Nos. 19-16583, 19-16584, 19-16585, 19-16730

IN THE
UNITED STATES COURT OF APPEALS
FOR THE
NINTH CIRCUIT

BLADEROOM GROUP LIMITED, *et al.*

Plaintiffs-Appellees/Cross-Appellants

vs.

EMERSON ELECTRIC CO., EMERSON NETWORK POWER SOLUTIONS, INC., and LIEBERT CORPORATION

Defendants-Appellants/Cross-Appellees

On Appeal from the United States District Court
for the Northern District of California
Honorable Edward J. Davila
Case No. 15-cv-01370-EJD

OPENING BRIEF OF DEFENDANT-APPELLANT/CROSS-APPELLEE EMERSON ELECTRIC CO.

[FILED PROVISIONALLY *UNDER SEAL* PURSUANT TO CIRCUIT RULE 27-13(c)]

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CORPORATE DISCLOSURE STATEMENT

Pursuant to Federal Rule of Appellate Procedure 26.1, Appellant Emerson Electric Co. respectfully submits this Corporate Disclosure Statement.

1. Emerson Electric Co. is a publicly held corporation. Emerson Electric Co. does not have a parent corporation.

2. No publicly held corporation owns ten percent or more of Emerson Electric Co.'s stock.

Dated: December 4, 2019

Sidley Austin LLP

By:/s/ Carter G. Phillips

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JURISDICTIONAL STATEMENT

The district court had jurisdiction under 28 U.S.C. §1332. Plaintiffs BladeRoom Group, Ltd. and Bripco (UK) (collectively "BladeRoom") are organized under the laws of England with registered offices in Gloucestershire, UK. (ER1888, ¶¶4-5.)[1] Facebook, Inc., originally a defendant, is a Delaware corporation with its principal place of business in California. Emerson Electric Co. is a Missouri corporation with its principal place of business in Missouri; Emerson Network Power Solutions, Inc. was a Delaware corporation with its principal place of business in Ohio and subsequently merged into Vertiv Corporation, an Ohio corporation; Liebert Corporation (now known as Vertiv Corporation) is an Ohio corporation with its principal place of business in Ohio. The amount in controversy exceeded $75,000.

This Court has jurisdiction under 28 U.S.C. §1291. The district court entered final judgment on August 12, 2019. Emerson, ENPS, and Liebert filed Notices of Appeal that same day.

[1] Materials included in Emerson Electric Co.'s Excerpts of Record are cited as "ER" with the page number. Other materials are cited as "Dkt." with the district court docket number. The transcript is cited as "Tr." with page and line numbers. Trial exhibits are cited as "TX" with exhibit number.

INTRODUCTION

In 2014, Facebook opened a data center in Lulea, Sweden, constructed by Emerson Electric and two then-affiliated companies, Emerson Network Power Solutions (ENPS) and Liebert Corporation. BladeRoom, a UK-based company, filed this action soon thereafter, alleging that Facebook had stolen its proprietary designs and construction methods. BladeRoom later added Emerson, ENPS, and Liebert as defendants. BladeRoom alleged that, while attempting to sell its data center product to Facebook, it disclosed trade-secret information, which Facebook used and disclosed in violation of a non-disclosure agreement. BladeRoom alleged that it disclosed the same information to Emerson, under a separate non-disclosure agreement, while trying to induce Emerson to buy or invest in its data center business. Facebook and Emerson, BladeRoom alleged, joined forces to improperly use BladeRoom's trade secrets to build the Lulea facility.

This lawsuit was the *first* time BladeRoom told anyone—including prospective purchasers/investors and its own senior executives—that it owned any trade secrets. BladeRoom and its affiliates hold published patents covering data center designs and methods, and touted those patents as the "intellectual property" a purchaser would acquire if it bought BladeRoom. Yet BladeRoom sued Facebook and Emerson for trade secret misappropriation, not patent infringement.

Having never suggested it owned trade secrets, BladeRoom had no record or list of them. So its lawyers created one for this lawsuit. That list originally included more than two dozen supposed trade secrets. By the time of trial, the list shrunk to only one original trade secret and four "Combination Trade Secrets" created by combining various items from the lawyers' original list. BladeRoom claimed damages in excess of $300 million, consisting of $18.5 million in alleged lost profits on the Lulea contract and $88.5 million in profits on contracts it would have received due to the reputational boost the Lulea project would have supplied, as well as $205 million for unjust enrichment, $182 million of which was attributed to Emerson's sale of business units years later for a price BladeRoom asserted was higher because of the Lulea contract.

Facebook settled with BladeRoom, leaving only the claims against Emerson, ENPS, and Liebert. Those claims, for breach of contract and trade secret misappropriation, rested on a Non-Disclosure Agreement (NDA) Emerson and BladeRoom signed in August 2011. Although the NDA expired in August 2013, long before Facebook and Emerson executed the Lulea contract, the district court construed the NDA, contrary to its plain language and English contract law, to apply in perpetuity to information BladeRoom provided to Emerson, and barred Emerson from arguing that it could use the information after the NDA expired. Without that erroneous ruling, BladeRoom's claims crumble. BladeRoom asserted that a party armed with the information it allegedly provided Emerson could go from "clueless" to a complete data center design in only three months. BladeRoom's NDA expired far more than three months before Facebook and Emerson executed the Lulea contract.

With Emerson's defense constrained, the case went to the jury on instructions that plainly caused confusion. The jury was told that a combination of publicly-available information can still be a trade secret if that combination is unique and valuable. Then it was told that even if Emerson used something less than that supposedly valuable combination, it could still be liable, even if what Emerson used was publicly available. The jury ultimately decided that only two of BladeRoom's four asserted trade secrets were trade secrets, and there is no way to reconcile what it considered trade secrets and what it did not. The jury rejected BladeRoom's $300+ million damages claim, instead awarding, without any foundation in the record, $10 million for lost profits and $20 million for unjust enrichment.

After trial, the district court added $30 million in punitive damages under the California Uniform Trade Secrets Act, even though the jury's verdict did not indicate whether any part of its compensatory award was based on the trade secrets claim and even though the court itself found that it was impossible to tell whether *any* amount had been awarded on that claim. The court also awarded more than

$17 million in prejudgment interest, with a starting date of October 2012, long before BladeRoom would have received (and Emerson actually received) any funds related to the Lulea contract.

This judgment cannot stand. First, the district court erred as a matter of law by construing the NDA's confidentiality provisions to continue to apply after the NDA expired. Second, the court's instructions allowed the jury to find trade secret misappropriation based entirely on public information. Third, the compensatory damages awards are untethered to any misappropriation or breach found by the jury, and to any evidence in the record. Fourth, punitive damages could rest only on an award of trade secret damages, which the jury did not make. Finally, prejudgment interest cannot be awarded for periods before the plaintiff would have received any money, or for amounts, such as supposed unjust enrichment, that reflect no loss to the plaintiff at all. The judgment should be reversed or, at a minimum, vacated and remanded for a new trial.

STATEMENT OF ISSUES[2]

1. Whether the court erred as a matter of law by holding that the confidentiality provisions of the NDA continued in effect after August 2013, contrary to the NDA's plain language.

2. Whether the court erred as a matter of law by instructing the jury that it could find trade secret misappropriation based entirely on Emerson's alleged use of publicly-available information, and whether the resulting verdicts are irreconcilably inconsistent.

3. Whether the compensatory damages award should be reversed because it rests on a legal error as to burden of proof and on factual assumptions that BladeRoom failed to support.

4. Whether the punitive damages award should be reversed, given the lack of an award of compensatory damages for trade secret misappropriation.

5. Whether the prejudgment interest award should be set aside where (a) it includes interest for a period in which BladeRoom was not deprived of any money, and (b) it includes interest on money BladeRoom never would have had.

[2] Emerson also joins in and incorporates by reference the issues and arguments presented in the Opening Brief of Defendants-Appellants/Cross-Appellees ENPS and Liebert. *See* Fed. R. App. P. 28(i).

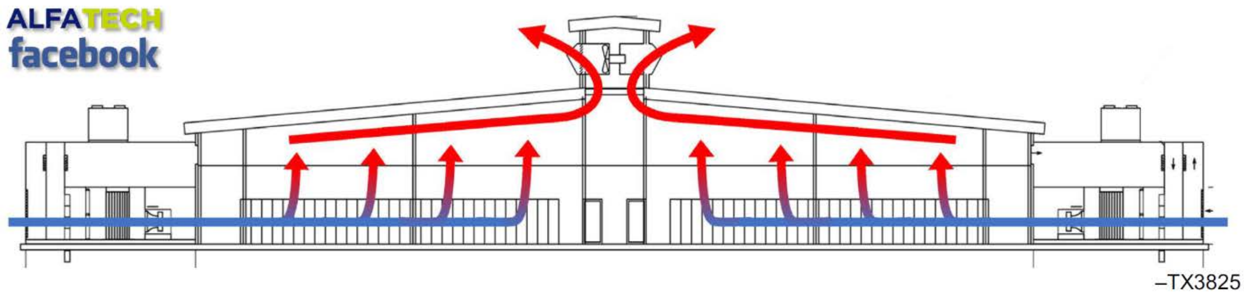
STATEMENT OF THE CASE

In 2014, Emerson, ENPS, and Liebert constructed Lulea 2, a 30-megawatt data center, the size of four football fields, in Lulea, Sweden for Facebook. (Tr. 734:12-23, 2925:1-3.) Not long after Lulea 2 opened, BladeRoom—an English company that sells factory-fabricated data centers—sued Facebook, alleging that Facebook had stolen its proprietary data center designs and construction methods. BladeRoom added Emerson, ENPS, and Liebert as defendants 13 months later. (ER1863-1885.) Facebook settled with BladeRoom shortly after trial began (ER571), leaving Emerson, ENPS, and Liebert as defendants.

I. The Lulea 2 Project

Data centers house computer servers and related equipment to serve the data-processing needs of corporations, government entities, and others. (*See* Tr. 4:21-23.) Facebook is one of the world's largest data center users.

Dating from well before any contact between either Facebook or Emerson and BladeRoom, Facebook's data centers followed the same basic model—the "Facebook DNA." (*See* Tr. 1881:9-1883:3, 2364:10-22.) They (1) have a single-story, open floor plan, (2) the data hall (where servers are housed) is flooded with cold air, flowing straight into the data hall, (3) after that air is heated by passing over computer servers, it rises and vents out the top of the building, and (4) workers access servers via wider cold aisles, rather than narrower hot aisles. (Tr. 1881:23-25, 1882:19-1883:3, 1884:5-14, 2677:21-2678:17.) Facebook data centers look like this (ER1437; Tr. 2686:24-2690:22):



Facebook wanted Lulea 2 to reflect these features. (Tr. 2364:10-22; ER1429.) But Lulea 2 presented special challenges. Because Lulea is near the Arctic Circle, weather allows only a narrow window during which to build. (Tr. 1670:11-20.) Facebook was therefore interested in a contractor that could prefabricate elements of Lulea 2 in a factory, reducing the time needed on-site. (*Id.*)

II. The Parties

A. Emerson

Emerson and its affiliates form one of the largest engineering operations in the world. (Tr. 327:22-23, 265:17-19.) Emerson was already serving Facebook and other large data center users when Facebook began looking for contractors in 2011 and 2012. In 2012, Emerson formed a business unit—Hyperscale—to provide customers like Facebook with centralized marketing attention across all Emerson product offerings. (Tr. 1641:3-1644:17, 1647:11-15.)

Emerson engaged in extensive efforts over nearly two years developing a custom solution for Lulea 2. (Tr. 2271:5-15.) Emerson presented an initial design in October 2012, after which it went through multiple revisions to meet Facebook's demands. (Tr. 2258:16-18.) Facebook ultimately awarded the project to Emerson in November 2013, and Facebook and Emerson executed a Design Build Contract on March 20, 2014. (ER861-870; Tr. 2421:4-6.) Facebook did not compensate Emerson for any of its extensive pre-contract work. (*See* Tr. 2411:16-19, 2417:2-18.)

