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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

MEDTRONIC MINIMED, INC., et al.,

Plaintiffs,

v.

NOVA BIOMEDICAL CORP., et al.,

Defendants.

NO. CV 08-00788 SJO (PJWx)

**ORDER DENYING DEFENDANTS' MOTION
FOR PARTIAL SUMMARY JUDGMENT**
[Docket No. 178]

This matter is before the Court on Defendant Nova Biomedical Corporation ("Nova"), DEGC Enterprises (U.S.), Inc. d/b/a CCS Medical ("CCS Medical"), and Sanvita, Inc.'s ("Sanvita") (collectively, "Defendants") Motion for Partial Summary Judgment, filed April 6, 2009. Plaintiffs and Counter-Defendants Medtronic MiniMed, Inc. and MiniMed Distribution Corporation (collectively, "MiniMed") filed an Opposition, to which Defendants replied. The Court found this matter suitable for disposition without oral argument and vacated the hearing set for May 4, 2009. See Fed. R. Civ. P. 78(b). Because of the following reasons, Defendants' Motion is DENIED.

I. BACKGROUND

In 2000, Becton, Dickinson & Company ("BD") and Nova entered into a Manufacturing Agreement, whereby Nova would manufacture blood glucose meters and test strips that BD would sell. (Sidwell Decl. ¶ 5; Manufacturing Agreement, filed as Sarkis Decl. Ex. 3.) The Manufacturing

1 Agreement provided that for a period of five years, the parties were to hold "[a]ll disclosures of
2 Confidential Information . . . in strict confidence The Receiving Party shall not use such
3 Confidential Information except for the purpose of exercising its rights and carrying out its duties
4 hereunder." *Id.* § 5.01. It further provided that "upon expiration or termination of this Agreement
5 for any reason: (a) each Party shall promptly terminate all use of any Confidential Information of
6 the other Party; [and] (b) each Party shall, at the request of the other, either promptly return to the
7 other Party or destroy all of the other Party's Confidential Information in any form whatsoever
8 which it may have in its possession, custody, or control (whether direct or indirect)." *Id.* § 6.05.
9 "Confidential Information" is defined as "all BD Know-How, Nova Know-How or other information,
10 including, but not limited to, proprietary information and materials (whether or not patentable)
11 regarding a Party's technology . . . which is designated as confidential in writing by the disclosing
12 Party . . . prior to or at the time such . . . information is disclosed. . . ." *Id.* § 1.04. "BD Know-How"
13 is defined as "any technical knowledge, information and materials . . . that are owned or otherwise
14 controlled by BD and which BD reasonably determines is necessary or helpful to the design,
15 development and manufacture of the BD Products as contemplated by this Agreement." *Id.* §
16 1.02.

17 In 2001, MiniMed, a maker of insulin pumps, began discussions with BD to develop and co-
18 brand a blood glucose meter that would communicate wirelessly with MiniMed's insulin pumps (the
19 "Meter"). (Geismar Decl. ¶ 12.) BD and MiniMed entered into a Confidential Disclosure
20 Agreement ("CDA"), effective October 1, 2001, which required both companies to "take the same
21 degree of precautions in accordance with procedures which it follows with respect to its own
22 Confidential Information to avoid disclosure of such information" for a period of five years. (CDA,
23 filed as Geismar Decl. Ex. 2 § 1.)

24 In the summer or fall of 2002, MiniMed partnered with BD to develop the Meter, and BD
25 subcontracted with Nova. (Sidwell Decl. ¶ 6; Geismar Decl. ¶ 13; Talbot Decl. ¶ 24.) On
26 September 24, 2002, MiniMed, BD and Nova had a kick-off meeting for the project. (Sidwell Decl.
27 ¶ 7; Talbot Decl. ¶ 23.) The same day, MiniMed and BD amended the CDA to provide that
28 "Confidential Information" included information related to Nova's and Minimed's blood glucose

