IN THE COURT OF APPEAL

OF THE STATE OF CALIFORNIA

SIXTH APPELLATE DISTRICT

JASMINE NETWORKS, INC., a Delaware corporation, Petitioner, vs. SUPERIOR COURT FOR THE COUNTY OF SANTA CLARA, Respondent.	)	2d Civ. No. H034441 Santa Clara County Superior Court, Case No. 1-01-CV-801411 Honorable Thomas C. Edwards Department 13 Phone No. (408) 882-2240
MARVELL SEMICONDUCTOR, INC., RICHARD SOWELL, AND PATRICK J. MURPHY, Real Parties in Interest.	)	

REPLY TO REAL PARTIES' RETURNS TO PETITION FOR WRIT OF MANDATE OR OTHER APPROPRIATE RELIEF; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF

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INTRODUCTION

The trial court's ruling conjured up an unfounded standing requirement and contravened basic principles of issue preclusion. Marvell's and Sowell's returns do not show otherwise. If anything, they underscore the absence of authority supporting the trial court's ruling.

On standing, defendants have added lots of words and authorities but no substance to what they filed in the trial court. They implicitly concede this void by continuing to rely on utterly non-authoritative CACI jury instructions. All defendants have done is marshal additional authorities that use the generic phrase "trade secret owner" in a variety of irrelevant contexts, while resolutely refusing to acknowledge that—except for the decisions Jasmine cites, which defendants misread—*not one authority* addresses the standing question involved here: whether the owner of a trade secrets misappropriation claim loses standing to prosecute that claim when it sells what is left of the underlying trade secrets but expressly retains its accrued claim.

Defendants' res judicata arguments fare no better. The centerpiece of the bankruptcy court's rulings, in approving both the sale of the trade secrets and the reorganization plan, was that Jasmine could retain and pursue its claims against Marvell. Since defendants' challenge to Jasmine's standing turns entirely on the question of whether Jasmine could retain the right to continue with the litigation, the bankruptcy court's rulings actually and necessarily determined the question of standing.

Standing and res judicata were the only two issues presented in Jasmine's writ petition. Marvell's return nonetheless asks this Court to weigh in on a third issue on which it prevailed in the trial court and on which Jasmine did not seek writ review. That request is improper. This Court should reach only the questions based on which it issued an order to

show cause. On each of those two questions, Jasmine identified a clear, highly prejudicial error. A peremptory writ therefore should issue instructing the trial court to vacate its order dismissing Jasmine's Second Amended Complaint and to enter a new order denying the defendants' motion to dismiss.

REPLY BY ANSWER TO MARVELL'S ALLEGATION OF ADDITIONAL FACTS

Defendants Patrick Murphy and Richard Sowell have not responded to the factual allegations set forth in Jasmine's writ petition. Indeed, Murphy has not responded to the petition at all. Sowell and Murphy therefore have admitted the alleged facts. (*Caliber Bodyworks, Inc. v. Superior Court* (2005) 134 Cal.App.4th 365, 372, fn 5.) The additional facts that Sowell alleges in his return (which he calls an opposition) are unverified and therefore should be ignored. (*Shaffer v. Superior Court* (1995) 33 Cal.App.4th 993, 996, fn. 2.)

In reply to defendant Marvell's allegation of additional facts, Jasmine admits, denies, and further alleges as follows:

1. As to Paragraph 13(a), Jasmine admits the first two sentences but denies each other allegation.

2. As to Paragraph13(b), Jasmine denies each allegation in the first sentence but admits the rest of the paragraph.

3. As to Paragraph 13(c), Jasmine denies each allegation.

4. There is no Paragraph 13(d).

5. As to Paragraph 13(e), Jasmine denies each allegation.

6. As to Paragraph 13(f), Jasmine admits that Marvell employees and counsel recorded a conversation on Jasmine's voicemail system. Jasmine denies each other allegation including the characterization of the voicemail's contents, which is contrary to this Court's finding that "[i]n the voicemail, Marvell's general counsel and corporate officers openly discussed theft of Jasmine's trade secret and the unlawful hiring of the engineering group, as well as the potential consequence of jail for the

conduct." (*Jasmine Networks, Inc. v. Marvell Semiconductor, Inc.* (2004) H023991, review dism. Apr. 23, 2008, S124914; formerly published at 117 Cal.App.4th 794, 808.)

7. As to Paragraph 13(g), Jasmine denies each allegation except that it admits it sued Marvell.

8. As to Paragraph 13(h), Jasmine admits the first sentence but denies the allegations in the second and third sentences. Jasmine retained one item of intellectual property and "its rights, title and interest in and to any claims, actions, or omissions related to the possible infringement, misuse, or misappropriation of the Purchased Assets that commenced prior to the Closing Date (and the rights to refer such matters to criminal authorities and/or collect damages and seek appropriate relief therefor) including all rights, title, and interest in and to the Pending Litigation . . . ." (2 Exh. 217, § 2.1.)

9. As to Paragraph 13(I), Jasmine admits the first sentence but denies the allegations in the second and third sentences. With respect to the second sentence, the Asset Purchase Agreement indicated that the Pending Litigation related to the purchased technology. (2 Exh. 217, § 2.1 [Jasmine retained its interest in any existing claims "related to the possible infringement, misuse, or misappropriation of the Purchased Assets . . . *including* all rights, title, and interest in and to the Pending Litigation," emphasis added], 222, § 4.10 ["*Except for the Pending Litigation*, there are no claims . . . against Seller . . . related to the ASIC Products or the Purchased Assets which are currently pending or threatened," emphasis added].) The Agreement also expressly required Jasmine to obtain Teradiant's prior approval of its bankruptcy court filings relating to the asset sale. (2 Exh. 218, § 3.1(d).) The notice of motion and motion for approval of the sale—which Teradiant must have approved—described

Jasmine's trade secrets misappropriation claims in detail and were accompanied by a copy of the complaint. (3 Exh. 409-411, 428-430.) With respect to the third sentence in Paragraph 13(i), the cited contractual term states that "There is no material unauthorized use, infringement or misappropriation on the part of any third party of the Purchased Assets (including without limitation the Seller Intellectual Property)." (2 Exh. 221, § 4.7(c).)

10. As to Paragraph 13(j), Jasmine admits the first two sentences but disputes the characterization of its motion for approval of the asset sale. The memorandum of points and authorities Jasmine filed in support of the motion stated that most bankruptcy courts considering an asset sale require a business justification for it and therefore that "the court should ascertain whether the debtor has justified the proposed transaction with sound business reasons." (1 M.App. 112.) Jasmine further asserted that the business reason for the transaction was that the Purchased Assets were its "sole remaining asset aside from the Marvell Litigation. Allowing the technology to remain unsold while years of litigation play out in the State Court will ensure that it becomes obsolete and valueless." (1 M.App. 113.) Jasmine also advised the bankruptcy court that the proceeds of the Teradiant sale would, in part, fund expenses of the litigation against Marvell. (3 Exh. 407.)

11. As to Paragraph 13(k), Jasmine admits that the bankruptcy court approved the asset sale and confirmed the Third Amended Plan of Reorganization but denies each other allegation regarding which issues the bankruptcy court's rulings addressed.

12. As to Paragraph 13(l), Jasmine admits the first sentence. The second sentence is a legal conclusion, not an alleged fact.

13. As to Paragraph 13(m), Jasmine disputes Marvell's characterization of the trial court hearing. The transcript shows that Jasmine simply asked the court to confirm that if Marvell moved to dismiss for lack of standing, it "will have a couple of days to respond," to which the court replied, "Absolutely." (1 M.App. 158-159.)

14. As to Paragraph 13(n), Jasmine admits the allegations.

15. As to Paragraph 13(o), Jasmine denies the allegation that it copied patented technology and attempted to pass that technology off as its own. It admits the other allegations in the paragraph.

16. As to Paragraph 13(p), Jasmine denies that Marvell demonstrated that its lack of standing affected the entire complaint, although it admits that is what the trial court found.