B. BladeRoom

BladeRoom is an English company that entered the data center business in 2009. (ER687.) It sells data centers made up of factory-fabricated components assembled on-site. (ER871-899.) BladeRoom describes its data centers as a "product to be purchased" rather than a "bespoke [custom] 'building to be designed and project managed.'" (ER879; Tr. 683:9-14.) BladeRoom had never built a data center the size of Lulea 2: Lulea 2 had a 30-megawatt data hall, and all the facilities BladeRoom had previously constructed totaled fewer than ten megawatts combined (Tr. 735:17-20), with the largest single project being only three megawatts (ER353(48:23-49:05)).

In Fall 2011, BladeRoom contacted Facebook with an unsolicited offer to show Facebook its product. (Tr. 561:22-562:9, 627:2-8; ER1027-1029.) At that time, BladeRoom was still months away from the first commercial deployment of that product, its supposedly proprietary "armature" system. (Tr. 857:8-858:2.) Facebook had some early interest, and BladeRoom submitted a proposal to Facebook in July 2012. (ER1302-1366.) BladeRoom's proposal, however, was not tailored to Facebook's specific requirements. As Facebook saw matters, although it had specific needs, "[e]very time [it] saw [a BladeRoom proposal], it was a standard product layout." (Tr. 1930:13-1931:17.) BladeRoom "refused to change their standard product line." (*Id.*; *see also* ER1302-1366; Tr. 736:5-13, 739:6-15, 750:17-20, 2678:1-6, 2679:8-10.) In addition, BladeRoom's proposal carried a high price ($86 million for the data hall alone)—which BladeRoom believed would give it a 25-30% profit margin—and called for Facebook to pay 90% of the cost before installation began (Tr. 1930:13-1931:17; ER1030-1035; ER1341), prompting a key Facebook decision-maker to say, internally, "Screw that!" (ER1031).

Nevertheless, in July and August 2013, even as it was considering Emerson's design, Facebook was providing BladeRoom with specific information concerning its Lulea requirements and asking whether BladeRoom had "anything you might want to show us?" (ER1037.) BladeRoom "didn't feel comfortable putting anything forward" at that point, and admitted that the "arctic requirements ma[d]e some unique challenges beyond anything [BladeRoom] ha[d] seen before that [its] standard envelope c[ould] stand up to." (ER1036.) BladeRoom—which had little internal engineering capability (Tr. 735:10-14, 1131:4-1134:12)—made no further proposals.

C. BladeRoom's Relationship with Emerson and the NDA

In Summer 2011, before BladeRoom contacted Facebook, and before Emerson and Facebook began discussing Lulea 2, BladeRoom approached Emerson. BladeRoom was searching for a buyer or investor and had identified Emerson as a potential candidate. (Tr. 553:7-19.) As BladeRoom put it at the time, without outside investment, it "lack[ed] the resources to take full advantage of" its product. (ER874; *see* Tr. 808:24-809:25, 2920:1-2921:8.)

As part of those discussions, Emerson entered into a non-disclosure agreement (NDA) drafted by BladeRoom. (*See* Tr. 558:2-13; ER586-592.) The NDA's confidentiality obligations did not apply to information that already was in, or later entered, the public domain. (ER588, §3(a).) Critically, by its terms, the NDA expired after two years:

> The parties acknowledge and agree that their respective obligations under this agreement shall be continuing and, in particular, they shall survive the termination of any discussions or negotiations between [Emerson] and [BladeRoom] regarding the [potential acquisition of

> BladeRoom], *provided that this agreement shall terminate on the date 2 years from the date hereof*.

(ER590, §12 (emphasis added).) The NDA therefore terminated on August 17, 2013. (Tr. 3829:8-9.)

After initial discussions proved unproductive, Emerson and BladeRoom had little contact for some months. Emerson employees then visited BladeRoom in June 2012, touring a BladeRoom customer's facility, visiting BladeRoom's factory, and meeting with BladeRoom representatives. (Tr. 576:2-11.) Shortly thereafter, BladeRoom emailed Emerson a single document: a copy of a presentation called "Introduction to BladeRoom Data Centres" that BladeRoom had used during the visit. (ER601-602; ER603-671; Tr. 865:22-866:6, 874:10-13.) At trial, BladeRoom witnesses were unable to identify any confidential or trade secret information in the presentation. (*See* Tr. 874:19-898:23.)

BladeRoom's theory was that Emerson's 2012 visit was part of a conspiracy with Facebook to steal BladeRoom's trade secrets. (*See* Tr. 254:25-255:19.) BladeRoom's theory rested in large part on Facebook and Emerson each meeting with BladeRoom on the same days in June 2012, and the Emerson and Facebook representatives then meeting for dinner. (*Id.*; *see also* Tr. 1697:7-13, 2584:10-24.) But it is undisputed that *BladeRoom* chose the date for its meeting with Emerson, and chose a date when it knew Facebook would be visiting. (ER1041-1042

(BladeRoom agreeing to June 20-21 Facebook meeting); ER1425 (BladeRoom selecting June 20-21 for meeting with Emerson, rather than other dates Emerson proposed).) And while meeting with BladeRoom, an Emerson representative told BladeRoom's CEO Rogers that Emerson would be meeting that evening with Facebook, and reported to Rogers the next morning concerning the discussions. (ER593 ("As promised, I wanted to follow up to let you know how our discussions went with Facebook last night."); Tr. 590:10-17, 3207:11-23.)

III. The "Trade Secrets"

A. BladeRoom Crafts "Trade Secrets" for Litigation.

During its 2011 and 2012 efforts to attract investments from Emerson and others, BladeRoom touted its "intellectual property." (Tr. 682:14-22.) It pointed to patents, not trade secrets. (*See* ER1367-1424; *see also* ER873 ("The *patented* BladeRoom system is potentially a game-changer." (emphasis added)); ER874 ("key *patents* granted and pending" (emphasis added)).) Indeed, the portion of BladeRoom's marketing document—titled "Project Click" (ER871-899 at ER886)—that described "IP Protection" referred only to patents. (Tr. 929:3-931:9.) The first time Emerson heard that BladeRoom purportedly held trade secrets related to its "system" was in this litigation.

In fact, this litigation was the first time BladeRoom itself heard of those supposed trade secrets. As BladeRoom admitted, the "trade secrets" were crafted by its lawyers for this case. Rogers, who purportedly developed the trade secrets, testified that the trade secrets were "words written by a lawyer for legal reasons." (Tr. 653:2-4; *see also* Tr. 636:6-8.) Barnaby Smith, BladeRoom's head of sales—who was extremely knowledgeable concerning BladeRoom's product—admitted that he did not know what, if any, aspects of the product reflected trade secrets; as he testified, the term "trade secret" never "came up" at BladeRoom. (Tr. 663:4-7, 1286:2-9.)

B. The "Trade Secrets" Evolve.

BladeRoom initially alleged Facebook and Emerson misappropriated 25 trade secrets—with numerous subparts—to design and build Lulea 2. (ER1863-1885.) By the time of summary judgment, BladeRoom contended that Emerson had misappropriated only one of the original trade secrets—Trade Secret 1—along with seven newly-crafted "combination" trade secrets comprised of apparently random groupings of components of the original trade secrets. (ER1620, ¶¶63-64; *see also* ER1559-1562 (court finding that BladeRoom disclosed new combination trade secrets, "each of which consist[ed] of some permutation of its 25 separately-asserted trade secrets.").) The court granted defendants summary judgment as to a number of the asserted trade secrets. (ER1564-1565.) On the eve of trial, BladeRoom reduced the asserted trade secrets to five—four against Emerson—

and, after BladeRoom settled with Facebook, only those four went to the jury. (ER116-118.)

C. The "Trade Secrets" Asserted at Trial.

At trial, BladeRoom argued that Emerson misappropriated "Trade Secret 1" and "Combination Trade Secrets" 5, 8, and 9. (ER1929.)[3] BladeRoom explained that all the trade secrets made up its "armature solution." (Tr. 233:21-22 (BladeRoom counsel describing armature solution as what "we're here to talk about in this trial").) Trade Secret 1 is a high-level description of the "armature" system. In BladeRoom's lawyers' words, Trade Secret 1 is:

> **A method for construction** of a warehouse-sized data center whereby the data center is broken down into a series of sub-assemblies (which are not containers or volumetric modules), each of which is constructed in a factory before being transported to site. The sub-assemblies are designed to be erected on site to complete the data center following prescribed, uncomplicated steps and have:
>
> (1) **multi-purpose "chassis" sub-assemblies** that, when they arrive on site, are attached to vertical steel posts to form a ceiling, or the ceiling and the roof of the data center, or (in a multi-story data center) the ceiling of one story and the floor of the story above it;
>
> (2) **"service cassette" sub-assemblies** that are attached to the chassis sub-assemblies and distribute cabling for electricity, lighting, busways, or other services required by the data center throughout the data center; and

[3] Although BladeRoom did not label "Trade Secret 1" a combination trade secret, it is a compilation of separate elements and therefore a combination trade secret.

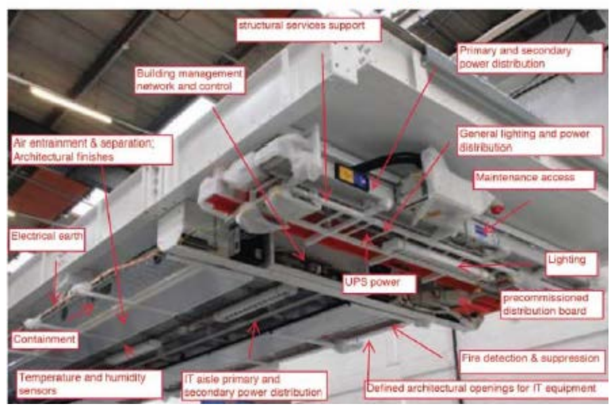
> (3) **air handling sub-assemblies** that cool and humidify the air inside the data center to maintain appropriate conditions for the electronic equipment inside the data center."

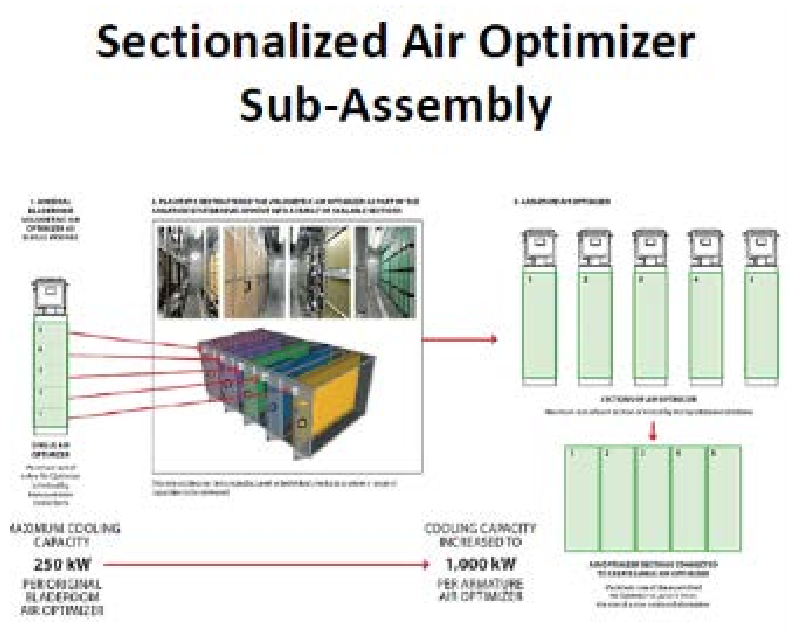
(ER1930 (emphases added).)

As BladeRoom's counsel explained, "[t]here are three main components, what BladeRoom calls sub-assemblies in the armature system" which are "described, again, in BladeRoom's trade secret 1." (Tr. 240:14-18.) Those three components are (1) the chassis; (2) the service cassette; and (3) the air optimizer. (Tr. 240:14-241:13.) At trial, BladeRoom depicted the sub-assemblies as follows (ER1438):

Chassis Sub-Assembly [Stack of Three]

Service Cassette Sub-Assembly





Per BladeRoom, the "combination trade secrets" are compilations of "more detailed information about each of these sub-assemblies." (Tr. 240:16-18.) For example, Combination 8 includes (1) a description of the chassis, including that it is a "rectangular, structural steel frame" (TS 2); (2) a description of the service cassette, including that it "[i]ncorporates . . . smoke alarms" (TS 4); and (3) the fact that the dimensions of the "chassis," "service cassette," and vertical support posts can be "varied" (TS 6.1 & TS 6.2). (ER1929, ER1931-1932, ER1934.)