1 monitoring technology. (Geismar Decl. ¶ 19; CDA Amendment, filed as Geismar Decl. Ex. 5, §§
2 1-2). In anticipation of the kick-off meeting, MiniMed sent technical information (the
3 "Communication Technology") to BD on September 20, 2002. (Talbot Decl. ¶ 25; email from
4 Cary Talbot to Maria Brynczka, filed as Talbot Decl. Ex. 5.) To facilitate the development of the
5 Meter, MiniMed and Nova exchanged technical information, including the Communication
6 Technology, from September 24 to December 2002. (Sidwell Decl. ¶¶ 7, 9; Pls.' Response to
7 Defs.' Interrog. No. 2, filed as Fitzpatrick Decl. Ex. 10). MiniMed and Nova also exchanged
8 information related to the Meter on April 11, 2002. (Emails between Jake Leach and Tony Yu,
9 filed as Talbot Decl. Ex. 18.) Nova used the Communication Technology to create the Meter,
10 called the Paradigm Link® meter, which communicates wirelessly with MiniMed's insulin pumps.
11 (Sidwell Decl. ¶¶ 11-12.) Nova provided a functional Paradigm Link® prototype to MiniMed on
12 December 11, 2002. *Id.* ¶ 18; *Id.* Ex. 6.

13 On December 14, 2002, BD and Nova amended the Manufacturing Agreement to add the
14 Meter to the list of definitions, and provide that Nova would support not only BD but also MiniMed
15 in obtaining regulatory approvals. (Amendment to Manufacturing Agreement, filed as Sarkis Decl.
16 Ex. 5, §§ 3, 9.) Also on December 14, 2002, BD and Nova executed a Research and
17 Development Agreement regarding the Meter, among other products (the "BD/Nova R & D
18 Agreement"), which provided that for a period of five years, "all disclosures of Confidential
19 Information to the other Party (the "Receiving Party"), its agents and employees shall be held in
20 strict confidence. . . . The Receiving Party shall not use such Confidential Information except for
21 the purposes of exercising its rights and carrying out its duties hereunder." (BD/Nova R & D
22 Agreement, filed as Sarkis Decl. Ex. 6, § 5.A.) The confidentiality clause explicitly applied to
23 subcontractors. *Id.* The BD/Nova R & D Agreement also provided that "BD shall retain all right,
24 title and interest to BD Technology," and that "all Program Rights that cover or are based on or
25 derived from any third party IP within BD Technology (as identified under the subheading 'BD
26 Technology Contributed by Third Parties in a Program Plan') shall be owned by BD." (*Id.* § 6.)
27 "BD Technology" is defined to include "IP of third parties, including, without limitation, . . .
28 Medtronic Minimed, Inc." *Id.* § 1. MiniMed's proprietary technology appears to be deemed "BD

1 technology contributed by third parties." (Schedule A to the MiniMed/BD R & D Agreement, filed
2 as Geismar Decl. Ex. 8, at 43.)

3 On December 21, 2002, MiniMed and BD entered into a Research and Development
4 Agreement (the "MiniMed/BD R & D Agreement") and a Distribution Agreement regarding the
5 Paradigm Link® meter. (MiniMed/BD R & D Agreement, filed as Geismar Decl. Ex. 7; Distribution
6 Agreement, filed as Geismar Decl. Ex. 10.) The MiniMed/BD R & D Agreement required MiniMed
7 and BD: "(a) to keep all Confidential Information received by it (the 'Receiving Party') from the
8 other party (the 'Disclosing Party') confidential using the same degree of care as it exercises with
9 its own confidential information of a similar nature, but in no event less than a reasonable degree
10 of care; (b) not to publish or otherwise disclose Confidential Information of the Disclosing Party;
11 and (c) not to use Confidential Information of the Disclosing Party directly or indirectly for any
12 purpose except as set forth in this Agreement." (Geismar Decl. Ex. 7 § 8.1.) These restrictions
13 applied "at all times during the terms of this Agreement," and for the five-year period following the
14 Agreement's termination or expiration. *Id.* The BD/Nova R & D Agreement terminated on
15 December 11, 2006, pursuant to a Termination Agreement. (BD/Nova Termination Agreement,
16 filed as Sarkis Decl. Ex. 7.) The Distribution Agreement provided that Minimed was the exclusive
17 distributor of the Meter. (Geismar Decl. Ex. 10 § 3.1.)