17. As to Paragraph 13(q), Jasmine admits the allegations.

18. As to Paragraph 13(r), Jasmine admits the final sentence but disputes each other allegation. Those allegations concern events occurring in federal court, which are not part of the record in this case and of which Marvell did not seek judicial notice. Moreover, the cited transcript shows that Jasmine did not ask the bankruptcy court to take any action regarding the dismissal ruling because "[w]e understand the issues of federal-state comity. We want to be respectful of that." (1 M.App. 171-172.)

VERIFICATION

I, William McGrane, declare:

I am an attorney duly licensed to practice law in California. I am a partner with McGrane Greenfield LLP, attorneys of record in the trial court for petitioner Jasmine Networks, Inc. I have reviewed and am familiar with the records and files that are the basis of this reply. I make this declaration because I am more familiar with the particular facts, i.e., the state of the record, than is my client. This reply's factual allegations are true and correct.

I declare under penalty of perjury that the foregoing is true and correct and that this verification is executed on October __, 2009 at _____, California.

_____

William McGrane

MEMORANDUM OF POINTS AND AUTHORITIES

I. A TRADE SECRETS OWNER DOES NOT LOSE STANDING TO RECOVER FOR PAST MISAPPROPRIATION WHEN IT SELLS WHAT IS LEFT OF ITS TRADE SECRETS BUT EXPRESSLY RETAINS ITS MISAPPROPRIATION CLAIM.

Jasmine owned the trade secrets at issue when Marvell allegedly misappropriated them and when Jasmine sued for the misappropriation. Jasmine did not lose standing to continue its suit when it later sold the trade secrets but expressly retained its right to pursue the pending suit. The California Uniform Trade Secrets Act (Act) imposes no ongoing ownership requirement, nor does any authority cited by defendants—neither those involving trade secrets nor those involving other forms of intellectual property. That makes sense. Otherwise, owners of damaged trade secrets would suffer at the misappropriator's expense. That should not be, and is not, the way trade secrets protection works.

Marvell's supposedly contrary authorities—cases, texts, and jury instructions—boil down to a single feature: They all use the term "trade secret owner" without qualification. This, and nothing more, is the foundation of Marvell's attempt to refute Jasmine's arguments with a scholarly edifice. That edifice is built on air.

Of course the authorities use the unqualified term "trade secret owner." That's a simple and easily-understood term that is fully adequate in most cases. Marvell never suggests what formulation a legislator or court might use to address every possible situation that could arise in the real world, but we can be sure it would be far too cumbersome to pass muster.

A. There Is No Ongoing Ownership Requirement For Standing To Sue For Past Theft Of Trade Secrets.

Jasmine's writ petition showed that the Act does not require a plaintiff to own its misappropriated trade secrets throughout a trade secrets suit. (Petition 20-21.) The Act describes a trade secrets plaintiff as a "complainant," not an "owner." (*Ibid.*) Under a plain reading of the statute, a plaintiff thus may sue for misappropriation that occurred while it owned trade secrets even if it has since sold the damaged trade secrets. That reading of the statute is consistent with the rationale of Civil Code section 954, which makes claims "arising out of the violation of a right of property" freely transferable. (Civ. Code, § 954; Petition 19.) It is consistent with case law permitting a plaintiff to convey real property while maintaining an accrued cause of action relating to that property. (Petition 19-20.) And it is consistent with the rule that former patent or copyright holders can sue for infringement that occurred during their term of ownership, even if they have since transferred the underlying intellectual property. (Petition 24-25.) It also furthers the goal of trade secrets law, protecting the entity that developed the trade secrets from damage by an interloper who breaches commercial ethics to obtain the secrets. (Petition 25.) As we show below, defendants have not even come close to calling any of these points into question.

B. Defendants Offer No Valid Reason To Deny A Former Trade Secrets Owner The Right To Recover For Misappropriation That Occurred During Its Ownership.

Defendants' standing challenge completely ignores the California rule permitting the separation of a property interest from an accrued cause

of action. Instead, defendants rely on generalities and a parade of theoretical horrors that did not occur in this case and are unlikely to arise in future cases. The rule they advocate is not dictated by the Act, nor will it create uniformity in trade secret or intellectual property law. It also runs counter to public policy, in that it would saddle Jasmine with the damage Marvell's misappropriation caused—a much-reduced value for its trade secrets—while Marvell escapes any liability.

1. None of the statutes, legislative history, and jury instructions defendants cite require that a damaged plaintiff continue to own the misappropriated trade secrets throughout the litigation.

The Act's operative provisions do not restrict misappropriation claims to the current owner of the trade secrets. (See Civ. Code, §§ 3426.1, subd. (b)(1), 3426.3, subd. (a).)[1] Defendants nonetheless assert that the Act implies such a limitation. Not so.

Marvell argues that the Act's legislative history limits standing to current trade secrets owners. Its argument is based solely on the fact that a few commentators and drafters used the phrase "trade secret owner" to describe the entity damaged by a misappropriation. (Marvell Return 25-26, fn. 15.) So what? These passing references to a "trade secret owner" reflect the reality that an owner is usually the one whom the misappropriation harms. They say nothing about whether, once an owner has been damaged by misappropriation, it must continue to own the trade

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[1] Given that the Act does not require current ownership, there is no basis for Sowell's claim that the specific provisions of the Act govern over California's general rule permitting an accrued claim to be separated from the underlying property right. (Sowell Return 9.)

secrets in order to recover for that damage. Indeed, the legislative history discusses neither standing nor past versus current ownership. There is thus no basis for Marvell's claim that the Legislature intended to protect only current trade secrets owners. If that had been the Legislature's intent, surely it would have said so in the Act.

The statutes Marvell cites (Marvell Return 26) are likewise inapposite. Those statutes define the contours of the privilege not to disclose a trade secret. (See Evid. Code, § 1060; Civ. Code, § 3426.11.) Whether a trade secret owner has a privilege not to disclose it and whether disclosure without the owner's permission is privileged have no logical connection to standing to recover for a past misappropriation. The logical statutes to look at are the ones that create remedies for trade secrets misappropriation. Those statutes do not require that the plaintiff be the current owner of the trade secret. (Civ. Code, §§ 3426.2, 3426.3.)

California Civil Jury Instructions 4400 and 4401 are equally unhelpful to Marvell. As Jasmine's writ petition explained, the instructions are not authoritative and, in any event, do not require current ownership. (Petition 22-23.) Marvell argues without support that although Instruction 4401 requires a plaintiff to show that it "owned/was a licensee of" a trade secret, the instruction must use the past tense to account for "the situation where the defendant's misappropriation by disclosure has destroyed the trade secret, that is, where the trade secret no longer exists as a matter of law." (Marvell Return 26-27, fn. 17.) The instruction does not say that. It could just as readily mean that a former owner can sue for misappropriation that occurred during its ownership. Moreover, Marvell's interpretation makes no sense under its own theory. Marvell says that only a current owner has standing to sue for past misappropriation. It also says that if a misappropriation completely destroys a trade secret, there is no

current owner. (*Ibid.*) That would mean that if a misappropriator partially damages trade secrets, the trade secrets owner can sue. But if the misappropriation is so devastating that it *completely* destroys the trade secrets, the misappropriator is effectively immune from suit because no one owns the secrets anymore and there is thus no one with standing to sue. That cannot be right. A former owner must be able to sue for a misappropriation that completely destroys its trade secrets. And if that is true, why shouldn't a former owner who sells whatever is left of its damaged secrets while expressly retaining its accrued claim likewise have standing to sue?

2. There is no basis for defendants' argument that trade secrets law is uniformly in their camp: No authority holds that a plaintiff loses standing to sue for past misappropriation of its trade secrets when it sells the underlying secrets but retains its claim.

Jasmine is not just the owner of a "bare right to sue," as defendants portray it. (Marvell Return 14; Sowell Return 6-8.) It alleges that it was damaged by a misappropriation of trade secrets that it owned, when it still owned them. The damage was real, regardless of what happened later. The only question is whether Jasmine had to continue to own the damaged secrets through the more than eight years this litigation has so far stretched. It did not. Like the Act, the case law does not require *current* ownership.

