Id.* (citing  
22 *Retirement Group v. Galante*, 176 Cal.App.4th 1226, 1237 (Cal.Ct.App.2009)).  
23 “Accordingly, ‘courts have repeatedly held a former employee may be barred from  
24 soliciting existing customers to redirect their business away from the former employer and  
25 to the employee's new business if the employee is utilizing trade secret information to  
26 solicit those customers.’” *Id.* Further, “courts have applied this principle to create a ‘trade  
27 secret exception’ to Section 16600, pursuant to which a non-compete or non-solicitation  
28 clause may be valid under Section 16600 if it is necessary to protect a trade secret.” *Id.*

1 (citing *Asset Marketing Systems, Inc. v. Gagnon*, 542 F.3d 748, 758 (9th Cir. 2008))  
2 (“Under California law, non-competition agreements are unenforceable unless necessary  
3 to protect an employer's trade secret.”) Hence, while the non-solicitation provision in the  
4 EULAs may be unenforceable under California law, the provisions which protect ESI’s  
5 trade secrets may be enforced. As set forth above, Plaintiffs have alleged that the  
6 Defendants misused the 24-page document, the VA One Theory manual and VA One  
7 User’s Guide (*See* Opp’n to MSJ at 7), all of which Plaintiffs claim are trade secrets. There  
8 is a genuine dispute between the parties as to whether Defendants breached their respective  
9 confidentiality agreements with ESI by improperly utilizing those claimed trade secrets.  
10 As such, the Court **DENIES** Defendants’ Motion for Summary Judgment as to the Breach  
11 of Confidentiality Agreement Claim (Count III).

### 12 **C. Copyright Infringement**

13 Defendants request summary judgment regarding Plaintiffs’ request for statutory  
14 damages and attorney’s fees for failure to timely register copyrights pursuant to 17 U.S.C.  
15 § 412 and a dismissal of ESI’s copyright infringement allegations for failure to provide any  
16 evidence to support actual damages. (*See* MSJ at 8–10.) Those requests are addressed in  
17 turn.

#### 18 *1. Statutory Damages*

19 Defendants claim statutory damages and attorney’s fees are not available to  
20 Plaintiffs due to their delay in registering their copyrights, pursuant to 17 U.S.C. § 412.<sup>5</sup>  
21 Under 17 U.S.C. § 504(a) and (c), a copyright owner may elect to recover statutory  
22 damages instead of actual damages and any additional profits. Under 17 U.S.C. § 412(2),  
23 to recover statutory damages or attorney’s fees, the copyrighted work must have been  
24 registered prior to commencement of the infringement, unless the registration is made  
25 within three months after first publication of the work. *Frank Music Corp.*, 772 F.2d at  
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<sup>5</sup> Plaintiffs do not respond to this argument in their Opposition.

1 520 (precluding an award of attorneys' fees as well); 3 *Polar Bear Prods., Inc. v. Timex*  
2 *Corp.*, 384 F.3d 700, 707 n. 5 (9th Cir. 2004).

3 At issue here are the SEA Course and the VA One Training, which Plaintiffs allege  
4 were infringed when a third-party published “Engineering Vibroacoustic Analysis,  
5 Methods and Applications” in 2016. As the Certificates of Registration provided by  
6 Plaintiffs with their First Amended Complaint demonstrate, SEA Course was registered on  
7 September 15, 2017, and first published on March 4, 2004, (*see* ECF No. 73-6), and VA  
8 One Training was registered on September 15, 2017, and first published on June 2, 2006.  
9 (*See* ECF No. 73-7.) Because the alleged infringement commenced in 2016, when the  
10 third-party book was published, the copyrighted work, SEA Course and VA One Training  
11 were not registered prior to the commencement of infringement. Further, the registrations  
12 of the copyrighted work were not made within three months after the first publication of  
13 the work. Accordingly, the Court **GRANTS** the Motion for Summary Judgment as to  
14 statutory damages and attorney’s fees.<sup>6</sup>