18 In early April 2003, Nova and MiniMed signed a Non-Disclosure Agreement, which the
19 parties back-dated to September 27, 2002. (Non-Disclosure Agreement, filed as Sidwell Decl. Ex.
20 9.) According to MiniMed, the parties intended the Non-Disclosure Agreement to cover any
21 information shared in preparation for the kick-off meeting held on September 24, 2002, but that
22 due to a clerical error the document reflects a later date. (Geismar Dep. 49:13-17.) The Non-
23 Disclosure Agreement provided that information disclosed between MiniMed and Nova would
24 remain "the sole property of the disclosing party." (Sidwell Decl. Ex. 9 at 1.) It further provided
25 that for "five years following the date of receipt of Confidential Information, the receiving party shall
26 use reasonable efforts to prevent the disclosure to any other person, firm or corporation of such
27 Confidential Information relating to the Subject which it receives from the disclosing party, except
28 as provided below, and shall use the same degree of care to protect the Confidential Information

1 from unauthorized disclosure or risk of loss (such as fire or theft) as it employs with respect to its
2 own proprietary and confidential information of like importance to it." *Id.* § 1. The Non-Disclosure
3 Agreement also stated that the parties shall return or destroy all confidential information upon the
4 disclosing party's request, except that each party "may retain one copy of such items for archival
5 purposes, subject to the terms of this Agreement." *Id.* § 4. Lastly, the Non-Disclosure Agreement
6 "shall not be construed as granting or conferring any rights, by license or otherwise, expressly,
7 impliedly or otherwise, with respect to such Confidential Information or to any invention, discovery
8 or improvement made, conceived or acquired prior to or after the date of this Agreement.
9 Receiving party shall not make use of the Confidential Information for its own benefit without the
10 prior written consent of disclosing party." *Id.* § 5.

11 In 2006, BD decided to exit the blood glucose monitoring market, and sold its diabetes care
12 business to CCS/Sanvita (the companies have the same corporate parent, Chronic Care Solutions
13 Holding, Inc.). (Geldart Decl. ¶¶ 4-5; Purchase Agreement, filed as Sarkin Decl. Ex. 11; Geismar
14 Decl. ¶ 60; email from John Simmons to Catherine Kriske and Eric Geismar, filed as Geismar
15 Decl. Ex. 14.) MiniMed and BD entered into a Termination Agreement, effective March 22, 2007,
16 which formally ended the contractual agreement between MiniMed and BD but kept the
17 confidentiality provisions in place. (BD/MiniMed Termination Agreement, filed as Geismar Decl.
18 Ex. 16, § 2(c).)

19 In September 2007, MiniMed asked BD to retrieve MiniMed's confidential and proprietary
20 information from Nova, or have Nova certify that it was destroyed. (Geismar Decl. ¶ 71.) Over
21 the next few months, BD sent Nova two letters requesting assurance from Nova that it was no
22 longer using any information it received from BD and MiniMed, and asking that it return all such
23 information to BD or its law firm. *Id.* ¶ 75, 90; letters from BD to Nova, filed as Geismar Decl. Exs.
24 20, 29. Nova did not respond to either letter, stating that it "did not respond to these letters as
25 there was no obligation to do so." *Id.* ¶ 92; Nova's Response to Pls.' Interrog. No. 21, filed as
26 Geismar Decl. Ex. 35.

1 In January 2008, Nova publicly launched the Nova Max Link™ meter, which Defendants
2 describe as a "re-branded version of the [Meter]." (Sidwell Decl. ¶ 34; Defs.' Response to Pls.'
3 Statement of Additional Material Facts No. 82.)