There is no basis for Marvell's claim that "The Current Ownership Requirement Is Nearly Universal." (Marvell Return 14.) No cited case or treatise considers the issue of past versus current ownership and imposes a current ownership requirement.

Jasmine's authorities.

Jasmine's writ petition explained that the only two cases that even touch on the issue indicate that current ownership is *not* required. (Petition 23-24). Marvell's attempt to distinguish those cases (Marvell Return 28-31) fails.

- *Memry Corp. v. Kentucky Oil Technology, N.V.* (N.D.Cal. 2006) 2006 U.S. Dist. Lexis 94393, concluded that the transfer of a trade secret includes the right to sue for its past misappropriation "*assuming that the parties did not agree otherwise when transferring the trade secret.*" (*Id.* at p. *13, emphasis added.) Marvell dismisses that conclusion as a contract interpretation rule. But *Memry* demonstrates that either a former owner or a transferee can have standing to pursue an accrued claim. First, *Memry* expressly recognized that a former owner *can* contract to keep its accrued misappropriation claim. (*Ibid.*) If such a contract would effectively eliminate the claim altogether because the former owner has no standing to bring it, surely the court would have warned parties against that arrangement. Second, if only the current owner has standing to pursue an accrued claim, the court could have offered that as an explanation for why it makes sense to assume, absent a contrary indication, that the transfer of trade secrets includes any accrued claims. The court gave no such explanation. It therefore must have understood that either a former or current owner can have standing to assert an accrued claim, depending on the parties' contractual arrangement.

Marvell stresses that *Memry* also considered a second question, whether the transferee had a sufficient interest in the trade secrets to sue for past misappropriation. (Marvell Return 29.) To the extent that this portion of the opinion is relevant at all, it further supports *Jasmine's* position. The question arose because the *Memry* trade secrets claimant contended that it

had acquired its interest through a series of transfers, and the final transfer was a license rather than an ownership interest. (*Memry, supra*, at pp. *23-24.) The court had to determine whether the license was sufficient to confer standing. It observed that the Act does not preclude an exclusive licensee from suing for misappropriation and that "California courts have not yet addressed whether ownership of the trade secret is *necessary* to establish standing. (*Id.* at pp. *25-26 & fn. 17.) The court then held that because the claimant was granted "all substantial rights" (including the right to sue for past misappropriation), it should be treated as an assignee for purposes of standing. (*Id.* at p. *27.)

Memry's conclusion has no bearing on whether a former trade secrets owner that expressly retains its right to pursue an accrued claim has a sufficient interest in the claim, i.e., standing, to do so. If anything, the decision indicates that ownership (past or current) is *not* a requisite for standing: Contrary to Marvell's claim (Marvell Return 16, fn. 5), *Memry* cited *with approval* a Fourth Circuit case holding that ownership is not required and that possession may be sufficient to bestow standing. (*Memry, supra*, at pp. *26-27 & fn. 17 [citing *DTM Research, LLC v. AT&T Corp.* (4th Cir. 2001) 245 F.3d 327, 330-333 and concluding that plaintiff "must, at a minimum, establish that it possesses the trade secrets at issue"].)

- *International Monetary Exchange, Inc. v. First Data Corp.* (D.Colo. 1999) 63 F.Supp.2d 1261, similarly supports Jasmine's position. That case rejected an argument identical to the one Marvell presents here, that the plaintiff lost standing to sue for past misappropriation when it transferred the trade secrets. (*Id.* at pp. 1264-1265.) The court concluded that the plaintiff could sue for an alleged misappropriation that induced it to transfer away its trade secrets, distinguishing that misappropriation from any post-transfer misappropriation. (*Ibid.*) Contrary to Marvell's assertion,

International Monetary Exchange did not hold that the defendant's role in inducing the trade secrets transfer estopped it from challenging the plaintiff's standing.[2] The opinion does not use the word estoppel, nor does it discuss the estoppel criteria. But even if the opinion were based on estoppel, its rationale would apply here: Just as that plaintiff alleged that the defendant's wrongful act caused it to transfer away ownership of its trade secrets (*ibid.*), Jasmine claims that Marvell's misappropriation left it with no option but to sell what was left of its trade secrets. (3 Exh. 430, 434; 1 M.App. 113.) In each case, the party asserting lack of standing was at least partially responsible for the fact that the plaintiff no longer owned the trade secrets.

Defendants' authorities.

Defendants' claim that other authorities uniformly require current ownership is wrong. Not one of the cited authorities (Marvell Return 14-17 and fn. 5; Sowell Return 7) requires current ownership or even addresses whether a plaintiff loses standing to sue for a past misappropriation if it transfers what is left of its damaged secrets. In some of the cited cases, ownership was not even an issue.[3] The cases that do address ownership do

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[2] Marvell's claim that only estoppel precluded the defendant in *International Monetary Exchange* from challenging the plaintiff's standing is inconsistent with Marvell's subsequent assertion (Marvell Return 47-48) that courts have no power to proceed without jurisdiction and therefore that a defendant cannot be precluded from challenging the plaintiff's standing.

[3] *Surgidev Corp. v. Eye Technology, Inc.* (D.Minn 1986) 648 F.Supp. 661 (whether customer list was a protectable trade secret); *Continental Data Systems, Inc. v. Exxon Corp.* (E.D.Pa. 1986) 638 F.Supp. 432 (fact question as to whether software program was a trade secret); *CytoDyn of New Mexico, Inc. v. Amerimmune Pharmaceuticals, Inc.* (2008) 160 Cal.App.4th 288 (whether complaint alleged a trade secrets misappropriation claim); *Sargent Fletcher, Inc. v. Able Corp.* (2003) 110 Cal.App.4th 1658 (burden

(continued...)

not involve a plaintiff who owned the trade secrets at the time they were misappropriated, nor do they consider whether past ownership would suffice.[4] (Two of those cases, however, conclude that ownership is *not* a prerequisite to standing and that mere possession is enough.[5]) Not surprisingly given the dearth of case law on point, the academic sources that defendants cite as reporting a uniform ownership requirement also do not consider the issue.[6] "It is axiomatic that cases are not authority for

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[3] (...continued)
of proving proper use in trade secrets misappropriation cases).

[4] *Gabriel Intern., Inc. v. M & D Industries of Louisiana, Inc.* (W.D.La. 1989) 719 F.Supp. 522 (trade secrets ownership is a threshold jurisdictional requirement under Louisiana law); *RMS Software Dev. v. LCS, Inc.* (Tex.Ct.App. 1998) 1998 Tex. App. Lexis 1053 (nonexclusive licensee does not have standing to sue for trade secrets misappropriation under Colorado law); *Callaway Golf Co. v. Dunlop Slazenger Group Americas, Inc.* (D.Del. 2004) 318 F.Supp.2d 205 (plaintiff could not sue for misappropriation of trade secret that was proprietary to a third party and disclosed in a patent); *DaimlerChrysler Services v. Summit Nat.* (E.D.Mich. 2006) 2006 U.S. Dist. Lexis 32049 (ownership without actual knowledge of trade secret is not sufficient); *Cal. Police Activities League v. Cal. Police Youth Charities, Inc.* (N.D.Cal. 2009) 2009 U.S. Dist. Lexis 20507 (plaintiff failed to allege that it ever owned the claimed trade secret, which was developed by and proprietary to a third party); *Computer Sciences Corp. v. Computer Assns. Internat., Inc.* (C.D.Cal. 1999) 1999 U.S. Dist. Lexis 21803 (claimed trade secret was owned by plaintiff, not plaintiff's subsidiary).

[5] *DTM Research, L.L.C. v. AT&T Corp., supra*, 245 F.3d 327 (under Maryland law, trade secret misappropriation plaintiff need not prove ownership); *Parking Co., L.P. v. R.I. Airport Corp.* (R.I.Super.Ct. 2005) 2005 R.I. Super. Lexis 37 (under Rhode Island law, trade secret misappropriation plaintiff need not prove ownership).