D. Public Disclosures of "Trade Secrets"

BladeRoom applied for a patent on its armature system in August 2011. (Tr. 412:24-413:6, 770:4-5.) As provided by statute, and as BladeRoom knew, the application became public 18 months later, on February 14, 2013. 35 U.S.C. §122(b)(1). (ER1102-1127 ("PCT Pub. Date: Feb. 14, 2013"); Tr. 771:22-772:1, 423:10-13.) The patent, U.S. Patent No. 9,347,233 (the ’233 patent), issued on May 24, 2016. (ER1102-1127.)

BladeRoom’s ’233 patent discloses:

> A “method of constructing a data centre” (ER1117(1:5-9)), which allows one “to construct something more akin to a custom-built data centre” (ER1119(5:66-6:6)), using sections that “do not form complete volumetric units” (ER1126(19:39-40)). The sections “may be manufactured remotely” (ER1120(8:4-6)), and connected to each other on site, using “no skills beyond what a typical construction worker would possess” (ER1125(17:11-14)).
>
> (1) The ceiling is a “rectangular structure” made of “steel beams” (ER1120-1121(7:15-19, 10:28-34)), which is “lifted onto the corner and intermediate posts” (ER1125(17:22-23)). “The ceiling portion may be arranged to also function as a roof portion” and “as a floor portion, for example if the kit is for constructing a section of a multi-storey data centre.” (ER1120(8:27-30).)
>
> (2) The method includes “mounting (substantially) all of the mechanical and electrical . . . apparatus in chassis on the ceiling” (ER1118(3:49-51)) — also called “service cassettes” (ER1122(12:23-39)) — including “electrical power,” “busbars,” “a lighting system,” and “smoke sensor[s]” (ER1118(4:7-14, 4:24-25), ER1122(12:15-29, 12:35)).
>
> (3) There may also be a “cooling air supply module” which includes “fans,” “humidifiers,” “DX cooling coils,” and “air filters.” (ER1119(5:54-56), (ER1124-1125(16:65-17:1).)[4]

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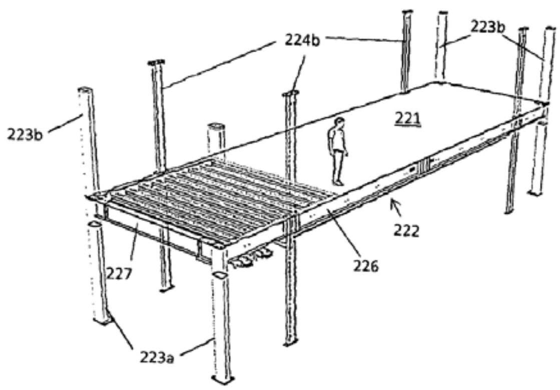
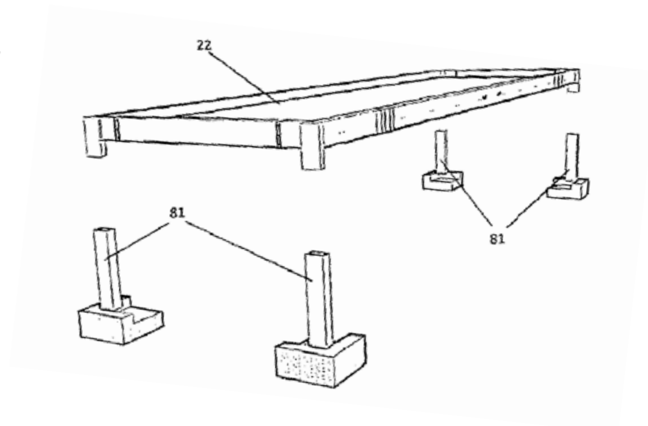
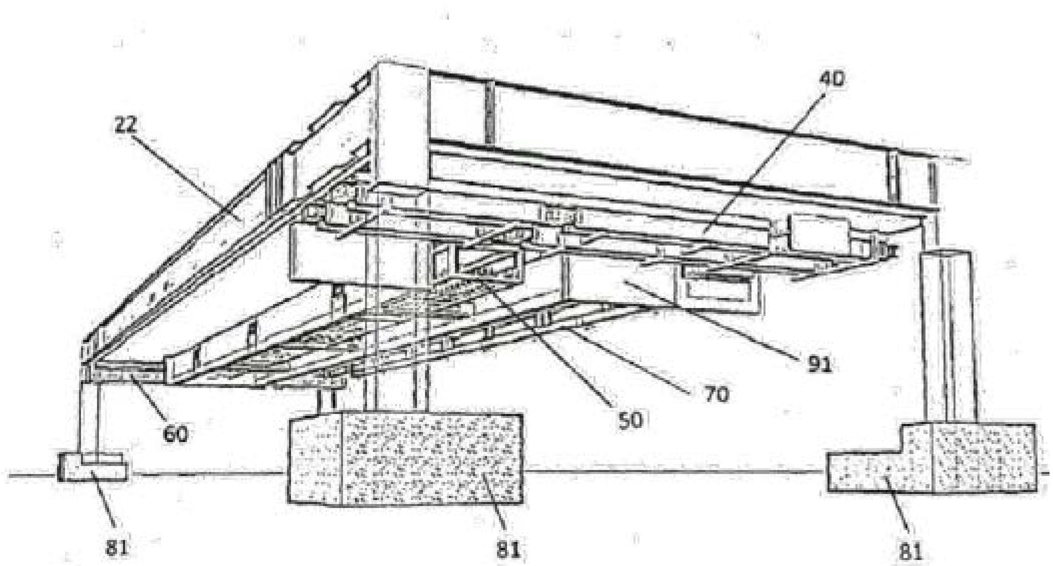
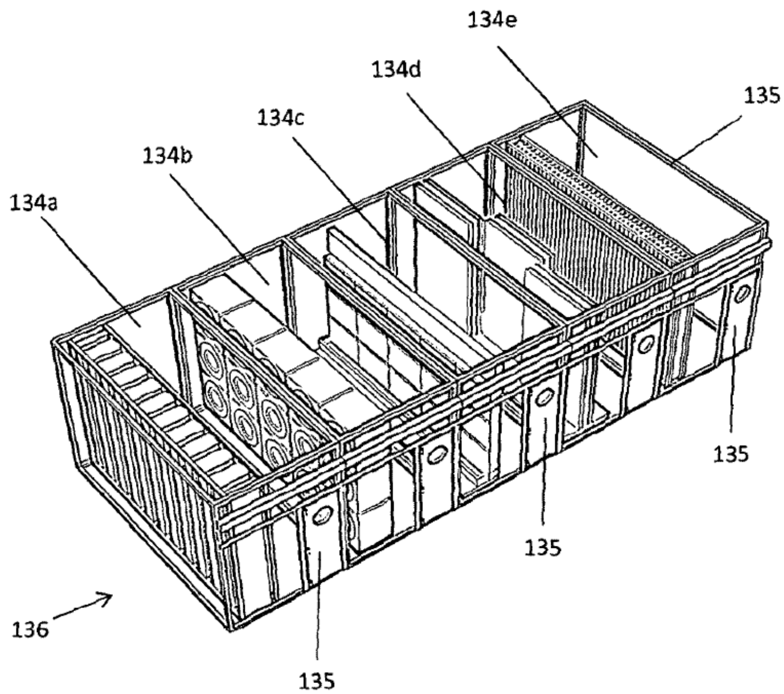
[4] BladeRoom disclosed additional details in another patent, published on December 1, 2011. (Tr. 764:1-3, 765:11-12, 768:23-769:16; ER1217-1301 (patent for “Data Centre Cooling System” disclosing an “air optimization unit” including “variable speed fans,” “air filters,” and “adiabatic cooler” and “DX cooling coils”).)

The patent goes into greater detail about each component of the armature system and depicts the covered technology as follows (ER1109(Figs. 8, 9), ER1112(Fig. 13b), ER1115(Fig. 16):









Even before the patent application became public, BladeRoom gave a public presentation on December 1, 2011, titled "The World's Most Energy Efficient Modular Data Centre Reveals its Secrets." (ER1147-1216.) The presentation focused primarily on the air optimizer, and also disclosed a "structural frame" assembled in a factory and "[p]re-engineered [mechanical and electrical] services" which could be fitted to the frame prior to installation. (ER1191.)

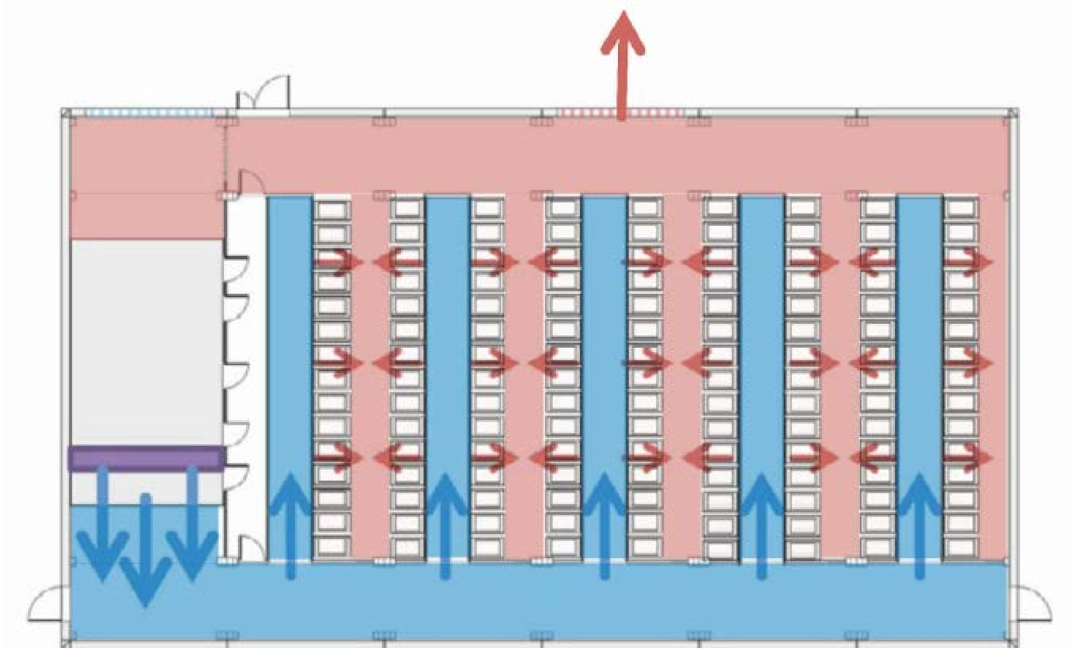
IV. The Technology

It is undisputed that Emerson's Unit IT data center system is different from BladeRoom's armature system. (*See* Tr. 265:19-20 ("[W]e [Bladeroom] also don't dispute that they may have made some changes in the final design that was used at Lulea.").) At trial, BladeRoom asserted only that parts of Emerson's design "came from what they learned from BladeRoom," not that Emerson copied BladeRoom's design or used the entire armature system. (Tr. 265:21-22.)

A. The Bladeroom Armature System

BladeRoom proposed to Facebook that its armature system be used for Lulea 2. (Tr. 252:10-12, 1120:5-7.) The data center thus would be at least 90% factory fabricated. (Tr. 664:17-665:4.) In at least four key respects, BladeRoom's proposal was not consistent with Facebook DNA. For example, BladeRoom's proposed data center used a high-cost, stackable steel chassis as a ceiling of one story and the floor of another, and was two stories, as depicted below. (Tr. 736:5-13, 2678:1-6.)

(ER1313.) The design forced air to bend using louvered doors, rather than flooding the data hall. (ER1357-1358; Tr. 739:6-9, 2691:17-2692:18.) And because of the steel chassis above the data hall, hot air was directed sideways, rather than naturally rising and exiting through the roof. (Tr. 739:6-22, 759:1-9, 2679:8-10, 2688:16-2690:22.) BladeRoom's proposal also did not have wider cold aisles and narrower hot aisles. (ER1310; Tr. 2689:5-13.)