4 MiniMed argues that Nova improperly utilized MiniMed's Communication Technology in
5 creating the Nova Max Link™ meter, and brought suit against Defendants alleging claims for: (1)
6 misappropriation of trade secrets in violation of California Civil Code § 3426, et seq.; (2) unfair
7 competition in violation of California Business and Professions Code § 17200, et seq.; (3)
8 conversion; (4) breach of contract against CCS; (5) breach of contract against Nova; (6) intentional
9 interference with economic advantage; (7) trademark infringement and false designation of origin
10 in violation of the Lanham Act, 15 U.S.C. § 1114(1)(a) and 15 U.S.C. § 1125 (a)); and (8) false
11 association or sponsorship and false advertising in violation of the Lanham Act, 15 U.S.C. §
12 1125(a).

13 Defendants now move for summary judgment on Minimed's claims for trade secret
14 misappropriation, breach of contract against Nova, and conversion, on the grounds that MiniMed
15 did nothing to protect the information it disclosed to Nova, and that trade secrets are not
16 considered property under California law.

17 II. DISCUSSION

18 The party moving for summary judgment bears the burden of demonstrating the absence
19 of a genuine issue of material fact for trial. *Devereaux v. Abbey*, 263 F.3d 1070, 1076 (9th Cir.
20 2001) (citing *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986)). A "material" fact is one that
21 could affect the outcome of the case, and an issue of material fact is "genuine" if "the evidence
22 is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty*
23 *Lobby, Inc.*, 477 U.S. 242, 248 (1986). In determining whether a genuine issue of material fact
24 exists, courts view the evidence in the light most favorable to the nonmoving party. *Id.* at 255.
25 When the nonmoving party has the burden of proof at trial, as is the case here, the moving party
26 can satisfy its initial burden of production by showing "that there is an absence of evidence to
27 support the nonmoving party's case." *Devereaux*, 263 F.3d at 1076; *see also Nissan Fire &*
28 *Marine Ins. Co. v. Fritz Cos.*, 210 F.3d 1099, 1102 (9th Cir. 2000). If the moving party meets this

1 | burden, the nonmoving party must "set forth specific facts showing that there is a genuine issue
2 | for trial." Fed. R. Civ. P. 56; *Nissan Fire & Marine Ins. Co.*, 210 F.3d at 1102.

3 | A. The Court DENIES Summary Judgment on MiniMed's Trade Secret Claim.

4 | The California Uniform Trade Secret Act ("CUTSA") defines "trade secret" as "information,
5 | including a formula, pattern, compilation, program, device, method, technique, or process, that:
6 | (1) derives independent economic value, actual or potential, from not being generally known to
7 | the public or to other persons who can obtain economic value from its disclosure or use; and (2)
8 | is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." Cal.
9 | Civ. Code § 3426.1(d). "If an individual discloses his trade secret to others who are under no
10 | obligation to protect the confidentiality of the information, or otherwise publicly discloses the
11 | secret, his property right is extinguished." *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1002
12 | (1984); see also *Memry Corp. v. Ky. Oil Tech., N.V.*, No. 04-3843, 2006 U.S. Dist. LEXIS 94393,
13 | at *15 (N.D. Cal. Dec. 18, 2006) (citing *DVD Copy Control Assn., Inc. v. Bunner*, 116 Cal. App. 4th
14 | 241, 251 (2004) ("[A]n unprotected disclosure of a trade secret terminates its existence. However,
15 | '[t]he secrecy requirement is generally treated as a relative concept and requires a fact-intensive
16 | analysis.'")). "Because the costs and benefits of precautions in a particular commercial context
17 | are issues of fact, 'only in an extreme case can what is a "reasonable" precaution be determined
18 | on a motion for summary judgment.'" *AT&T Commc'ns. of Cal., Inc. v. Pac. Bell*, 2000 U.S. App.
19 | LEXIS 23215, at *9-*10 (9th Cir. Sept. 8, 2000) (internal citations omitted).