[6] Lemley, *The Surprising Virtues of Treating Trade Secrets as IP Rights* (2008) 61 Stan. L.Rev. 311, 342 (statement that the Uniform Trade Secrets Act "defines the legal rights of trade secret owners" is in a discussion of the importance of secrecy, not of the requisite ownership); Pooley, Trade Secrets (2009) § 12.04[1] (stating in a discussion of burdens of proof that
(continued...)

propositions not considered." (*In re Marriage of Cornejo* (1996) 13 Cal.4th 381, 388, internal quotations and citations omitted.) The authorities defendants cite for a uniform ownership requirement therefore have nothing to do with the question presented here.

3. There is likewise no basis for defendants' argument that IP law is uniformly in their camp: A former patent or copyright owner *may* pursue a suit for past infringement after transferring the infringed property.

Anticipating defendants' argument that intellectual property law always limits standing to the current owner, Jasmine's writ petition showed that both patents and copyrights can be transferred to a new owner while the former owner retains the right to sue for past infringement. (Petition 23-24.) Ownership of intellectual property, like ownership of other property, can be separated from an accrued damage claim.

Defendants do not support their contrary claim. Sowell cites no authority whatsoever on this point. (Sowell Return 8 [bare statement that "standing is limited to the owner of intellectual property"].) And Marvell's challenge (Marvell Return 31-32) misses the mark. *Silvers v. Sony Pictures Entertainment, Inc.* (9th Cir. 2005) 402 F.3d 881, did not reject the statement in *ABKCO Music, Inc. v. Harrisongs Music, Ltd.* (2d Cir. 1991)

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[6] (...continued)
plaintiff has to prove ownership, but not addressing whether ownership at time of misappropriation would suffice); 1 Jager, Trade Secrets Law (2009) § 5:3 (same); 4-15 Milgrim on Trade Secrets (2009) § 15.01[1](1) and fn. 5 (stating that ownership is an element of a misappropriation claim, but that some courts consider possession sufficient, without discussing whether ownership at time of misappropriation would suffice).

944 F.2d 971 that (analogous to this case) a copyright holder may assign its copyright but pursue an action for past infringement. *Silvers* followed *ABKCO* in holding that a plaintiff cannot keep a copyright but assign the accrued right to sue. (402 F.3d at p. 890.) But *Silvers* did not consider a plaintiff's ability to do the opposite, i.e., to keep an accrued claim but assign the copyright. The decision's rationale indicates that it would also have followed *ABKCO* on that point: *Silvers* stated that it was "important to parallel the Second Circuit" to avoid a circuit split on copyright law. (*Ibid.*) *ABKCO* remains a correct statement of the law, and it permits a copyright infringement plaintiff in Jasmine's position to sue.

Patent law is similar. Chisum on Patents does state that "The damage claim cannot be transferred as such apart from the patent." (8-21 Chisum on Patents (2009) Jurisdiction & Procedure in Patent Litigation § 21.03[2][g][I].) But Jasmine did not transfer a damages claim; it *retained* the claim. As Jasmine's writ petition pointed out, Chisum expressly permits the injured former owner to sue in that situation. (*Ibid.*, quoted at Petition 23-24.) The case law agrees. (E.g., *Minco Inc. v. Combustion Engineering, Inc.* (Fed. Cir. 1996) 95 F.3d 1109, 1116-1117 [unless parties expressly agree otherwise, after assignment of a patent, the right to sue for past infringement remains with the former owner]; *Crown Die & Tool Co. v. Nye Tool & Machine Works* (1923) 261 U.S. 24, 44 ["*either the owner of the patent at the time of the past infringement*, or the subsequent owner of the patent who is at the same time the assignee of the claims for past infringement, must be a party to a suit for damages for the past infringement," emphasis added].)

It may be true that the current patent owner would be a necessary party in an infringement suit by the former owner. (Marvell Return 16, fn. 6.) But such a requirement is prudential, not jurisdictional, and may be

cured by adding the current owner. (*Diodem, LLC v. Lumenis, Inc.* (C.D.Cal. 2005) 2005 U.S. Dist. Lexis 46865 at pp. *14-15 [citing *Prima Tek II, L.L.C. v. A-Roo Co.* (Fed. Cir. 2000) 222 F.3d 1372, 1377].) Marvell never sought to add Teradiant here. Thus, even if there were an equivalent requirement in the trade secrets context, it would not justify the trial court's ruling that Jasmine lacked jurisdictional standing or dismissal of the suit.

4. This is not an impermissible instance of parties stipulating to create standing where none exists.

Jasmine has standing to sue because it had an interest in the trade secrets at the time they were allegedly misappropriated and retained the accrued claim when it transferred what was left of the damaged secrets. On these facts, Marvell's claim that standing cannot be created "merely by virtue of an agreement" (Marvell Return 20) is inapposite. Jasmine's and Teradiant's sale agreement addressed standing only in the sense that it defined their respective rights. Jasmine had standing by virtue of those rights. This is not an impermissible situation of a contract providing that a party has standing even though it does not meet the legal criteria for such standing.

5. Defendants raise no public policy consideration that justifies preventing former trade secrets owners from recovering for damage to their secrets.

Defendants assert that for public policy reasons, an accrued claim should not be separated from ownership of the underlying intellectual property. The Legislature implicitly weighed and rejected the policy

interests asserted by defendants when it adopted Civil Code section 954. That statute expressly permits different parties to own an accrued claim and the property on which it is based. (Civ. Code, § 954.) There is no carve-out for intellectual property. The trial court should not have constructed one.

a. Permitting a damaged trade secrets owner to retain its accrued misappropriation claim furthers the goals of trade secrets law.

The primary public policies behind trade secrets protection are maintaining standards of commercial ethics and encouraging invention. (*Kewanee Oil Co. v. Bicron Corp*. (1974) 416 U.S. 470, 481-482; Pooley, Trade Secrets, *supra*, at § 1.02[2], p. 1-9.) Permitting a former trade secrets owner in Jasmine's position to sue for past misappropriation furthers both policies. This suit demonstrates why.

Jasmine alleges that Marvell misappropriated its trade secrets while Jasmine was trying to sell them and that the misappropriation diminished the value of the secrets. Jasmine sued Marvell to recover for that damage. But litigation can take a long time, and in the meantime, Jasmine sought to capture what little value was left in its invention by selling the damaged trade secrets at a greatly reduced price. Defendants say that the sale automatically divested Jasmine of the right to recover for its past damages. If so, Jasmine was between a rock and a hard place: It had to choose between giving up its right to recover for the misappropriation and giving up its right to profit from what was left of its secrets. Jasmine had no middle ground. It is hard to imagine, for example, that Jasmine could have sold the damaged trade secrets for their full pre-misappropriation value on the theory that the buyer could pursue a misappropriation lawsuit to make up the difference between the secrets' damaged value and their original

value. And if Jasmine had foregone the opportunity to sell its secrets while they still had some value, the defendants would have faulted Jasmine for failing to mitigate its damages.

If Jasmine loses its right to recover in this situation, the message will be that trade secrets protection is limited. That means less incentive for entrepreneurs to develop trade secrets and less disincentive for potential misappropriators. That result is directly contrary to the primary purposes of trade secrets protection. No consideration raised by defendants dictates it. The case law does not require current ownership, so imposing such a requirement in California will not create uniformity. (*See* Section I.B.2, 3 *ante*.) And as we show below, neither the current owner's interest nor the possibility of duplicative suits justifies a current ownership requirement.

b. Defendants' professed concern for the rights of current trade secrets owners is misplaced.