(ER1358.)

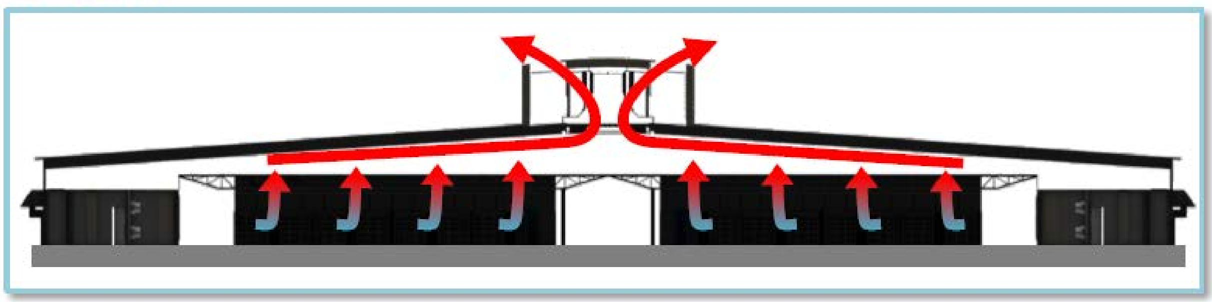
BladeRoom was never able to address Lulea's arctic conditions. As noted above, in August 2013, approximately one year after BladeRoom had made what it claimed was a formal proposal in July 2012, BladeRoom admitted that it had never before confronted arctic conditions like those in Lulea and doubted that its "standard envelope c[ould] stand up to" them. (ER1036.) BladeRoom never proposed any "envelope" that could.

B. Emerson's Unit IT

Although Emerson knew about BladeRoom's technology, it developed its own approach, and received its own patent for that approach, Unit IT. (ER996-1026.)

Unit IT allowed Emerson to construct a data center with (1) a single-story, open floor plan (Tr. 1556:16-17), (2) in which the data hall was flooded with cold air (Tr. 2690:15-22), (3) hot air vented out the top of the building because no solid steel chassis/ceiling blocked it (Tr. 2687:17-2688:12, 2691:17-2692:18), and (4) staff could access servers via wider cold aisles (Tr. 2682:23-2686:14). Emerson's design, similar to prior Facebook designs, looked like this (ER1437):

Luleå 2



Based on TX2288

The air-cooling system Emerson used at Lulea was similar to BladeRoom's, because it was based on Facebook's essentially identical preexisting technology. As BladeRoom witnesses acknowledged, the "similarities between [Facebook's] cooling approach and [BladeRoom's] [we]re staggering." (ER1128; *see also* Tr. 669:18-670:7.) Facebook agreed, describing BladeRoom's cooling system as "identical" to what Facebook was already using. (ER1027.)

Generally, however, because Emerson's design was tailored to Facebook's specific requirements, it was very different from the armature system. In fact, an executive with BladeRoom USA spent two days at Lulea 2 and called it the "least modular data center [he had] ever seen." (Tr. 653:22-663:3; ER672-673.) It was "100% bespoke [custom] to Facebook" (ER674; Tr. 679:15-21), and "very, very similar to the stick/field-build data centers that [Facebook] typically undertakes" (ER677).

Emerson's design could withstand Lulea's arctic conditions. (ER808-10; Tr. 2256:4-2261:21.) And Emerson's proposal was priced competitively, with a profit margin of about 10%. (Tr. 3915:12-15.)

V. The Trial

BladeRoom's claims for misappropriation of trade secrets and breach of the NDA were submitted to a jury, at a trial shaped by a number of key legal decisions.

A. Construction of the NDA.

Emerson asked the district court to rule that the confidentiality provisions of the NDA expired when the NDA did—August 17, 2013 (Tr. 3829:8-9)—and that the NDA therefore did not prohibit Emerson from using or disclosing any material after that date. (ER170-195(4018:25-4043:24).) Emerson sought to make this argument to the jury and proposed a jury instruction to that effect. (ER470.)

Not only did the court refuse to instruct the jury that the NDA's confidentiality provisions expired when the NDA did, but it adopted the opposite construction and forbade Emerson from even arguing its position to the jury:

"Emerson will be prohibited from arguing that Section 12 of the Confidentiality Agreement allowed Emerson to use Plaintiffs' confidential information after the 2-year termination of the contract without risking a breach." (ER57.)

The court then went further. Over Emerson's objection, the court allowed Andrew Godden, who signed the NDA for BladeRoom, to testify that, despite the NDA's clear language, he believed that "the information which was shared during the two year period would stay protected so . . . it couldn't be used against us at any point in time in the future, never mind just the two years of the agreement" (Tr. 2885:4-10), and that he "felt comfortable that any information that [BladeRoom] shared during the two year term of the agreement . . . would stay confidential, the obligations regarding that confidentiality would survive beyond that two year term" (Tr. 2886:1-4). Emerson was precluded from presenting any contrary evidence or argument. (ER53-57.)

B. Jury Instructions.

In defining "Combination Trade Secrets," the court instructed the jury that:

> A unique combination of characteristics or components can constitute a trade secret, *even if some or all of the individual elements are in the public domain or well-known to others*, so long as the *unified process or design is not generally known* to the public or to people who could obtain value from knowing it and affords an actual or potential competitive advantage to persons possessing the information.

(ER152 (emphases added).) The court then instructed that:

> A trade secret can be misappropriated by use *if any substantial portion of the secret is used*. The use *need not extend to every aspect or feature of the trade secret,* and the trade secret need not be used in its original form. Using a trade secret with independently created improvements or modifications can constitute misappropriation by use if the result is substantially derived from the trade secret.

(ER155 (emphases added).)

Emerson objected, arguing that, taken together, these instructions would allow the jury to find Emerson liable if Emerson used "any substantial portion" of BladeRoom's asserted trade secrets. If a combination that includes publicly-available information has independent value because its elements have been uniquely combined, it cannot be that using a different and less-inclusive combination of publicly-available information is wrongful. (ER508 (instructions "would permit the jury to find misappropriation by use where Emerson used only publicly-available information").) Emerson thus proposed a limiting instruction to make clear that it could not be liable for using a supposed trade secret combination unless it used *that* combination in its entirety:

> To establish misappropriation of a combination trade secret, BladeRoom must establish that each of the individual trade secrets that make up that combination trade secret was misappropriated. If any one of the individual trade secrets that make up a combination was not misappropriated, then you must find that the combination itself was not misappropriated.

(ER492.)

The court rejected Emerson's argument, gave the instructions BladeRoom requested, and refused to give Emerson's limiting instruction. (ER61.)

C. The Jury Verdicts.

Liability. Bound by these instructions, the jury returned irreconcilable verdicts. For the contract claim, the jury found that Emerson breached the NDA and was unjustly enriched by the breach. (ER116.) For the trade secret claim, the jury was not asked to reach an ultimate conclusion, but rather to render special verdicts to determine, for each "design[] and method[]" asserted to be a trade secret: (1) whether it was actually a trade secret, and (2) whether Emerson "improperly disclosed or used" it. (ER117.) The jury found two of the "designs and methods"—Trade Secret 1 and Combination 8—were trade secrets, but that the other two—Combinations 5 and 9—were not. (*Id.*)

The jury therefore found that two conglomerations of elements of the armature system were trade secrets, but that other conglomerations of overlapping elements of the same system were not. Indeed, the jury found that two combinations that included Trade Secret 1—the high level description of the whole armature system—as well as additional detail regarding the system *were not trade secrets* [Combination 5: TS1+TS2+TS4+TS5+TS6 and Combination 9: TS1+TS5+parts of TS6], but that Trade Secret 1 by itself *was* a trade secret. This makes no sense: if Trade Secret 1 qualified as a trade secret alone, then a combination of Trade Secret 1 with other elements—even publicly-known elements—would necessarily be a trade secret as well, particularly here, where the added elements merely provide more detail concerning the multi-component system supposedly covered by Trade Secret 1. Similarly, the jury found that Combination 5 [TS1+TS2+TS4+TS5+TS6] *was not* a trade secret but that a subset of those same elements [TS2+TS4+parts of TS6] that excluded Trade Secret 1 *was* a trade secret [Combination 8], another inexplicable conclusion.

The jury went on to find that Emerson "improperly disclosed or used" three of the four "methods or designs"—the two it had found constituted trade secrets, and Combination 9, which was not a trade secret. (ER117.)

Damages. The jury awarded $10 million for lost profits, and $20 million for unjust enrichment. (ER118.) Neither award was apportioned between the claims or by trade secret (*id.*), and neither corresponds to any amount presented at trial. (*See* ER262-263(3105:20-3106:10), Tr. 3925:13-3937:15.)

BladeRoom's damages expert testified that BladeRoom suffered actual damages of $106,936,921: $18,457,007 in lost profits for Lulea 2 and $88,479,914 for future opportunities BladeRoom supposedly would have had if it had gotten Lulea 2. (ER262-263(3105:20-3106:2).) He also urged the jury to award $205,545,151 for unjust enrichment, made up of the supposed "profits that Emerson has actually received by building Lulea 2" ($23,101,572), and a portion of the proceeds of Emerson's sale of several business units, including ENPS, Liebert, and Hyperscale, to Platinum Equity in 2016. (ER263(3106:5-10).) BladeRoom claimed that part of the sale proceeds, $182,443,579, was attributable to Emerson's involvement in Lulea. (*Id.*; ER269(3112:13-18).) That amount was BladeRoom's expert's calculation of the *entire value* of Hyperscale, not an increment supposedly due to Lulea or BladeRoom. (*See* ER269(3112:2-23), ER312-314(3155:1-3157:23).) The court held, however, that it was Defendants' burden to prove that BladeRoom was not entitled to Hyperscale's entire value, not BladeRoom's burden to prove that Defendants had actually obtained additional value as a result of the alleged misappropriation. (ER52.) Moreover, the evidence showed that Platinum Equity's original unsolicited offer—made before Platinum knew about Lulea 2—was the same as or higher than the ultimate purchase price. (Tr. 3402:4-3413:3; ER436(31:22-37:11).)

BladeRoom's damages model did not account for the evolution of BladeRoom's claims. Although BladeRoom's list of trade secrets shrank dramatically before trial, BladeRoom asserted that it was entitled to the same amount whether Defendants misappropriated one trade secret or 25 and regardless of whether Defendants were liable for breach of contract alone. (*See* ER270(3113:5-20) (BladeRoom's expert claiming that BladeRoom "alleged a number of various legal causes of action, and . . . these numbers are appropriate if

[you] find one of them to be infringed or violated or all of them.”); ER230(3073:14-18) (same.).)

But BladeRoom put on no evidence to support these assertions. In fact, BladeRoom called no experts to discuss the technology at all, including experts on whom its damages expert said he relied in assuming that damages would be the same no matter what. (ER1813 (BladeRoom responding to motion to strike by explaining that its damages expert “relie[d] on the opinions of Plaintiffs’ technical experts” that “each of these individual and combination Trade Secrets was a technical ‘lock on the door’ to Emerson being awarded the Lulea 2 contract”).)

Defendants objected, arguing that BladeRoom’s damages theory would “leave it to the jury to speculate as to what the appropriate measure of damages would be if it found Emerson liable for breach of the non-disclosure agreement and not for misappropriating any trade secrets or only some of the trade secrets . . . .” (ER1852.) The court rejected Defendants’ argument, and allowed BladeRoom to present lump-sum figures to the jury.

Then, despite asserting that no apportionment was necessary or possible, BladeRoom requested that the jury be asked to apportion damages by claim. (ER574-578.) Defendants objected, explaining that, because of the nature of BladeRoom’s damages claim, asking separate damages questions “risk[ed] the possibility that the jury w[ould] incorrectly award damages multiple times.”

(ER579-585.) The court rejected BladeRoom's request for claim-by-claim apportionment, and the court's verdict form provided only for lump-sum awards. (ER116-118; *see* Tr. 4083:4-4084:5.)