20 | Defendants argue that MiniMed's trade secret misappropriation claim fails as a matter of
21 | law because "MiniMed failed to take reasonable efforts to protect its Communication Technology
22 | as a statutory trade secret." (Defs.' Mem. P. & A. 8.) Specifically, Defendants argue that: (1)
23 | MiniMed made no effort to protect the secrecy of its Communication Technology when it disclosed
24 | it to Nova in September and November 2002; (2) the Non-Disclosure Agreement was only a
25 | temporary restraint and thus was not a "reasonable measure" to protect confidentiality; and (3) the
26 | confidentiality restrictions expired in December 2007, before Nova launched its Nova Max Link™
27 | meter.

1 1. The September and November 2002 Disclosures

2 When MiniMed disclosed the Communication Technology to Nova between
3 September 24, 2002 and November 2002, it had in place the CDA with BD, which required both
4 companies to "take the same degree of precautions in accordance with procedures which it follows
5 with respect to its own Confidential Information to avoid disclosure of such information." Pursuant
6 to a September 24, 2002 amendment, the CDA deemed "information regarding [MiniMed]'s blood
7 glucose monitoring technology" and "information related to [Nova]'s blood glucose monitoring
8 technology" to be "Confidential Information." (Geismar Decl. ¶¶ 12, 19; Ex. 2 at 43 (¶ 1), Ex. 5 at
9 57.) BD sent Nova the proposed amendment on September 20, 2002, thereby putting Nova on
10 notice of MiniMed's intent to keep the Communication Technology Confidential. (Sarkis Decl. ¶
11 10, Ex. 9; Geismar Decl. ¶ 19, Ex. 5 at 57 (¶ 2).) Moreover, where a subcontractor knows that the
12 product it is hired to develop "ha[s] not yet been released to the market . . . , [it] has reason to know
13 that [the company that hired it] owe[s] [the company for whom it is developing the product] a duty
14 of secrecy with regard to the [product] technology." See *Speech Tech. Assocs. v. Adaptive*
15 *Comm'n. Sys., Inc.*, No. 88-2392, 1994 U.S. Dist. LEXIS 11660, at *24 (N.D. Cal. Aug. 16, 1994).
16 Here, Nova knew that MiniMed had not yet released a wirelessly communicating meter to the
17 market, further putting it on notice of the secrecy of MiniMed's Communication Technology.

18 In addition, because MiniMed's relationship with Nova was a result of its agreements with
19 BD, and Nova was BD's subcontractor, a jury could find MiniMed acted reasonably in believing
20 Nova was bound to the same confidentiality obligations as BD. See *Speech Tech. Assocs.*, 1994
21 U.S. Dist. LEXIS 11660, at *22-24 (finding confidentiality agreement that explicitly bound
22 subcontractors was a reasonable effort to protect trade secrets disclosed to subcontractors and
23 a consultant, noting that "the only reason [the consultant] had access to [the trade secret] was
24 because he had been hired" to work on the project). Further, courts have held that "the mere fact
25 that one disclosed its purported trade secrets to "'a limited number of outsiders for a particular
26 purpose' did not forfeit trade secret protection. On the contrary, such disclosure, which is often
27 necessary to the efficient exploitation of a trade secret, imposes a duty of confidentiality on the
28

1 part of the person to whom the disclosure is made." *Rockwell Graphic Sys., Inc. v. Dev. Indust.,*
2 *Inc.*, 925 F.2d 174, 177 (7th Cir. 1991) (internal citation omitted).

3 Lastly, MiniMed states that on September 20, 2002, before the CDA with BD was amended
4 to explicitly include MiniMed's information, MiniMed disclosed some of its Communication
5 Technology to BD, who in turn gave it to Nova. Among the information MiniMed states it gave to
6 BD was a document entitled "Razor Blade 1–System Requirements," which stated on the front
7 page: "This document contains information which is the property of [MiniMed]. This document
8 may not, in whole or in part, be duplicated, disclosed, or used for design or manufacturing
9 purposes without the prior written permission of [MiniMed]."¹ (Talbot Decl. ¶ 25, *Id.* Ex. 5.) At the
10 time of this disclosure, the original CDA was in place, which required BD to take precautions to
11 keep MiniMed's confidential information from being disclosed. A jury could find that MiniMed's
12 disclosure to BD, with whom it had a confidentiality agreement in place, of material containing a
13 confidentiality notice, knowing it would be distributed to BD's subcontractor for the purpose of a
14 particular project, was a reasonable measure to keep the material secret.