Jasmine and Teradiant expressly agreed when Teradiant bought the trade secrets that Jasmine would retain "all rights, title, and interest in and to" this litigation. (2 Exh. 216-217.) The record belies Marvell's claim that Teradiant did not know what the litigation was about and that Jasmine is "blam[ing] Teradiant." (Marvell Return 2.) The Asset Purchase Agreement required Jasmine to obtain Teradiant's prior written approval of the motion for bankruptcy court approval of the sale. (2 Exh. 218 [¶3.1(d)].) The motion that Teradiant must have approved described the subject of the litigation in detail, and a supporting declaration included a copy of the complaint. (3 Exh. 409-410, 429.) The motion also alleged that Marvell's actions contaminated Jasmine's application specific integrated circuit (ASIC) trade secrets and technology—the technology Teradiant was purchasing—and destroyed their value. (3 Exh. 430, 434.) Teradiant

therefore knew from the outset that Jasmine claimed that the trade secrets' value had been decimated by misappropriation and was suing Marvell on that basis. Against that backdrop, Teradiant was willing to buy the damaged trade secrets for $300,000 and to let Jasmine continue its $40 million misappropriation suit.

Defendants cry crocodile tears for Teradiant. They argue that permitting Jasmine to pursue this suit may destroy the trade secrets Teradiant bought or result in a finding that the secrets had no value after Marvell misappropriated them. (Marvell Return 19-20; Sowell Return 8.) But Teradiant accepted those possibilities by agreeing to let Jasmine continue its suit. There is no basis under these circumstances for "protecting it" from the suit by imposing a rule that only the current trade secrets owner can sue for past misappropriation.

Sowell asserts that even if Teradiant does not object to Jasmine continuing the litigation, this Court should impose a current ownership requirement to protect other trade secrets owners. (Sowell Return 8.) The only trade secrets owners who would be affected by a rule permitting former owners to preserve their right to sue for misappropriation, however, are those in exactly the same position as Teradiant—i.e., those who buy a trade secret after it has allegedly been misappropriated and who agree that the former owner can pursue the accrued misappropriation claim. This situation does not arise often, as evidenced by the dearth of relevant case law. When it does arise, the new trade secrets owner will by definition have agreed to permit a suit by the former owner. Such an arrangement is permissible under the Act and broader California law.

c. The theoretical possibility of multiple suits or inconsistent judgments does not justify depriving former trade secrets owners of their right to recover.

Marvell argues that only current trade secrets owners should have standing to sue for misappropriation because a contrary rule could lead to multiple lawsuits by plaintiffs with different incentives. (Marvell Return 22-23.) In arguing that it could have faced multiple suits, Marvell misleadingly claims that Jasmine conveyed to Teradiant "'the right to sue for *all past*, present, and future infringements,' without qualification." (Marvell Return 23.) Not so. Jasmine assigned Teradiant the right to sue for infringement of its patents, copyrights, and trademarks. (2 Exh. 238-240.) It did not convey to Teradiant the right to sue for past trade secrets misappropriation; the contract expressly reserved that right for Jasmine. (2 Exh. 217.)

Notably, Marvell does not claim that it has *actually* faced multiple lawsuits based on the facts underlying this case. It hasn't. Its concern is merely hypothetical. Given how rare suits by former trade secret owners appear to be, it is unlikely that this concern would ever materialize. At most, such a remote possibility might be a reason for a trade secrets misappropriation defendant to move to join the current owner—something Marvell never did here. It does not justify depriving former trade secrets owners of their expressly reserved right to sue for damage caused by a past misappropriation and allowing the misappropriator to escape liability for its actions.

The trial court should be ordered to reverse its contrary ruling.

II. THE BANKRUPTCY COURT ORDERS PRECLUDED MARVELL, AND LIKELY SOWELL AND MURPHY, FROM CHALLENGING JASMINE'S STANDING.

A. The Applicable Principles Of Issue Preclusion.

Marvell contends that federal law determines the preclusive effect of the bankruptcy court's orders and that Jasmine's preclusion argument erroneously relies on California law. (Marvell Return 39.)

This is just a distraction. Jasmine did not rely on California law to determine the conclusive effect of the bankruptcy court's rulings. Rather, Jasmine cited both California and federal cases to *explain* federal law and how it is applied in California courts. (Petition 28-29, 31, 36.)

For example, Jasmine cited *Levy v. Cohen* (1977) 19 Cal.3d 165, in which the Supreme Court considered the res judicata effect of a federal bankruptcy court ruling. (*Id.* at pp. 171-172 ["An arrangement confirmed by a bankruptcy court has the effect of a judgment rendered by a federal district court"].) *Levy* explained both that "[s]uch an order or judgment has the same effect in the courts of this state as it would have in a federal court" (*id.* at p. 173) and that "[i]n the federal jurisdiction, the doctrine of res judicata prevents the readjudication of all matters (*including jurisdiction*) which were, or might have been, litigated in a prior proceeding between the same parties." (*Ibid.*, emphasis added [citing *Chicot County Dist. v. Bank* (1940) 308 U.S. 371; *Stoll v. Gottlieb* (1938) 305 U.S. 165; *Brown v. United States* (3d Cir. 1974) 508 F.2d 618, 630-631; *Miller v. Meinhard-Commercial Corp*. (5th Cir. 1972) 462 F.2d 358, 360-361].)

In any event, as Marvell ultimately concedes (Marvell Return 40, fn. 24), California and federal law are the same with regard to the res judicata effect of a final federal court order: If the issue decided in the prior

adjudication is identical with the issue presented in this one, there was a final ruling on the merits of that issue, and the party against whom the ruling is asserted was a party to the prior adjudication, then that party may not relitigate that issue. (See *Taylor v. Sturgell* (2008) 128 S.Ct. 2161, 2171 [“Issue preclusion . . . bars ‘successive litigation of an issue of fact or law actually litigated and resolved in a valid court determination essential to the prior judgment,’ even if the issue recurs in the context of a different claim”]; *Kelly v. Vons Companies, Inc.* (1998) 67 Cal.App.4th 1329, 1339 [“A prior determination by a tribunal will be given collateral estoppel effect when (1) the issue is identical to that decided in a former proceeding; (2) the issue was actually litigated and (3) necessarily decided; (4) the doctrine is asserted against a party to the former action or one who was in privity with such a party; and (5) the former decision is final and was made on the merits”].) That is the situation here.

B. The Bankruptcy Court’s Rulings Are Preclusive As To Marvell, A Party To The Bankruptcy Proceedings, Because Jasmine’s Standing To Pursue This Suit Was In Issue And Was Necessarily Decided.

Marvell does not and cannot dispute that it was a party to the bankruptcy proceedings. Nor does Marvell dispute that bankruptcy court orders approving an asset sale and confirming a plan of reorganization are final. The only question is whether Jasmine’s standing was actually and necessarily decided. It was.

1. The sale of technology to Teradiant.

In November 2002, Jasmine moved the bankruptcy court pursuant to 11 U.S.C. § 363 to approve the sale of substantially all its assets—with the express exception of the litigation against Marvell—to Teradiant for $300,000. (3 Exh. 406-444.) Marvell could not have misunderstood the import of Jasmine's motion. The motion stated in its opening paragraph that Jasmine sought an order "approving the sale of substantially all of its assets, with the exception of its litigation rights against Marvell Semiconductor, Inc. ('Marvell') and certain minimally valuable technology, free and clear of all liens, claims, and encumbrances to Teradiant Networks, Inc. ('Teradiant') for $300,000 cash." (1 M.App. 95.) Marvell, as the defendant in the referenced litigation, knew that it included trade secrets claims. Removing any possible doubt, Jasmine's motion for approval of the sale described the nature of the trade secrets misappropriation claims in detail, and Jasmine filed a copy of its complaint with the motion. (3 Exh. 409-411, 428-430.)

Jasmine's motion for approval set forth the legal standards for bankruptcy court approval of an asset sale, including the requirement that there be "a 'business justification' for the transaction." (1 M.App. 112.) That is, the court must "ascertain whether the debtor has justified the proposed transaction with sound business reasons." (*Ibid*.; see also *In re Internat. Nutronics, Inc.* (9th Cir. 1994) 28 F.3d 965, 970 ["There is little purpose in the court's confirming a sale if it has no power or duty to determine whether the terms of sale are in the best interests of the estate"].) Jasmine asserted that there was a sound business justification for the sale, including the fact that Jasmine believed that the Marvell litigation, "represents the most valuable asset of the estate" but that the litigation could take years to come to fruition and the assets for sale—ASIC

technology—would become valueless over time. (1 M.App. 98, 112-113.) The motion also explained that the sales proceeds would go in part to fund a retainer for Jasmine's counsel in the Marvell litigation. (3 Exh. 407.) The bankruptcy court thus fully understood that it was not authorizing the sale of the claims against Marvell, which were being retained for the benefit of Jasmine's creditors.