VI. Punitive Damages and Prejudgment Interest

Punitive Damages. The parties agreed to submit the question of punitive damages to the court after trial. Under California law, punitive damages of up to double an award of *trade secret misappropriation* damages are available. CAL. CIV. CODE §3426.3(c). Punitive damages are not available for breach of contract. *See Applied Equip. Corp. v. Litton Saudi Arabia Ltd.*, 7 Cal. 4th 503, 516 (1994) ("punitive damages may not be awarded for breach of contract 'even where the defendant's conduct in breaching the contract was willful, fraudulent, or malicious.'") (citation omitted).

The court awarded punitive damages of $30 million (ER4-9), even though the jury's verdict did not indicate whether any of the compensatory award (and if so, how much) was based on the trade secret claim. The court did not attempt its own allocation between claims and, in fact, found that there was *no way to do so based on the evidence*. In denying Defendants' motion to compel production of the Facebook settlement agreement, the court held:

> The jury's damages verdict, though differentiated between lost profits and unjust enrichment, is not apportioned between the two claims for which it found Emerson liable; that is, *there is no way for the parties*

> *or the court to know how much was awarded for breach of contract and how much was awarded for misappropriation of trade secrets. . . .* [T]he amount of lost profits awarded as tort damages . . . *could be any amount between zero and $10 million, and only the jury knows the number*.

(ER31 (emphases added).)

The court nonetheless multiplied the jury's full award, ruling that misappropriation of trade secrets "*could* support the amount of compensatory damages it awarded" (ER7 n.1 (emphasis added)), but not ruling (and having held that it was impossible to rule) that the jury's award rested on that claim.

Prejudgment Interest. Finally, the court awarded prejudgment interest on both lost profits and unjust enrichment beginning in October 2012 (ER8)—approximately 1.5 years before Facebook paid or Emerson received any money for Lulea (Tr. 2411:16-19, 2417:2-18), and approximately four years before the sale to Platinum (Tr. 3520:23-24).

SUMMARY OF ARGUMENT

The cornerstone of BladeRoom's claims is the August 2011 NDA. That is the contract Emerson allegedly breached, and that is the basis for BladeRoom's claim that information it disclosed was entitled to trade secret protection. The NDA expired on August 17, 2013. After that date, Emerson was free to use anything it had learned from BladeRoom without breaching the contract, and any trade secret protection that might earlier have applied to that information expired.

BladeRoom conceded—indeed, affirmatively argued—that Emerson could go from "clueless" to a full data center design in only three months with BladeRoom's information. The expiration of any confidentiality restrictions therefore should be dispositive because Facebook did not select Emerson for the Lulea project until late 2013 and construction did not begin until 2014, well beyond three months after the NDA expired.

The district court's contrary construction of the NDA was legally erroneous. The court ignored the contract's plain language—drafted by BladeRoom—relying instead on its own view of the contract's "purpose" and on self-serving and legally irrelevant testimony concerning BladeRoom's subjective intent. Without a proper understanding of the contract at the heart of the case, the jury could not possibly reach a proper conclusion. The judgment should be set aside.

The judgment also should be set aside because the court improperly instructed the jury regarding trade secret misappropriation. The court's instructions allowed the jury to base liability entirely on Defendants' use of public information that was not even asserted to have any independent value as a combination, in direct contravention of California law. Not surprisingly, the court's muddled instructions produced a muddled verdict, in which the jury found that particular elements both were, and were not, trade secrets. The court's legal errors and the irreconcilable special verdicts require a new trial.

Legal error undermines the damages awards as well. The court refused to require BladeRoom to apportion its claimed damages among the supposed trade secrets. BladeRoom argued that each trade secret was individually essential and that the lack of any one of them would have prevented Defendants from performing the Lulea project—each was a "lock" to which Defendants needed the "key." BladeRoom's damages expert conceded that his calculations rested entirely on this assertion, and he conceded that the assertion rested entirely on technical expertise he did not have and for which he looked to BladeRoom's technical experts. But BladeRoom never called those experts, leaving its damages claim resting on an assertion by an admittedly unqualified witness. The unjust enrichment award is unfounded for other reasons as well. It rests on a wholly speculative series of assumptions regarding Emerson's sale, years later, of certain business units, and on the court's legal error with respect to the burden of proof.

Even if the liability findings and compensatory awards could stand, the punitive damages cannot. Punitive damages can rest only on an award of trade secret damages. Here, there was no such award. The jury returned lump-sum awards, and the court expressly found that it is impossible to tell what amount, if any, the jury awarded on each claim. Without an identifiable trade secret award, there is no legal basis for punitive damages.

Finally, the $17+ million prejudgment interest award must be vacated. Prejudgment interest compensates a plaintiff for being deprived of the use of money during periods in which, but for the defendant's conduct, it would have had that money. Here, the court awarded interest from October 2012, years before BladeRoom, even under its own theory, would have received any money for Lulea and years before Defendants received any payments said to represent unjust enrichment, a legal error that inflated the award by millions. Beyond that, because the supposed unjust enrichment does not represent funds that BladeRoom otherwise would have received, prejudgment interest on that award is improper as a matter of law.

STANDARD OF REVIEW

This Court reviews the interpretation of contract provisions *de novo*. *Trustees of S. Cal. IBEW-NECA Pension Tr. Fund v. Flores*, 519 F.3d 1045, 1047 (9th Cir. 2008). The Court also reviews *de novo* whether jury instructions correctly state the elements of a claim and adequately cover the defendant's theories. *Peralta v. Dillard*, 744 F.3d 1076, 1082 (9th Cir. 2014) (en banc); *Dang v. Cross*, 422 F.3d 800, 804 (9th Cir. 2005). Similarly, denial of a motion for JMOL is reviewed *de novo*. *See First Nat'l Mortg. Co. v. Fed. Realty Inv. Tr.*, 631 F.3d 1058, 1067 (9th Cir. 2011). The same is true of a decision that punitive damages are available. *Bergen v. F/V St. Patrick*, 816 F.2d 1345, 1347 (9th Cir. 1987), *modified on reh'g*, 866 F.2d 318 (9th Cir. 1989).

Calculation of prejudgment interest is reviewed for abuse of discretion. *Blanton v. Anzalone*, 813 F.2d 1574, 1576 (9th Cir. 1987). Failure to apply the law correctly is an abuse of discretion. *Id.*

ARGUMENT

I. The District Court Erred As A Matter Of Law By Holding That The NDA Continued In Effect After August 2013, Contrary To Its Plain Language.

The district court misinterpreted the NDA, ignoring the ordinary meaning of its terms in favor of the court's perception of its "purpose" and BladeRoom's asserted subjective intent. The court's legal error infected both the breach of contract and misappropriation verdicts, and both must be reversed.

A. The Court Misinterpreted the NDA as a Matter of Law.

Under English law, which governs the NDA (ER591, §16), contract interpretation starts with the ordinary and natural meaning of the contract language. *Chitty on Contracts*, vol. 1, §13-055. A court may not "revise the words used by the parties, or . . . put upon them a meaning other than that which they ordinarily bear, in order to bring them into line with what the court may think the parties ought to have agreed, or what the court may think would have been a reasonable contract for the parties." *Id.*, §13-088. Because "[i]t is no part of the court's function to rewrite the contract for the parties," a party "will not be permitted to say that 'something has gone wrong with the language' in order to save [it]self from the consequences of [its] own . . . drafting." *Id.*, §13-083 (citation omitted); *id.* n.386 ("the court will not rewrite the bargain that the parties have freely chosen to make."). It is therefore "'only in exceptional cases' that commercial common sense can 'drive the court to depart from the natural meaning of contractual provisions.'" *Id.*, §13-083 (citation omitted).

Here, the NDA provided that the parties'

> respective obligations under this agreement shall be continuing and, in particular, they shall survive the termination of any discussions or negotiations between [Emerson] and [BladeRoom] regarding the [potential acquisition of BladeRoom], *provided that this agreement shall terminate on the date 2 years from the date hereof*.

(ER590, §12 (emphasis added).)

Looking first, as required, to the ordinary meaning of the words, the "provided that" clause modifies *all* of the parties' "respective obligations under [the] agreement," including confidentiality obligations. A clause that begins with "provided that" places a condition or exception on the preceding language. *See* BLACK'S LAW DICTIONARY 1420 (10th ed. 2014) ("a provision that begins with the words *provided that*" is a "proviso" and "supplies a condition, exception, or addition"); A DICTIONARY OF LAW 493 (8th ed. 2015) (English law dictionary) ("proviso" is a "clause in a . . . legal document introducing a qualification or condition to some other provision, frequently the one immediately preceding the proviso itself."); Margaret Shertzer, THE ELEMENTS OF GRAMMAR 46 (1986) (dependent clause beginning with "provided that" expresses a condition on the main clause). *See also In re Rodney*, 73 Cal. App. 4th 36, 40 (1999) (clause beginning with "provided that" "modifies its antecedent."); *Piatak v. Black Hawk Coll. Dist. No. 503*, 647 N.E.2d 1079, 1082 (Ill. App. 1995) ("[T]he subordinate conjunction is 'provided that,' which indicates that the dependent clause is placing a condition upon the operation of the main clause.").

The natural reading of the "provided that" clause is therefore as a limitation on the preceding language of Section 12: the parties' obligations under the NDA (all of them) were continuing, including after negotiations concluded, *but they terminated after two years*. If the drafter (BladeRoom) wanted the NDA's confidentiality obligations to survive, it could (and should) have omitted the proviso altogether or modified it to say "provided that this agreement *other than the confidentiality obligations set out herein* shall terminate on the date 2 years from the date hereof." Indeed, the contract elsewhere imposes limitations specifically on the "confidentiality obligations and undertakings set out in this agreement." (ER588-589, §3.) And in another provision, the NDA specifies that certain obligations last only for "a period of 18 months." (ER588, §2(j) (obligations not to solicit employees or clients).) In contrast, nothing in the NDA exempts the confidentiality obligations from the two-year expiration. The language is clear: the agreement and all of the "respective obligations" it imposed terminated two years after execution.[5]

Instead of applying the NDA's language, the district court gave three reasons for refusing to hold that the confidentiality obligations expired when the NDA did. "First, *the purpose* and context" of the NDA was "to allow the exchange of confidential information in connection with a possible acquisition or business transaction," not "to provide a technology transfer after 2 years"; second, "*the purpose* of the contract is to protect information, not provide for its release after 2 years," so "a reasonable businessperson in either party's position would not have contemplated Emerson's construction"; and third, "Emerson's construction would lead to an absurd result . . . for these same reasons." (ER56-57 (emphases added).)

That the NDA was intended to protect information for a period of time is not inconsistent with and does not undo its plain language setting a date on which it—

[5] If there were any ambiguity, English law construes ambiguity against the drafter, BladeRoom. *Chitty on Contracts*, vol. 1, §§13-095, 13-096; *Tam Wing Chuen v Bank of Credit & Commerce Hong Kong Ltd* [1996] 2 B.C.L.C. 69, 77 (Lord Mustill), applied in *Lexi Holdings Plc v Stainforth* [2006] EWCA Civ 988 ("[A] person who puts forward the wording of a proposed agreement may be assumed to have looked after his own interests, so that if the words leave room for doubt about whether he is intended to have a particular benefit there is reason to suppose that he is not.").

in its entirety—would expire. Nor is this an "exceptional case" where it would be so unreasonable for the parties to have meant what they said that the court may rewrite the contract. Reasonable businesspeople routinely contract for confidentiality obligations to expire, even in agreements principally intended to protect information. Courts construing those contracts—including this Court—enforce the time limits the parties choose.

For example, in *Union Pacific Railroad Co. v. Mower*, 219 F.3d 1069 (9th Cir. 2000), this Court held that confidentiality obligations terminated on the date specified in the agreement. *Id.* at 1075-76. As here, the plaintiff asked the Court to hold that the defendant was required to keep information confidential although the confidentiality provisions had expired under the agreement's terms. As here, the plaintiff urged that interpretation because "an intention to protect any confidential or privileged information held by [the other party] was at the core of the [agreement]." *Id.* This Court agreed that the contract was intended to protect information, yet declined to rewrite the contract, holding it "must give effect to the unambiguous time limitation established by the parties." *Id.* at 1075. The Court held that the plaintiff had "apparently concluded that the value of the information in question would diminish after several years," and "that [its] choice may have proved unwise d[id] not alter the legal effect of the bargain it made." *Id.* at 1076; *see also Chitty on Contracts*, vol. 1, §13-087 ("[T]hat the contract has worked out badly . . . for one contracting party is not of itself a sufficient reason for departing from the ordinary and natural meaning of the words used by the parties.”). So too here.