15 2. *Dismissal of Copyright Infringement*

16 Asserting that Plaintiffs have failed to put forth any evidence to support actual  
17 damages, Defendants urge dismissal of Plaintiffs’ copyright infringement allegations  
18 (Count V). (*See* MSJ at 16.) Defendants note that Plaintiff’s own witness, Dr. Bryce  
19 Gardner, testified ESI has no knowledge of any lost profits as a result of the publication of  
20 the book, and that Defendants Drs. Cotoni and Shorter waived any royalties from the sale  
21 of the book. (*See* MSJ at 16–17.) Plaintiffs respond that they are entitled to recover  
22 “indirect profits” stemming from the loss goodwill, reputation, credibility, and more, and  
23 that the editor of the book is a witness who will testify at trial. (*See* Opp’n to MSJ at 25.)

24 Under 17 U.S.C. § 504(b), “[e]xcept as otherwise provided by this title, an infringer  
25 of copyright is liable for either: (1) the copyright owner's actual damages and any additional  
26 profits of the infringer, as provided by subsection (b); or (2) statutory damages, as provided  
27 by subsection (c).” Sub-section (b) provides for additional “indirect” profits as follows:

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<sup>6</sup> Plaintiffs conceded during the oral argument that statutory damages and attorney’s fees are unavailable.



1 The copyright owner is entitled to recover the actual damages suffered by him  
2 or her as a result of the infringement, and any profits of the infringer that are  
3 attributable to the infringement and are not taken into account in computing  
4 the actual damages. In establishing the infringer's profits, the copyright owner  
5 is required to present proof only of the infringer's gross revenue, and the  
6 infringer is required to prove his or her deductible expenses and the elements  
7 of profit attributable to factors other than the copyrighted work.

8 17 U.S.C. § 504(b). In the Ninth Circuit, a copyright infringement plaintiff who seeks to  
9 recover indirect profits under Section 504(b) “must proffer some evidence [at the summary  
10 judgment stage] to create a triable issue regarding whether the infringement at least  
11 partially caused the profits that the infringer generated as the result of the infringement.”  
12 *Mackie v. Rieser*, 296 F.3d 909, 911 (9th Cir. 2002).

13 In addition to the book editor’s anticipated testimony and the expected cross-  
14 examination of Drs. Cotoni and Shorter, Plaintiffs draw the Court’s attention to the report  
15 authored by Mr. Winiarski, which discusses “damages of lost profits, unjust enrichment,  
16 attorney’s fees, and treble damages.” (*See Opp’n* at 10.) Plaintiffs have therefore put forth  
17 evidence to create a triable issue regarding infringement-related damages. The  
18 Defendants’ request for dismissal of the copyright infringement cause of action (Count V)  
19 is **DENIED**.

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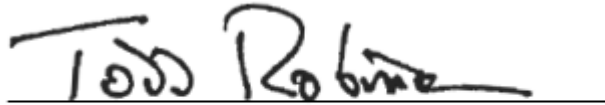
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1 **CONCLUSION**

2 In light of the foregoing, the Court **GRANTS IN PART AND DENIES IN PART**  
3 Defendants' Motion for Summary Judgment (ECF No.119). Specifically, the Court  
4 **GRANTS** Defendants' Motion for Summary Judgment as to Count V to the extent  
5 Plaintiffs seek statutory damages and attorney's fees and **DENIES** Defendants' Motion for  
6 Summary Judgment as to Counts I, II, and III in their entirety and as to Count V to the  
7 extent Plaintiffs seek remedies other than statutory damages or attorney's fees. Lastly, the  
8 Court **DENIES WITHOUT PREJUDICE** Defendants' *Daubert* Motion (ECF No. 121)  
9 and Plaintiffs' *Daubert* Motion (ECF No. 124).

10 **IT IS SO ORDERED.**

11 Dated: November 9, 2021



12  
13 Honorable Todd W. Robinson  
14 United States District Judge