Marvell was a party to the bankruptcy and on notice of Jasmine's proposed sale. Marvell's counsel attended the hearing on the sale. (2 Exh. 369.) Yet Marvell did not inform the bankruptcy court of its view that Jasmine's justification for the sale was fatally flawed, i.e., that (1) the sale would, without regard to the merits of the Marvell litigation, destroy Jasmine's ability to pursue the Marvell litigation, and (2) Jasmine was therefore proposing both to abandon a $40 million claim in return for a mere $300,000, and to spend a significant part of that $300,000 litigating an about-to-be defunct claim.

The bankruptcy court approved the asset sale to Teradiant. The court stated that it was "satisfied that the sale is in the best interest of the estate" and that the sale "represents the best opportunity to preserve the value of the estate's remaining assets for creditors." (3 Exh. 400.) Accordingly, the court ordered that the Asset Purchase Plan—which reserved Jasmine's rights to and interest in the Marvell Litigation—"shall be binding in all respects . . . ." (3 Exh. 401.)

2. The reorganization plan.

In May 2007, Jasmine submitted a reorganization plan that was centered around its continued prosecution of the Marvell litigation. (3 Exh. 453.) Jasmine's creditors, including Marvell, would receive shares

in the reorganized company whose primary mission purpose was to prosecute the Marvell litigation, distribute the proceeds of any settlement or judgment to shareholders, and then dissolve. (3 Exh. 491-493.)

In September 2007, six years into the Marvell litigation, the bankruptcy court confirmed Jasmine's reorganization plan. (3 Exh. 527-530.) The court found that the requirements for confirmation under 11 U.S.C. § 1129(a) and (f) had been met (3 Exh. 528) and that rights and interests of equity shareholders were extinguished (3 Exh. 529). Section 1129(a)(11) requires as a condition of confirming a reorganization plan that the court find the plan to be feasible, that is, that confirmation is not likely to be followed by the liquidation, or the need for further reorganization, of the debtor. (11 U.S.C. § 1129(a)(11).) That section's purpose "'is to prevent confirmation of visionary schemes which promise creditors and equity security holders more under a proposed plan than the debtor can possibly attain after confirmation.' (Citation omitted.)" (*Matter of Pizza of Hawaii, Inc.* (9th Cir. 1985) 761 F.2d 1374, 1382.) To be feasible, a plan must take into account the potential results of future litigation. (*In re Harbin* (9th Cir. 2007) 486 F.3d 510, 517 ["possibility that a potential creditor may, following confirmation, recover a large judgment against the debtor"].) "A bankruptcy court's failure to consider such a possibility in discharging its duties under section 1129(a)(11) is clear error." (*Id.* at p. 518.)

Thus, in expressly ruling that Jasmine's reorganization plan met the requirements of section 1129(a) (3 Exh. 528), the bankruptcy court must have considered the feasibility of the plan, and feasibility in turn depended entirely on the viability of the Marvell litigation. Again, Marvell did not step forward to point out that, in its view, the Marvell litigation had long

ago died a premature death as a result of the Teradiant sale. Its failure to do so precludes its present challenge to Jasmine's standing.

C. None Of Defendants' Arguments Alter The Preclusive Effect Of The Bankruptcy Court's Rulings.

1. An issue may be *actually* decided without being *explicitly* decided.

Marvell and Sowell argue that the word "standing" was not mentioned in the bankruptcy court's rulings. (Marvell Return 43; Sowell Return 10.) That is irrelevant. "An issue may be 'actually' decided even if it is not *explicitly* decided, for it may have constituted, logically or practically, a necessary component of the decision reached in the prior litigation." (*Grella v. Salem Five Cent Savings Bank* (1st Cir. 1994) 42 F.3d 26, 30-31.) Furthermore, for purposes of issue preclusion, "an 'issue' includes any legal theory or factual matter which could have been asserted in support of or in opposition to the issue which was litigated." (*Border Business Park, Inc. v. City of San Diego* (2006) 142 Cal.App.4th 1538, 1565-1566.) The issue here is not whether the bankruptcy court addressed an issue denominated "standing," but rather whether its determinations resolved issues on which standing depends. They did.

The bankruptcy court ordered that the terms of the Asset Purchase Agreement "shall be binding in all respects . . . ." (3 Exh. 401.) The binding Agreement provided that Jasmine would retain its rights to and interest in the Marvell litigation. (2 Exh. 217.) That provision would not have made any sense if the asset sale terminated Jasmine's standing to pursue the litigation. Nor would the economic terms of the sale have made sense if the sale caused Jasmine to forfeit the bankruptcy estate's most

valuable asset: Jasmine would have given up a $40 million claim in return for $300,000, nearly half of which was to fund the same litigation that Marvell contends the sale destroyed. The reorganization plan also would have been infeasible if Jasmine lost its claims because there would have been no hope of recovering anything for the creditors, whose only chance for repayment was success in the litigation.

Under the applicable legal principles, the bankruptcy court had to consider the business justification for the asset sale and the feasibility of the reorganization plan. (See Sections II.B.1 and 2, *ante*.) Jasmine clearly raised those issues. (E.g., 1 M.App. 112-113.) In approving the sale and the reorganization, the bankruptcy court necessarily and actually decided (even if implicitly) that Jasmine would in fact retain and be able to pursue its claim against Marvell. (*Monarch Life Ins. Co. v. Ropes & Gray* (1st Cir. 1995) 65 F.3d 973, 982 ["issue may be actually litigated and resolved 'even if it is not explicitly decided,' as long as it is logically necessary to final decision"].)

2. Principles of comity have no application here.

Marvell claims that "principles of comity would have required the Bankruptcy Court to defer to the State Court's determination" of Jasmine's standing. (Marvell Return 44.) Marvell is wrong. The bankruptcy court had to determine Jasmine's ability to retain its accrued cause of action as part of its evaluation of whether to approve the proposed asset sale and reorganization plan, proceedings within the federal courts' exclusive core jurisdiction. (*In re Birting Fisheries, Inc.* (Bankr. 9th Cir. 2003) 300 B.R. 489, 500 ["plan confirmation issues" are within exclusive core jurisdiction]; *In re Gerwer* (9th Cir. 1990) 898 F.2d 730, 734 [sale order is a core bankruptcy proceeding].) A matter that is within "the exclusive jurisdiction

of the bankruptcy court does not present any issues of comity with state courts or respect for state law." (*In re McAuley* (Bankr. 9th Cir. 1986) 66 B.R. 696, 700-701 [notwithstanding pending state court action to set sale aside as premature, comity did not preclude bankruptcy court from interpreting its prior order concerning the automatic bankruptcy stay, which went to timeliness of the sale].)

Marvell's comity authorities are inapposite. *Rose v. Lundy* (1982) 455 U.S. 509, 518, was a federal habeas corpus proceeding in which a criminal defendant asserted a constitutional challenge to his state court conviction. The Supreme Court held that the defendant was obliged to exhaust state court remedies before seeking relief from federal courts. That conclusion does not address whether the bankruptcy court could determine Jasmine's ability to pursue a pending state court claim, where the answer to that question was part and parcel of the issues before the bankruptcy court. The other case Marvell cites, *Lowry v. Indianapolis Traction & Terminal Co.* (Ind.Ct.App. 1920) 126 N.E. 223, 228, concerned the first-to-file rule, which applies when the same case has been brought in different jurisdictions of equal rank—the rule is that the first case filed ordinarily has precedent under principles of comity. Again, that is not the issue here. The same case has not been filed twice. There is only one Marvell litigation in one court, and there was only one motion for approval of the asset sale and reorganization plan in another court.