15 2. The Non-Disclosure Agreement

16 As Defendants note, "courts have denied trade secret protection where allegedly
17 confidential information has been revealed to third parties without protections that are considered
18 adequate, for example, where the information was disclosed under a non-disclosure agreement
19 with only a limited duration." *Silicon Image, Inc. v. Analogix Semiconductor, Inc.*, No. 07-96073,
20 2007 U.S. Dist. Lexis 96073, at *47 (N.D. Cal. Dec. 20, 2007) (citing *DB Riley, Inc. v. AB Eng'g*
21 *Corp.*, 977 F. Supp. 84, 91 (D. Mass. 1997) (denying preliminary injunction because confidentiality
22 agreement that expired after 10 years did not constitute reasonable step to protect information)).
23 However, other courts have held that time-limited non-disclosure agreements do constitute
24 reasonable measures to protect secrets. *See, e.g., Veteran Med. Prods., Inc. v. Bionix Dev.*
25 *Corp.*, No. , 2008 U.S. Dist. LEXIS 19468, at *12, *22 (W.D. Mich. Mar. 13, 2008) (holding non-
26 disclosure agreement that expired after three years, in conjunction a confidentiality notice in e-

27
28 ¹ Nova argues that there is no evidence it received these documents.

1 mails, constituted a "reasonable effort" to maintain secrecy). Whether the time-limited Non-
2 Disclosure Agreement, combined with the CDA, constitute reasonable measures to maintain
3 secrecy are factual issues for the jury to decide.

4 3. The Expiration of Confidentiality Restrictions

5 Defendants argue that MiniMed's trade secret claim fails as a matter of law because the
6 Non-Disclosure Agreement expired in December 2007, prior to Defendants' launch of the Nova
7 Max Link™ meter. They cite the Court's May 14, 2008 order denying MiniMed's motion for
8 preliminary injunction, in which the Court stated: "As of December of 2007, Nova was free to
9 disclose the Communication Technology to the world." (Docket No. 89 at 7.) However, the next
10 sentence in the order provides: "Accordingly, Defendants may show that MiniMed failed to take
11 reasonable efforts to keep its trade secret by permitting a third party to disclose the information.
12 While MiniMed has raised 'serious questions going to the merits' of its trade secret claim, MiniMed
13 has not demonstrated a likelihood of success." *Id.* Therefore, as the Court made clear in the May
14 14, 2008 order, the December 2007 expiration of the Non-Disclosure Agreement is not dispositive
15 on the issue of reasonable efforts at secrecy.

16 For the reasons explained above, Defendants have not shown an absence of evidence to
17 support MiniMed's trade secret misappropriation claim, making summary judgment on this claim
18 inappropriate. *See Devereaux*, 263 F.3d at 1076. Therefore, the Court DENIES Defendants'
19 Motion for Summary Judgment as to MiniMed's trade secret claim.

20 B. The Court DENIES Summary Judgment on Minimed's Breach of Contract Claim
21 Against Nova.

22 MiniMed alleges that Nova breached the Non-Disclosure Agreement by "failing to use
23 reasonable efforts to prevent the disclosure or loss of MiniMed's Communication Technology to
24 its own benefit without MiniMed's consent." (Second Am. Compl. ¶ 155.) Defendants argue this
25 claim fails as a matter of law because Defendants did not publicly launch the Nova Max Link™
26 meter until January 2008, while the Non-Disclosure Agreement expired in December 2007. (Defs.'
27 Mem. P. & A. 16.) The Non-Disclosure Agreement provides that:
28

1 For a period of five years from the date of receipt of such Confidential Information,
2 the receiving party shall use reasonable efforts to prevent the disclosure to any
3 other person, firm or corporation of such Confidential Information relating to the
4 Subject which it receives from the disclosing party, except as provided below, and
shall use the same degree of care to protect the Confidential Information from
unauthorized disclosure or risk of loss (such as fire or theft) as it employs with
respect to its own proprietary and confidential information of like importance to it.