Indeed, it was especially reasonable for these parties to agree that confidentiality provisions would expire. Not only are data centers highly visible structures that can be readily seen and inspected, but BladeRoom filed a patent application disclosing its armature system in August 2011—the same month it signed the NDA. (Tr. 412:24-413:6, 770:4-5.) BladeRoom knew that, pursuant to 35 U.S.C. §122(b)(1), the application would become public no more than 18 months later, whether or not a patent issued. The court could not “accept that a reasonable businessperson would contract for the release of confidential information based on [what the court considered] the speculative possibility that patents might issue in the future.” (ER57.) But it was not the *possibility* of obtaining a patent that mattered; it was the *certainty* that the information would be public before the contract expired. BladeRoom therefore could reasonably conclude that there was no need, and no ability, for the NDA to create perpetual confidentiality obligations. By the time the NDA expired, the armature system would be disclosed to the public, and either protected by a patent or not protected at all.

The court further erred by relying on BladeRoom testimony about its purported intent. Under English law, courts may not consider "the subjective understandings of the parties to the contract or the meaning which they subjectively ascribe to the term in dispute and *such evidence is therefore inadmissible*." *Chitty on Contracts*, vol. 1, §13-048 (emphasis added); *Reardon Smith Line Ltd. v. Yngvar Hansen-Tangen* [1976] 1 W.L.R. 989, 996 (per Lord Wilberforce) ("the parties cannot themselves give direct evidence of what their intention was . . ."). Yet the court explicitly relied on such self-serving testimony and allowed the jury to do so as well. (*Supra* at 25; ER57 ("[T]he only evidence in the record from one of the agreement's signatories shows that[] he at least intended any information exchanged would remain confidential.").)

In sum, the court committed legal error in refusing to give effect to the plain language of the NDA and instead relying on extrinsic evidence of BladeRoom's purported "subjective understandings." *Chitty on Contracts*, vol. 1, §13-048; *id.*, §13-088. The language and objective intent of the agreement are clear: all obligations expired on August 17, 2013.

B. The Court's Error Fatally Infected Both the Breach of Contract and Trade Secret Verdicts.

Because the NDA—including its confidentiality provisions—expired on August 17, 2013, Emerson could not breach the NDA by using or disclosing information after that date. *See generally Marketel Int'l, Inc. v. Priceline.com, Inc.*, 36 F. App'x 423, 424-25 (Fed. Cir. 2002) ("After the expiration of [the] non-disclosure agreement," the "agreement was no longer enforceable.").

Emerson also could not misappropriate any supposed BladeRoom trade secret after August 17, 2013. Under California law, "if an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, . . . his property right is extinguished." *Altavion, Inc. v. Konica Minolta Sys. Lab., Inc.*, 226 Cal. App. 4th 26, 57 (2014) (citations omitted). A plaintiff therefore cannot prove misappropriation when it has disclosed its secrets without the protection of an NDA, or when "the information was disclosed under a non-disclosure agreement with only a limited duration." *Silicon Image, Inc. v. Analogix Semiconductor, Inc.*, 2008 WL 166950, *16 (N.D. Cal. Jan. 17, 2008) (citing CAL. CIV. CODE §3426.1(d)(2)).

Thus, when the parties to an NDA specify a period during which trade secrets are protected, the agreed time limit governs. *See Union Pac.*, 219 F.3d at 1075-76.[6] Indeed, the Federal Circuit, applying California law, has repeatedly

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[6] While *Union Pacific* applied Oregon common law, California law dictates the same result. *See Marketel Int'l,* 36 F. App'x at 425 (applying *Union Pacific* to find CUTSA claim precluded by expiration of NDA); *Convolve, Inc. v. Compaq Computer Corp.*, 527 F. App'x 910, 924 (Fed. Cir. 2013) (finding *Union Pacific* "fully consistent with general principles of California contract law" and collecting California cases).

rejected CUTSA claims in circumstances like these. In *Marketel Int'l*, a defendant's alleged use of a trade secret occurred after an NDA had expired. 36 F. App'x at 424-25. Plaintiff nonetheless asserted that defendant "had a duty of infinite duration not to disclose information for any purpose other than raising capital." *Id.* at 425. The court rejected that argument, relying on *Union Pacific* to hold that the "misappropriation claim [was] barred by the expiration of the non-disclosure agreement" because the "written non-disclosure agreement supplanted any implied duty of confidentiality that may have existed." *Id.* The Federal Circuit subsequently reaffirmed this holding, explaining that, "[i]f the parties have contracted the limits of their confidential relationship regarding a particular subject matter, one party should not be able to circumvent its contractual obligations or impose new ones over the other via some implied duty of confidentiality." *Convolve, Inc.*, 527 F. App'x at 925.[7]

[7] *See also Structured Capital Sols., LLC v. Commerzbank AG*, 177 F. Supp. 3d 816, 835-36 (S.D.N.Y. 2016) (misappropriation claim failed because plaintiff "had disclosed the [alleged trade secret] to a third party years before, pursuant to a nondisclosure agreement that had long since expired" and "[o]nce a third party's confidentiality obligation . . . expires, so does the trade secret protection"); *ECT Int'l, Inc. v. Zwerlein*, 597 N.W.2d 479, 485 (Wis. App. 1999) (affirming dismissal of misappropriation claim when confidentiality agreement specified that information was to be kept confidential for one year, thereby "manifest[ing] [plaintiff's] intent that after one year there was no need to maintain the secrecy of any sensitive and confidential information").

Thus, both the contract and misappropriation verdicts must be set aside. The jury was not instructed that the NDA's confidentiality provisions expired before Facebook and Emerson entered into the Lulea contract, and heard only one-sided assertions from BladeRoom that they *did not expire*. BladeRoom then argued that Emerson could go from "clueless" to a complete design in only three months using BladeRoom's information (Tr. 4149:16-24) and that Emerson breached the NDA by using that information after August 17, 2013, including when constructing Lulea 2 in 2014. Not only was the jury not able to take the NDA's expiration into account in evaluating BladeRoom's contract claim, it also was not able to consider the NDA's expiration in assessing the trade secret claim. The jury's verdicts therefore cannot stand, on liability or damages. *See Texas Advanced Optoelectronic Sols., Inc. v. Renesas Elecs. Am., Inc.*, 895 F.3d 1304, 1317 (Fed. Cir. 2018) (vacating damages award that "encompassed damages attributable to sales that occurred long after the [purported trade secret] was no longer a trade secret"), *cert. denied*, 139 S. Ct. 2741 (2019).

II. The District Court Erred By Instructing The Jury That It Could Find Trade Secret Misappropriation Based On Emerson's Alleged Use Of Publicly-Available Information.

"Jury instructions must fairly and adequately cover the issues presented, must correctly state the law, and must not be misleading." *White v. Ford Motor Co.*, 312 F.3d 998, 1012 (9th Cir. 2002). A "party is entitled to an instruction about [its] theory of the case if it is supported by law and has foundation in the evidence." *Dang*, 422 F.3d at 804–05 (citation omitted). Once legal error is established, prejudice is presumed unless the opposing party proves the error was harmless. *Gantt v. City of Los Angeles*, 717 F.3d 702, 707 (9th Cir. 2013).

Here, the instructions permitted the jury to find trade secret misappropriation based exclusively on use of information "in the public domain or well-known to others"—a clear misapplication of California law. The error was critical, because at least portions of all of BladeRoom's "trade secrets" were publicly available during the relevant period.

A. The Instructions Misstated California Law, Which Requires Use of *Secret* Information.

Under California law, one cannot be liable for misappropriation of trade secrets based on use of information "generally known to the public or to other persons who can obtain economic value from its disclosure or use." CAL. CIV. CODE §3426.1. Trade secrets can include combinations in which individual elements are publicly known, but the specific combination—the particular way the elements fit together—is not. The value of such trade secrets is in the combination, not individual component parts.[8] Thus, only the combination must

[8] *See Strategic Directions Grp., Inc. v. Bristol-Myers Squibb Co.*, 293 F.3d 1062, 1065 (8th Cir. 2002) (affirming summary judgment because plaintiff did not identify a combination that had value independent from its publicly-known parts);

be secret, not each individual element standing alone. *Altavion, Inc.*, 226 Cal. App. 4th at 48.

The flip-side is that misappropriation requires use of *what is secret*—the overall combination—not some subset of public elements. For example, the Seventh Circuit recognized that a formula for ink could be a trade secret despite public disclosure of each of the ingredients, but held that plaintiff must prove the defendant used *what remained secret* about that formula: "the *precise proportions* of the ingredients." *Am. Can Co. v. Mansukhani*, 742 F.2d 314, 327, 329-30 (7th Cir. 1984); *see* Tait Graves & Alexander Macgillivray, *Combination Trade Secrets and the Logic of Intellectual Property*, 20 SANTA CLARA COMPUTER & HIGH TECH. L.J. 261, 284 n.58 (2004) ("[C]ombination claims often fail for the simple reason that the defendant did not use or disclose the claimed set of elements.").

Here, the jury was instructed that it could find liability if Emerson used "any substantial portion" of BladeRoom's trade secrets, all of which were combinations that included public elements. (ER155 ("A trade secret can be misappropriated by use *if any substantial portion of the secret is used*." (emphasis added); *supra* at 25-

Integrated Cash Mgmt. Servs., Inc. v. Dig. Transactions, Inc., 920 F.2d 171, 174 (2d Cir. 1990) (it is the way "various components fit together as building blocks in order to form the unique whole," the "unified process, design and operation of which, in unique combination, affords a competitive advantage [that] is a protectable secret") (citations omitted).

27.) That instruction, as applied to a trade secret that includes publicly-available information, misstates the law.

Another California federal court, facing the same situation, refused to instruct the jury that "[u]se of any substantial portion of a trade secret constitutes misappropriation," precisely because the trade secrets were combinations. *GSI Tech., Inc. v. United Memories, Inc.*, 2016 WL 3035699, *6 (N.D. Cal. May 26, 2016). Although "misappropriation can occur by partial use in some circumstances," the instruction "was overbroad and incorrect" because the claimed trade secrets combined private and publicly-available information. *Id.* Thus, instructing the jury that "use of any substantial portion of a claimed trade secret—i.e., part of a schematic—is misappropriation . . . would have encompassed making [defendant] liable for using the parts of the schematics that are . . . publicly available information." *Id.* The same reasoning applies here.

B. The Erroneous Instructions Prejudiced Emerson, Because Substantial Components of the Asserted Trade Secrets Were Public.

These errors mattered, because at least some elements of BladeRoom's "trade secrets" were indisputably in the public domain. As discussed above, the NDA ceased to provide for confidential treatment in August 2013. Even before that, BladeRoom's '233 patent, published in February 2013, disclosed every value-adding element of the armature system purportedly covered by the trade secrets, particularly when viewed in light of prior patents.[9] (*See* Tr. 266:21-267:1, 412:22–413:13, 770:4-5; ER1102-1127, ER1063-1101, ER1217-1301.) It is well established that "[m]atters disclosed in a patent publication destroy any trade secret contained therein." *Henry Hope X–Ray Prods., Inc. v. Marron Carrel, Inc.*, 674 F.2d 1336, 1342 (9th Cir. 1982); *Ultimax Cement Mfg. Corp. v. CTS Cement Mfg. Corp.*, 587 F.3d 1339, 1355 (Fed. Cir. 2009) (applying California law and holding that when a "trade secret" was disclosed in a patent, summary judgment was appropriate); *Resonance Tech., Inc. v. Koninklijke Philips Elecs., N.V.*, 2008 WL 4330288, *3 (C.D. Cal. Sept. 17, 2008) ("[P]atented information cannot be a trade secret."); *see also* 92 A.L.R.3d 138 ("[I]ssuance of a patent on an invention that is also claimed to be a trade secret constitutes a public disclosure of the subject matter of the trade secret and results in an abandonment of the element of secrecy necessary for a trade secret.").