In any event, in the context of cases pending simultaneously in state and federal courts, comity is a matter of discretion, not jurisdiction. (*Gregg v. Superior Court* (1987) 194 Cal.App.3d 134, 136 [comity does not require abatement "where one is in state court and the other in federal court"]; *Clark's Fork Reclamation Dist. v. Johns* (1968) 259 Cal.App.2d 366, 369 ["prior filing of (federal) action does raise questions of comity calling for

exercise of a circumspect discretion by the state court in which the later action is commenced"].)

3. Jurisdictional rulings are preclusive, even if they are erroneous.

Marvell cites no on-point authority for its claim that res judicata does not apply to jurisdictional rulings. (Marvell Return 43, 46-48; see also Sowell Return 13 [similar argument with no legal citations].) There is no such authority. Res judicata applies to jurisdictional rulings, and it precludes a standing challenge that contradicts a prior final judgment. (*Levy v. Cohen, supra*, 19 Cal.3d at p. 173 ["the doctrine of res judicata prevents the readjudication of all matters (*including jurisdiction*) which were, or might have been, litigated in a prior proceeding between the same parties," emphasis added]; *City of Atascadero v. Merrill Lynch, Pierce, Fenner & Smith, Inc.* (1998) 68 Cal.App.4th 445, 476-477 [federal court determination that plaintiffs had standing to pursue state court claims is res judicata]; *Cutler v. Hayes* (D.C. Cir. 1987) 818 F.2d 879, 889 ["Principles of collateral estoppel clearly apply to standing determinations"]; *California Chamber of Commerce v. Simpson* (C.D.Cal. 1985) 601 F.Supp. 104, 107 ["principles of collateral estoppel apply to jurisdictional issues, such as standing"].)

Nor is there a basis for Sowell's claim that the bankruptcy court lacked jurisdiction to consider Jasmine's standing. (Sowell Return 11-13.) The bankruptcy court did have such jurisdiction: The proceedings to approve the asset sale and plan of reorganization were within its core jurisdiction (*In re Birting Fisheries, Inc., supra*, 300 B.R. at p. 500; *In re Gerwer, supra*, 898 F.2d at p. 734) and whether Jasmine could retain and pursue its claims against Marvell—i.e., whether Jasmine had standing—was

a central issue in those core proceedings.[7] Besides, the bankruptcy court implicitly found that it had jurisdiction for its orders. (*Stoll v. Gottlieb* (1938) 305 U.S. 165, 171-172 ["Every court in rendering a judgment tacitly, if not expressly, determines its jurisdiction over the parties and the subject matter"].) That determination too is res judicata in this proceeding. (*Ibid.*; *Travelers Indemnity Co. v. Bailey* (2009) 129 S.Ct. 2195, 2205 [final bankruptcy court orders "are not any the less preclusive because the attack is on the (court's) conformity with its subject-matter jurisdiction, for '(e)ven subject-matter jurisdiction . . . may not be attacked collaterally' (Citations)"].) Moreover, a final decision is preclusive even if it is incorrect. (*Beverly Hills Nat. Bank v. Glynn* (1971) 16 Cal.App.3d 274, 286; *In re Ivory* (9th Cir. 1995) 70 F.3d 73, 75 [confirmed bankruptcy plan was res judicata in subsequent action even if it was in error].)

4. No recent factual or legal developments require any departure from ordinary preclusion principles.

Marvell asserts it should have a second bite at the standing apple because recent legal and factual developments have changed the landscape. (Marvell Return 48-49.) These recent developments change nothing.

The so-called legal developments are just the same form jury instructions and unpublished federal district court case on which Marvell bases its claim that Jasmine lacks standing. (Compare Marvell Return 48-49 with Marvell Return 2, 16, 26, 29-31.) Those instructions and case law do not support Marvell's and Sowell's standing arguments, much less change the legal landscape. (See Petition 22-24 and

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[7] Decisions in core proceedings can be preclusive in later non-core proceedings. (*In re Internat. Nutronics, supra*, 28 F.3d at p. 970.)

Section I.B.1, *ante*.) The jury instructions, in particular, are a complete non-event.

None of the supposed new facts have any bearing on the standing issue. As we have shown, there is no conflict between Jasmine's pursuit of the Marvell litigation and Teradiant's interest in the trade secrets. Teradiant knew what it was buying (the Purchased Assets) and what Jasmine was retaining (its "rights, title and interest in and to" the Marvell litigation). (2 Exh. 217, § 2.1.) Teradiant also knew what Jasmine intended to do with its retained interest in the Marvell litigation, since bankruptcy court pleadings that Teradiant had to approve made clear that Jasmine would vigorously pursue its trade secrets misappropriation claims. (See Section I.B.5.b, *ante*.) Moreover, it is extremely unlikely that, after nearly a decade of rapid developments in computer science, Teradiant still has use for the trade secrets it bought (if the company even still exists).[8] That's why Jasmine was anxious to sell the trade secrets in 2002. (3 Exh. 407 ["The express purpose of the sale is to preserve the value of the estate's remaining assets for creditors before that intellectual property and technology becomes worthless"].)

Jasmine has shown that California law permits different parties to own an accrued claim and title to the underlying property, even if there might conceivably be a conflict between those parties. (Petition 19-20; Civ. Code, § 954.) But there is no such conflict here. Defendants' arguments about potential conflicts in other cases are better addressed to the Legislature than to this Court.

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[8] The California Secretary of State's website (www.http://kepler.sos.ca.gov/list.html) shows that Teradiant forfeited its California corporate status in June 2007.

5. Fairness dictates preclusion, not throwing out Jasmine's suit on an objection that Marvell failed to make in the bankruptcy court and didn't make in state court until the eve of trial.

Marvell's fairness and incentive arguments (Marvell Return 44-45, 50) ring hollow. There is nothing fair about depriving Jasmine of its trade secrets claim, and excusing Marvell from possible liability, on the eve of trial on the basis of a standing argument that Marvell could have raised in 2002 and on numerous other occasions since then. And Marvell's skewed incentives in the bankruptcy court do not justify the trial court's dismissal ruling.

Marvell said nothing about Jasmine's lack of standing while the bankruptcy court, Jasmine, and Jasmine's other creditors operated under the assumption that Jasmine retained its right to pursue the Marvell litigation when it sold what was left of its trade secrets. That was the basis upon which the bankruptcy court approved the sale to Teradiant for $300,000 and confirmed a plan of reorganization centered around Jasmine's continued prosecution of the Marvell litigation. If fairness is relevant, it is the lack of fairness to Jasmine and its other creditors that matters. Marvell had many opportunities to raise the standing issue in the bankruptcy court but did not. It cannot be allowed to change course now.

The one fairness case Marvell cites, *Jack Faucett Associates, Inc. v. American Telephone and Telegraph Co.* (D.C. Cir. 1984) 744 F.2d 118, involved "offensive estoppel"—that is, holding a defendant to the adverse determination of issues in a prior case brought by another plaintiff—where the result in the first case was tainted by an acknowledged evidentiary error.

(*Id.* at p. 128.) This isn't an offensive estoppel case, and Marvell has pointed to no error, much less an acknowledged error, in the bankruptcy court's rulings. *Jack Faucett* is far afield.

Marvell's argument that it had no incentive to raise the standing issue in the bankruptcy court also fails. Marvell claims that there was no reason to raise standing in the bankruptcy court because that court "would have been powerless to resolve" the issue while the Marvell litigation was pending in state court. (Marvell Return 44-45.) Marvell cites no authority for this proposition, and it just isn't so. As we have shown, Jasmine's continued ability to prosecute the Marvell litigation was critical to the Teradiant sale and the feasibility of Jasmine's plans. The bankruptcy court therefore plainly had the power—and the duty—to reject the proposed sale if it would have deprived the estate of its major asset. As a creditor of the bankruptcy estate, Marvell had a real and significant interest in the disposition of the principal asset of the estate and an obligation to bring the issue to the bankruptcy court's attention or be precluded from doing so later.