5 (Sidwell Decl. 9, ¶ 1.) The Non-Disclosure Agreement further states:

6 This Agreement shall not be construed as granting or conferring any rights, by
7 license or otherwise, expressly, impliedly or otherwise, with respect to such
8 Confidential Information or to any invention, discovery or improvement made,
conceived or acquired prior to or after the date of this Agreement. Receiving party
shall not make use of the Confidential Information for its benefit without the prior
written consent of the disclosing party.

9
10 *Id.* ¶ 5.

11 "Where contractual language is susceptible to more than one reasonable interpretation,
12 summary judgment is ordinarily improper because 'differing views of the intent of the parties will
13 raise genuine issues of material fact.'" *Pardi v. Kaiser Permanente Hosp., Inc.*, 389 F.3d 840, 848
14 (9th Cir. 2004) (citing *San Diego Gas & Elec. Co. v. Canadian Hunter Mktg. Ltd.*, 132 F.3d 1303,
15 1307 (9th Cir. 1997) (vacating summary judgment and remanding breach of contract claim where
16 trier of fact could reasonably interpret contract language two different ways). "Construing all
17 evidence in the light most favorable to the non-moving party, [courts] must determine "whether the
18 ambiguity could be resolved in a manner consistent with the non-moving party's claim". *Id.* "To
19 phrase it another way, [where] the language in the [contract] is susceptible to more than one
20 reasonable interpretation, summary judgment is improper, unless the ambiguity can be resolved
21 only in a manner inconsistent with [the non-moving party]'s claim." *Digital Envoy v. Google, Inc.*,
22 370 F. Supp. 2d 1025, 1033 (N.D. Cal. 2005) (denying summary judgment where "ambiguity
23 cannot be resolved only in favor of" the non-moving party).

24 Defendants argue that in construing the contract as a whole, "the only way to logically read
25 Clauses 1 and 5 together so as to give effect to both and render neither meaningless is to limit the
26 operation of Clause 5 to the five-year term of Clause 1." (Defs.' Mem. P. & A. 18.) They argue
27 that reading the Non-Disclosure Agreement to prohibit disclosure for only five years but indefinitely
28 require the parties to obtain written consent before "mak[ing] use of the Confidential Information

1 for [their] benefit" "would make no sense." (See *id.*; Sidwell Decl. Ex. 9 § 5.) Defendants also cite
2 the Court's May 14, 2008 order, again pointing to the Court's statement that "[a]s of December of
3 2007, Nova was free to disclose the Communication Technology to the world." (Docket No. 89
4 at 7.)

5 Contrary to Defendants' contentions, the Court finds no inconsistency in a contract that
6 limits disclosure of confidential information to five years but requires consent to use such
7 information for one's benefit indefinitely into the future. "Us[ing] reasonable efforts to prevent
8 disclosure" of such information is clearly a separate and distinct requirement from requiring written
9 consent before "mak[ing] use of the Confidential Information for [the party's] benefit." (See Sidwell
10 Decl. §§ 1, 5.) The Court thus finds that the Non-Disclosure Agreement can reasonably be
11 interpreted to contain no time limitation on the fifth clause's beneficial use restriction. As
12 Defendants have presented no evidence that the parties intended the five year limitation in the first
13 clause of the Non-Disclosure Agreement to apply to the beneficial use provision in the fifth clause,
14 genuine issues of fact exist as to Nova and MiniMed's intent in forming the contract. See *Pardi*,
15 389 F.3d at 848; *Digital Envoy v. Google, Inc.*, 370 F. Supp. 2d 1025, 1033. Moreover, the Court's
16 May 14, 2008 order did not find that "any restraint on Nova expired in December 2007," as
17 Defendants claim, but rather only that the disclosure provision expired at that time; the Court made
18 no reference to the beneficial use provision. (See Defs.' Reply 5; Docket No. 89 at 7 (emphasis
19 added).)