As summarized above (pp. 17-20), BladeRoom's '233 patent filing publicly disclosed a "method of constructing a data centre" (ER1117(1:5-9)) using non-volumetric components "manufactured remotely from the site" (ER1120(8:4-6)) and then assembled on-site without the need for special skills (ER1125(17:11-14)). The disclosed components include a steel ceiling portion that is mounted on

[9] Even earlier, on December 1, 2011, BladeRoom publicly disclosed at least portions of its purported secrets in "The World's Most Energy Efficient Modular Data Centre Reveals its Secrets." (ER1147-1216.)

vertical posts (ER1120(7:15-19), ER1121(10:28-34), ER1125(17:22-23)) and can form the ceiling for one level and the floor of an upper level (ER1120(8:27-30)). The publicly-disclosed method uses a service-carrying chassis or "service cassette" that is mounted to the ceiling portion (ER1118(3:21-24)) and carries electrical, lighting, cabling, bus bars, and other systems (ER1118(4:1-25), ER1122(12:15-39)). The method also includes a "cooling air supply module" with fans, humidifiers, filters, and cooling components (ER1119(5:54-56), ER1124-25(16:65-17:1)). That is the "armature system."[10] (*Compare* ER1928-1935, quoted at pp. 15-16, *supra.*)

The court recognized that Defendants "presented evidence in support of a public disclosure theory" but held that "the jury was seemingly unmoved by it." (ER38.) But the jury, relying on the erroneous instructions, could readily have found misappropriation based entirely on the use of public information, even if it was deeply "moved" by Defendants' evidence. Indeed, BladeRoom led the jury down that precise path, arguing that even if patents or other publications disclosed

[10] Additional armature system details described in "Combination Trade Secret 8" were also disclosed in the '233 patent. (*E.g.*, *compare* ER1931 (describing a "rectangular, structural steel frame that acts as a ceiling"), *with* ER1120(7:15-19) and ER1121(10:28-34) (describing a "ceiling portion" that is "a rectangular structure" made of "steel beams"); and ER1932 (the service cassette includes "internal architectural finishes, making it unnecessary to provide traditional ceiling details"), *with* ER1121(10:54-55) ("[t]he internal finish of the walls and ceiling is a plastic coated galvanised steel finish").)

the trade secrets, "nobody from Emerson says that they ever looked at any BladeRoom patents" and "no one came in here and testified that they knew from publicly available information . . . anything about any of BladeRoom's trade secrets." (Tr. 4160:23–24, 4257:12–14; *see also* Tr. 779:17-780:11.) That misses the point: "how [the defendant] obtained the alleged secret information . . . is irrelevant if there is no secret." *Ultimax Cement*, 587 F.3d at 1355–56 (rejecting argument that publication in a patent does not destroy a trade secret "unless [the defendant] also obtained the secret from the [patent]").

The trade secret verdicts therefore must be vacated, *see Dang*, 422 F.3d at 812; *Gantt*, 717 F.3d at 709, along with the damages awards, which do not distinguish between breach of contract and misappropriation, *see U.S. ex rel. Benz v. Reddy*, 42 F. App'x 941, 943 (9th Cir. 2002) (courts must "assume that the lump-sum . . . damage awards, which covered both claims, were based, to some extent, on" the invalid theory, and because "it is impossible . . . to tell what portion of the damage awards is attributable to" that invalid theory, remanding for new trial on liability and damages).

III. The Trade Secret Verdicts Are Irreconcilable And Must Be Reversed.

Given erroneous instructions, the jury returned indecipherable verdicts: it found the same information both a trade secret and not a trade secret. When there is such a "fatal inconsistency" between special verdicts, this Court vacates and remands. *Floyd v. Laws*, 929 F.2d 1390, 1396 (9th Cir. 1991). Here, the jury's special verdicts regarding the alleged trade secrets are irreconcilably inconsistent.

BladeRoom claimed all of the "trade secrets" were encompassed in the armature system. (*See* Tr. 2951:5-6 (BladeRoom's counsel stating "all of the trade secrets . . . encompass the armature system as a whole."); Tr. 233:21-22, 240:14-18.) Yet the jury, reviewing four different collections of elements of that system, found that two were trade secrets, while two were not. Even more bewildering, the jury found the same elements were both trade secrets and not trade secrets.

First, the jury found that the armature system as described in Trade Secret 1 was a trade secret, but that two other alleged trade secrets—Combinations 5 and 9—that *included Trade Secret 1* and provided *more detail* about its components were not. Combination 5 includes Trade Secret 1 and adds details regarding (1) the chassis; (2) the service cassette; (3) the air optimizer; and (4) that these sub-assemblies can be used in flexible dimensions and configurations. Combination 9 is a subset of Combination 5 which likewise includes Trade Secret 1. (ER1928-1935.) If Trade Secret 1 is a trade secret alone, then another combination that includes it along with details regarding particular components should also be a trade secret; as explained above (pp. 46-48), if Trade Secret 1 is valuable and secret on its own, combining it with other elements, even public elements, would not make it less so. Certainly, BladeRoom did not argue and the evidence did not suggest that *excluding* details of the armature system created a new, valuable combination. Yet that is what the jury found.

Second, the jury found that Combination 8 *was* a trade secret, but that Combination 5—a combination of the same elements plus additional details—*was not*. Combination 5 is identical to Combination 8, except that it includes Trade Secret 1, which the jury separately found *was* a trade secret, and additional specificity about the air-handling sub-assembly. (ER1928-1935.) If the combination of all the elements in Combination 5 was not a trade secret, it is impossible that a combination of those same elements *minus* elements relating to air handling was a trade secret.

Because the jury's special verdicts cannot all be correct, and this Court cannot disregard any of them, each misappropriation verdict must be vacated, along with the damages awards. *See Molina v. City of Oxnard*, 173 F. App'x 577, 581 (9th Cir. 2006).

IV. The Damages Award Is Unsupported As A Matter Law.

A. The Damages Award Has No Foundation in the Record.

BladeRoom's damages model was originally based on an assumption that Facebook and Emerson misappropriated 16 "trade secrets" (eight by Facebook alone) and breached their NDAs. (ER1620-1621, ¶¶63-64.) BladeRoom refused to apportion damages by trade secret or claim. Even though the number of "trade secrets" declined—the jury considered only four "trade secrets"—BladeRoom's damages model remained largely the same. (*Compare* ER262-263(3105:20-3106:10), *with* ER1593-1594.) When the jury rejected half of the remaining "trade secrets," it was left to speculate about what damages might be appropriate, and awarded damages untethered to any evidence.

BladeRoom's damages expert, Michael Wagner, testified that misappropriation of multiple trade secrets caused a single aggregate amount of damages. In such a case, if the jury finds that not all of the purported trade secrets were trade secrets, the expert's testimony is "useless," and the plaintiff fails to prove damages. *O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, 399 F. Supp. 2d 1064, 1077 (N.D. Cal. 2005), *amended by* 420 F. Supp. 2d 1070 (N.D. Cal. 2006); *see also Mattel, Inc. v. MGA Entm't, Inc.*, 782 F. Supp. 2d 911, 1046 (C.D. Cal. 2011).

BladeRoom nonetheless refused to apportion damages on the theory that each supposed trade secret was essential to Lulea 2, so it was entitled to the same amount whether Defendants misappropriated one trade secret or 16 and regardless of whether Defendants were liable for trade secret misappropriation or breach of contract, or both. But BladeRoom put on no evidence to support this lock-and-key theory—just unsupported assertions by its damages expert, with no basis in the evidence. (*See* ER230(3073:14-18), ER270(3113:5-15), ER282-283(3125:25-3126:18).)

Wagner is an attorney and CPA who testified as an "expert in commercial damages analysis." (ER223-225(3066:9-3068:13), ER226(3069:24-25).) His entire career has been spent in accounting and financial consulting firms, and he claimed no expertise with respect to data centers. (ER223-225(3066:9-3068:20), Tr. 4009:17-20.) Accordingly, prior to trial, Wagner represented that he was relying on BladeRoom's "technical experts" to support his central assumption that use of any "trade secret" or all of them would result in the same damages. (ER1651-1653; ER1787, ¶¶133–35, 507 ("*Based on the opinions provided by Plaintiff's technical experts*, all [the damages presented at trial] would be awarded for Trade Secret 1 and/or any of the combination trade secrets." (emphasis added)); ER1813, ER1818-1819 (BladeRoom arguing "Mr. Wagner relies on the opinions of Plaintiffs' technical experts").) But BladeRoom never called any technical expert at trial, including those on whom Wagner planned to rely, leaving his key assumption—that without each supposed trade secret, Defendants could not have constructed Lulea—wholly unsupported.

Wagner's unsupported assumptions are legally insufficient to support BladeRoom's damages claim. Where a damages expert bases his opinion on assumptions that "are without support in the record, the reviewing court should reject as clearly erroneous the finding based on such testimony." *United States v. 47.14 Acres of Land*, 674 F.2d 722, 726 (8th Cir. 1982). Although a damages expert may base his computations on factual assumptions, those assumptions must ultimately be proved; the expert's assumptions are not themselves evidence for his computations—the underlying evidence must be presented. *See, e.g., Mike's Train House, Inc. v. Lionel, LLC*, 472 F.3d 398, 409 (6th Cir. 2006) (expert cannot testify regarding non-testifying expert's conclusions); *Dura Auto. Sys. v. CTS Corp.*, 285 F.3d 609, 613-14 (7th Cir. 2002) (expert in one discipline cannot testify regarding opinions of expert in another); *United States v. Copeland*, 291 F. App'x 94, 97 (9th Cir. 2008) (opinion of non-testifying expert on which testifying expert relied is inadmissible hearsay); 6 HANDBOOK OF FED. EVID. § 703:1 (8th ed.) (testifying expert may not be "a conduit for the opinion of another expert who is not subject to cross-examination") (citation omitted). Wagner did not purport to be an expert in data center technology, and his "rank speculation" about the importance of each individual trade secret is not enough. *See Storage Tech. Corp. v. Cisco Sys., Inc.*, 395 F.3d 921, 926-27 (8th Cir. 2005); *Alcatel USA, Inc. v. Cisco Sys., Inc.*, 239 F. Supp. 2d 660, 667-73 (E.D. Tex. 2002) (finding opinion too speculative when plaintiff "attempt[ed] to attribute . . . every penny of the Wavelength Router technology to the value of its alleged trade secrets").

If a plaintiff's damages theory assumes the same harm would result even if the defendant took less than everything alleged, the plaintiff must prove that assumption. Otherwise, if the jury finds the defendant took only part of everything alleged, the plaintiff has not proven its case. *See O2 Micro,* 399 F. Supp. 2d at 1076. The jury here found that Defendants did not misappropriate or improperly use all that BladeRoom alleged. Without any evidence to support Wagner's key assumption, or evidence that tied particular damages to the particular misappropriation and breach of contract the jury found, the jury was "left without sufficient evidence, or a reasonable basis, to determine . . . damages," and its award "was based on speculation and guesswork, not on evidence." *O2 Micro*, 399 F. Supp. 2d at 1077; *cf. Texas Advanced Optoelectronic*, 895 F.3d at 1317 (because plaintiff's expert "did not explain which of the trade secrets contributed to what amount of profit to be disgorged; he assigned all profits to the misappropriation of all trade secrets," and there was "no basis to conclude that the remaining ground for liability . . . support[ed] the entire award."). Defendants are therefore entitled to judgment as a matter of law that BladeRoom failed to prove its claims. *See, e.g., O2 Micro*, 399 F. Supp. 2d at 1077; *Out of the Box Enters., LLC v. El Paseo Jewelry Exch., Inc.,* 732 F. App'x 532, 534 (9th Cir. 2018) (reversing denial of JMOL for defendant where "the record provides 'no way to determine with any degree of certainty'" the amount of alleged lost profits and restitution damages) (citation omitted).

B. BladeRoom Separately Failed to Establish the Unjust Enrichment Damages Awarded by the Jury.

Wagner asserted that Emerson was unjustly enriched because the alleged misappropriation and breach of contract allowed it to obtain $23 million in profit from Lulea 2, and to secure Facebook as a "marquee" customer, which, in turn, increased the price in the subsequent sale of certain business units to Platinum Equity by $182 million. Neither component of that claim can support the jury's $20 million award.