Neither of the cases Marvell cites for its "lack of incentive" argument (Marvell Return 44) support it. *Yamaha Corp. of America v. United States* (D.C. Cir. 1992) 961 F.2d 245 upheld a finding of issue preclusion. In dicta, the court noted that issue preclusion might be unfair in a case where the stakes in a second case are "of a vastly greater magnitude." (*Id.* at p. 254.) Here, the stakes are the same because the same litigation is at issue. In *Hicks v. Quaker Oats Co.* (5th Cir 1981) 662 F.2d 1158, the court rejected the plaintiff's use of offensive collateral estoppel where it was uncertain what issues were actually decided in the prior case. Here, the parties are the same and the issue necessarily was decided in the prior proceeding. The stakes in the bankruptcy court were sufficiently high to

expect Marvell to point out what it now claims is a basic flaw in the entire plan for Jasmine to sell its technology to Teradiant and pursue the Marvell litigation itself. Marvell's own self-interest may have been to the contrary—that is, to remain silent while the bankruptcy court approved an arrangement that, in Marvell's view, wiped out Jasmine's $40 million lawsuit against Marvell. But the fact that Marvell may have had a strategic reason not to bring the standing issue to the court's attention does not permit it to collaterally attack the bankruptcy court's final ruling now.

D. If This Court Determines That The Bankruptcy Court Rulings Are Preclusive As To Marvell, Jasmine Should Have An Opportunity In The Trial Court To Show That They Are Preclusive As To Sowell And Murphy As Well.

The record shows that issue preclusion bars Marvell from challenging Jasmine's standing in the trial court. That same record establishes that most of the issue preclusion criteria are met with respect to Sowell and Murphy as well. Sowell argues, however, that the bankruptcy court orders are not binding on him because he was not a party to the bankruptcy proceedings. (Sowell Return 14-16.)

Jasmine's writ petition explained that Jasmine did not address the impact of the bankruptcy court orders on Sowell and Murphy in the trial court because it did not know they were challenging its standing when it filed its opposition to dismissal. (Petition 14.) Sowell's response is that Jasmine should have anticipated that he would join the motion to dismiss on the day before the hearing. (Sowell Return 16.) That is not, and should not be, the standard. Sowell cites no authority requiring a plaintiff to anticipate that a defendant will file a last-minute joinder in every motion filed by every other defendant and draft its opposition accordingly—particularly

where, as here, the opposition would have to include different facts for each defendant who might conceivably join in the motion.

The record refutes Sowell's additional claim that Jasmine could have addressed his lack of notice in a "follow-up memorandum" it filed in the trial court. (Sowell Return 16.) Jasmine offered to brief the issue of Sowell's notice during the hearing on the motion to dismiss. (5 Exh. 948.) But the trial court ruled at the hearing that res judicata did not apply for reasons other than a lack of notice. (5 Exh. 1074.) Post-hearing briefing on the notice issue thus would have been futile. The post-hearing brief that Jasmine did file dealt with an issue expressly left open at the dismissal hearing: whether the court's standing ruling required dismissal of all or only part of Jasmine's complaint. (See 5 Exh. 999-1012.)

Additionally, contrary to Sowell's claim (Sowell Return 14-16), it is *not* undisputed that he had no notice of relevant bankruptcy court proceedings. The fact that Sowell does not appear on the proof of service for some filings relating to the Teradiant asset sale is not conclusive. Sowell's notice of Jasmine's plan of reorganization is relevant as well because the plan required the bankruptcy court to consider Jasmine's ongoing right to pursue this litigation. A document in Sowell's own request for judicial notice shows that he was served with the plan, which detailed Jasmine's intention to continue pursuing this litigation. (Sowell Request for Judicial Notice Exh. 2, ¶ 5 [declaration of Jasmine's counsel that Jasmine's Third Amended Plan of Reorganization was served on Murphy and Sowell].) Sowell may also have received other documents that put him on notice that the bankruptcy court was considering Jasmine's right to pursue the Marvell litigation in which he was a defendant and cross-complainant. Additional trial court briefing and possibly discovery therefore will be

necessary if this Court finds that the bankruptcy court orders satisfy all of the other criteria for issue preclusion.[9]

III. WHETHER THE TRIAL COURT'S ERRONEOUS STANDING RULING JUSTIFIED DISMISSAL OF JASMINE'S ENTIRE COMPLAINT IS NOT PRESENTLY BEFORE THIS COURT.

Jasmine's writ petition presented two discrete issues. (Petition 1.) Marvell's return seeks to add a third issue, namely whether the trial court correctly dismissed Jasmine's entire complaint on the basis of its finding that Jasmine lacked standing to pursue its trade secrets misappropriation cause of action. (Marvell Return 32-39.) That issue is not before this Court.

There is no merit to Marvell's claim that the dismissal of Jasmine's non-trade secrets causes of action is at issue because Jasmine sought writ review of the order dismissing its complaint. (Marvell Return 32, fn. 19.) Jasmine did not seek review of the trial court's ruling generally. It sought a writ of mandate on two specific grounds: its standing to pursue its trade secrets claim and the preclusive effect of the bankruptcy court's orders. (Petition 13-14.) This Court permitted Marvell to file a return in opposition

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[9] Although Jasmine's preclusion argument is based on res judicata, bankruptcy sale and plan confirmation orders can be binding regardless of principles of res judicata because they involve *in rem* proceedings. (*In re Met-L-Wood Corp.* (7th Cir. 1988) 861 F.2d 1012, 1017 [A proceeding under section 363 of the Bankruptcy Code "is an *in rem* proceeding. It transfers property rights, and property rights are good against the world, not just against parties to a judgment or persons with notice of the proceeding"]; 8 Collier on Bankruptcy (15th ed. 2005) ¶ 1141.02 [order confirming a bankruptcy plan is *in rem* and "binding upon all parties in interest, whether or not they have chosen to appear in the case"].)

to the writ that Jasmine requested. (Aug. 13, 2009 Order.) The return should have addressed only the writ grounds that were set forth in Jasmine's petition. Jasmine did *not* seek a writ on the ground that the trial court erred in concluding that its standing ruling required dismissal of Jasmine's non-Act causes of action. Marvell therefore could not raise that issue for the first time in its return. (Cf. *Campbell v. Superior Court* (2005) 132 Cal.App.4th 904, 922 [real party in interest could not seek review of adverse ruling in return].)

Marvell's attempt to add a new issue also is improper because Marvell is not a party aggrieved by the dismissal ruling of which it seeks review. (Cf. *Vielehr v. State of California* (1980) 104 Cal.App.3d 392, 397 [rejecting respondent's attempt to establish on appeal from summary judgment that trial court also lacked jurisdiction, where respondent "prevailed in the trial court with an unqualified judgment in its favor"]; *Soldate v. Fidelity National Financial, Inc.* (1998) 62 Cal.App.4th 1069, 1073 [party cannot appeal from a favorable judgment].) Jasmine was the party aggrieved by the trial court's ruling that a lack of standing under the Act required dismissal of non-trade secret causes of action as well. It is the only party that can seek review of that ruling. Since it has not done so, the ruling is not at issue in this proceeding. The Court should not issue an advisory opinion on this matter.

CONCLUSION

As the owner of trade secrets at the time they allegedly were misappropriated, Jasmine has standing to pursue its retained misappropriation claim. The trial court erred in concluding otherwise. It also erred in reaching the standing issue in the first place in light of the bankruptcy court's preclusive rulings on the subject. This Court therefore should issue a peremptory writ ordering the trial court to vacate its June 3, 2009 order dismissing Jasmine's Second Amended Complaint and to enter a new order denying the motion to dismiss.

Dated: October 2, 2009

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

Pursuant to California Rules of Court, rule 8.204(c)(1), the attached Reply To Return Of Real Parties To Petition For Writ Of Mandate Or Other Appropriate Relief was produced using 13-point Times New Roman type style and contains 11,042 words not including the tables of contents and authorities, caption page, or this Certification page, as counted by the word processing program used to generate it.

Dated: October 2, 2009

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Alana H. Rotter