20 Accordingly, the Court DENIES Defendants' Motion for Summary Judgment as to MiniMed's
21 breach of contract claim against Nova.

22 C. The Court DENIES Summary Judgment on MiniMed's Conversion Claim.

23 Defendants argue that as a matter of law, MiniMed cannot establish that Defendants
24 committed conversion because: (1) the information was not a protectable trade secret; and (2) the
25 tort of conversion does not apply to intangible property, and even if it does, the Non-Disclosure
26 Agreement "expressly entitles Nova to retain a copy of all documents exchanged by the parties,
27 and all work product derived from them." (Defs.' Mem. P. & A. 19-20.) As the Court has already
28

1 addressed and rejected Defendants' trade secret argument above, it will focus here only on
2 Defendants' second argument.

3 To establish conversion, "a plaintiff must show 'ownership or right to possession of property,
4 wrongful disposition of the property right and damages.'" *Kremen v. Cohen*, 337 F.3d 1024, 1029
5 (9th Cir. 2003). The Ninth Circuit has explicitly held that conversion claims under California law
6 apply to intangible property. *See id.* at 1030-1034. In *Kremen*, the Ninth Circuit explained that
7 the "rationale [that intangibles are not subject to conversion] derives from a distinction tort law
8 once drew between tangible and intangible property Many courts ignore or expressly reject
9 it." *Id.* at 1030. The Ninth Circuit noted that California courts and federal courts applying
10 California law have "recognize[d] conversion of music recordings, radio shows, customer lists,
11 regulatory filings, confidential information and even domain names." *Id.* at 1033. The court held
12 that while it believed conversion should apply to "every species of personal property," it need not
13 decide that issue to resolve the case before it, and instead held that the tort "at most requires only
14 some connection to a document or tangible object." *Id.*; *see also Terecon, Inc. v. Fovia, Inc.*, No.
15 05-4406, 2006 U.S. Dist. LEXIS 48833, at *25-29 (N.D. Cal. Sept. 20, 2006). Here, the
16 Communication Technology was embodied in the documents MiniMed disclosed to Nova,
17 satisfying the minimal tangible object requirement.

18 Further, the Court rejects Defendants' argument that no conversion occurred because the
19 Non-Disclosure Agreement permitted each party to "retain one copy of such items for archival
20 purposes, subject to the terms of this Agreement." (Sidwell Decl. Ex. 9 § 4.) To establish
21 conversion, "[i]t is not necessary that there be a manual taking of the property; it is only necessary
22 to show an assumption of control or ownership over the property, or that the alleged converter has
23 applied the property to his own use." *Spates v. Dameron Hosp. Ass'n*, 114 Cal. App. 4th 208, 221
24 (Cal. Ct. App. 2003) (citing *Oakdale Village Group v. Fong*, 43 Cal. App. 4th 539, 544 (Cal. Ct.
25 App. 1996)). Here, Defendants have not shown an absence of evidence that they "applied
26 [MiniMed's Communication Technology] to [their] own use." *See id.*; *Devereaux*, 263 F.3d at
27 1076. The fact that Nova was allowed to retain copies of this information "for archival purposes"

1 does not eliminate the genuine issues of material fact concerning this issue. Accordingly, the
2 Court DENIES Defendants' Motion for Summary Judgment as to MiniMed's conversion claim.

3 III. RULING

4 For the foregoing reasons, the Court DENIES Defendants' Motion for Partial Summary
5 Judgment.

6 IT IS SO ORDERED.

7 May 22, 2009



S. JAMES OTERO
UNITED STATES DISTRICT JUDGE

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