First, because the jury awarded BladeRoom its own lost profits, it could not also award BladeRoom Defendants' profits because that would be double-counting—the profits Defendants earned on Lulea were profits that BladeRoom allegedly lost. As Wagner himself told the jury, "only one company can do that [Lulea] project, so you can't award both lost profits and unjust enrichment." (ER274(3117:1-6).) And the court instructed the jury to exclude from unjust enrichment "any amount of damages for BladeRoom's actual loss." (ER160.)[11]

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[11] The court concluded that the jury followed this instruction, holding that the unjust enrichment award did not reflect double-counting of Lulea profits and pointing instead to the Platinum sale as its basis. (ER48.)

The $20 million unjust enrichment award therefore cannot rest on Defendants' Lulea profits.

That leaves the second supposed form of unjust enrichment: landing Facebook as a "marquee" customer increased the price Emerson received from Platinum. But the award cannot rest on that either. First, Wagner's $182 million figure was the *entire value* of Hyperscale, not some supposed enhancement from Lulea. (*See* ER269(3112:2-23), ER312-314(3155:1-3157:23).) Although Emerson objected (ER461-462), the court held that the burden was on Emerson to prove that it had not been unjustly enriched by that full amount, rather than on BladeRoom to prove that it had (ER52), notwithstanding Wagner's concession that Hyperscale had value not attributable to the Facebook contract (ER312-314(3155:1-3157:23).). That was legal error.[12] Indeed, the Eighth Circuit rejected this same approach in *Storage Technology Corp. v. Cisco Systems*, 395 F.3d 921 (8th Cir.

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[12] To recover for unjust enrichment, a plaintiff must establish the amount of "the defendant's profits flowing *from the misappropriation*." *Ajaxo Inc. v. E*Trade Fin. Corp.*, 187 Cal. App. 4th 1295, 1305 (2010) (emphasis added). Although the defendant may be required to show that particular costs should be deducted to convert gross profit to net profit, the burden remains on the plaintiff to show that the profit—gross or net—was "attributable to the use of the trade secret." Restatement (Third) of Unfair Competition §45 cmt. f (1995). *See, e.g., Hilderman v. Enea Teksci, Inc.*, 2010 WL 546140, *2-3 (S.D. Cal. Feb. 10, 2010) (excluding expert's theory that entire goodwill portion of price was attributable to trade secrets); *Unilogic, Inc. v. Burroughs Corp.*, 10 Cal. App. 4th 612, 628 (1992) (plaintiff must show degree to which defendant was enriched). The court, prompted by BladeRoom, misunderstood this fundamental distinction.

2005), where a damages expert attributed the entire value of an acquisition "to employees and trade secrets wrongfully appropriated" from the plaintiff, even though the business "had other assets and employees." *Id.* at 926. That approach "reeks of incongruity and underscores the speculative nature" of the claim; the expert's testimony "was so uninformed and baseless that it could not assist the jury." *Id.* at 928 (citation omitted). Likewise here.

Second, there is no evidence of any link between the price Platinum paid and Lulea 2—indeed, the evidence is to the contrary. Facebook was already an Emerson customer, and Emerson was the only entity Facebook considered as general contractor for Lulea (*see, e.g.*, ER69; Tr. 1528:11-24). Emerson thus had the "marquee" customer in any event. And Wagner's speculative assumption that the Lulea 2 contract increased Platinum's price is refuted by uncontradicted evidence that Platinum's price did not increase after it learned about Lulea 2.[13]

Wagner's "price increase" theory was nothing more than a tactic designed to put large dollar amounts—the $4 billion total price and the supposed $182 million increase—before the jury to skew its view of damages. *Cf., Uniloc USA, Inc. v. Microsoft Corp*., 632 F.3d 1292, 1320 (Fed. Cir. 2011) (affirming grant of new

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[13] Platinum set a price range for the Emerson units of $4 to 4.25 billion before it knew about Lulea 2. (Tr. 3402:4-3413:3; ER900-995; ER436(31:22-37:11).) Platinum's final price, after it learned about Lulea, was $4 billion. (Tr. 2147:8-10.)

damages trial, noting inability to put expert's unfounded $19 billion "cat … back into the bag"; large figures "cannot help but skew the damages horizon for the jury") (citation omitted). That the tactic did not produce an award as large as BladeRoom wanted cannot change the fact that the award it produced is without record support.

V. The Punitive Damages Award Unlawfully Multiplies Damages Without Any Basis For Concluding That The Jury Awarded Damages For Trade Secret Misappropriation.

The punitive damages award is independently flawed, because the court multiplied the entire compensatory award, without any basis to conclude that any of it rested on the trade secret claim.

Breach of contract claims cannot support punitive damages, and amounts awarded on them cannot be multiplied. *See Applied Equip.*, 7 Cal. 4th at 516. The jury's lump-sum awards do not distinguish between trade secret and contract damages. When a lump-sum award is entered on multiple claims, a court cannot simply assume the entire award is attributable to a claim that allows enhanced damages. *See Gibson v. Moskowitz*, 523 F.3d 657, 667 (6th Cir. 2008) (reversing decision to allocate maximum damages to claim that allowed additional damages when decision did "not intuitively follow from the evidence"); *see also Jadwin v. Cty. of Kern*, 2010 WL 1267264, *15 (E.D. Cal. Mar. 31, 2010) ("Given the general verdict in this case, whether or to what extent the damages the jury awarded were based on [a claim supporting liquidated damages] cannot be determined" and thus "any award of liquidated damages . . . runs the risk of improperly doubling the amount the jury may have exclusively awarded on Plaintiff's [other] claims" so "liquidated damages . . . cannot be granted."). It is no answer to say, as the district court did, that the "evidence shows that either claim for which the jury found liability *could* support the amount of compensatory damages it awarded." (ER7, n.1 (emphasis added).) The question is not what *could* have been awarded, but what *was* awarded.

The court pointed to no basis for assuming the jury based its entire award on misappropriation. In fact, the court explained that "*there is no way for the parties or the court to know how much was awarded for breach of contract and how much was awarded for misappropriation of trade secrets.* In turn, … the amount of lost profits awarded as tort damages … *could be any amount between zero and $10 million, and only the jury knows the number*." (ER31 (emphases added).) The court cited no authority (and there is none) that would allow it to award punitive damages based on a finding that the jury *could have* awarded $30 million for misappropriation when it also could have awarded $0.

If anything, the verdict indicates the jury did not award damages exclusively for trade secret misappropriation. The jury found that Defendants "improperly disclosed or used" Combination 9, but that Combination 9 was *not* a trade secret.

(ER117.) Defendants' use of that information therefore was "improper" only if it breached the contract. There is no reason to think the jury did not award some amount for that "improper" use of a non-trade secret.

Because it is impossible to determine what, if any, amount the jury awarded for trade secret misappropriation, it was legal error to award any punitive damages. The jury's findings cannot be ignored, *see In re Exxon Valdez*, 270 F.3d 1215, 1240 (9th Cir. 2001) ("measure of actual damages suffered … presents a question of historical or predictive fact" to be determined by a jury under the Seventh Amendment) (citation omitted),[14] nor can a second jury partially revisit those findings, *see Gasoline Prods. Co. v. Champlin Refining Co.*, 283 U.S. 494, 500 (1931) (new trial as to some, but not all, issues not permitted "unless it clearly appears that the issue to be retried is … distinct and separable…"); *Prendeville v. Singer*, 155 F. App'x 303, 305 (9th Cir. 2005) (where damages and liability are interwoven, "retrial must be on both issues"). Absent a new trial as to all issues, the only remedy is to vacate the punitive damages award and direct a judgment of no punitive damages.

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[14] As noted above (pp. 30-31), Defendants objected to BladeRoom's eleventh-hour request for a verdict form that separated damages by claim. BladeRoom had refused to present evidence supporting any apportionment, over Defendants' objections. (ER1852.) As Defendants explained, asking the jury to apportion damages on this record therefore would have been improper—as a result of BladeRoom's actions.

VI. The Prejudgment Interest Award Is Legally Erroneous.

The district court awarded prejudgment interest of $17.4 million running from October 30, 2012, because "it was by that date that BladeRoom was notified it had lost the opportunity to obtain Facebook's data center contract." (ER8.) That is incorrect as a factual matter. There was *no* evidence that BladeRoom was notified of anything by that date. And there is substantial evidence that BladeRoom remained in the running well after that. (*See supra* at 10-11, 22; ER1036-1039; Tr. 1572:19-1573:11.)

Beyond that error, the court's start date improperly encompasses a period in which BladeRoom admittedly was not deprived of any funds. Prejudgment interest compensates the prevailing party for the loss of use of money or property in order to "make the plaintiff whole." *See Lakin v. Watkins Associated Indus.*, 6 Cal. 4th 644, 663 (1993). Thus, it "should run from the date when the money was paid or the property lost." *Conger v. White*, 69 Cal. App. 2d 28, 40 (1945); *Stein v. S. Cal. Edison Co.*, 7 Cal. App. 4th 565, 572 (1992). Facebook paid nothing relating to Lulea until after March 20, 2014. (Tr. 2411:16-19, 2417:2-18, 2421:4-6; ER861-870.) Indeed, BladeRoom's own expert had BladeRoom's lost Lulea profits occurring in 2014 and 2015 and its supposed lost profits on future opportunities in 2016-2020. (*See* ER234-237(3077:3-3080:22), ER248(3091:7-18), ER250-251(3093:13-3094:17).) And any unjust enrichment from the Platinum sale could not have occurred before the sale, which was in 2016. (ER263(3106:5-10).) Prejudgment interest from October 2012 therefore confers an improper windfall on BladeRoom. *See O2 Micro*, 420 F. Supp. 2d at 1077.

Separately, BladeRoom is not entitled to prejudgment interest on unjust enrichment damages at all. Prejudgment interest on unjust enrichment is improper when the "basis of [the] award does not represent the loss of calculable funds that belonged to [plaintiff], or should have been paid to [plaintiff], from which [plaintiff] could have accrued further wealth." *Syntron Bioresearch, Inc. v. Fan*, 2002 WL 660446, *15 (Cal. App. Apr. 23, 2002), *as modified on denial of reh'g* (May 13, 2002). Here, BladeRoom sought as unjust enrichment only funds paid to Emerson, separate and apart from any funds BladeRoom should have received. (*See supra* at 58-61.)

The prejudgment interest award therefore should be vacated and remanded, with instructions to award interest only on BladeRoom's lost profits, if any, and beginning no earlier than March 20, 2014. *See Michelson v. Hamada*, 29 Cal. App. 4th 1566, 1596 (1994), *as modified* (Nov. 22, 1994) (remanding for recalculation of interest "based upon the actual dates of loss"); *Syntron Bioresearch*, 2002 WL 660446, *15.

CONCLUSION

For the foregoing reasons, the judgment should be reversed, and judgment should be entered for Defendants. In the alternative, the judgment should be vacated, and the case remanded for further proceedings.

Respectfully submitted,

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ADDENDUM

California Civil Code, Section 3426.1

As used in this title, unless the context requires otherwise:

(a) "Improper means" includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means. Reverse engineering or independent derivation alone shall not be considered improper means.

(b) "Misappropriation" means:

(1) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or
(2) Disclosure or use of a trade secret of another without express or implied consent by a person who:
(A) Used improper means to acquire knowledge of the trade secret; or
(B) At the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade secret was:

> **(i)** Derived from or through a person who had utilized improper means to acquire it;
> **(ii)** Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
> **(iii)** Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or

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

(c) "Person" means a natural person, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity.

(d) "Trade secret" means information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

(1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and
(2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

California Civil Code, Section 3426.3

(a) A complainant may recover damages for the actual loss caused by misappropriation. A complainant also may recover for the unjust enrichment caused by misappropriation that is not taken into account in computing damages for actual loss.

(b) If neither damages nor unjust enrichment caused by misappropriation are provable, the court may order payment of a reasonable royalty for no longer than the period of time the use could have been prohibited.

(c) If willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subdivision (a) or (b).

STATEMENT OF RELATED CASES

Pursuant to Circuit Rule 28-2.6, Defendant-Appellant/Cross-Appellee Emerson Electric Co. states that it is not aware of any related cases pending in this Court.

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

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