

IN THE
COURT OF APPEAL OF THE STATE OF CALIFORNIA
SIXTH APPELLATE DISTRICT

JASON O'GRADY, MONISH BHATIA
and KASPER JADE,

Petitioners,

v.

SUPERIOR COURT OF THE STATE OF
CALIFORNIA, COUNTY OF SANTA CLARA,

Respondent,

APPLE COMPUTER, INC.,

Real Party in Interest.

No. H028579

On Petition for Writ of
Mandate and/or Prohibition
to the Santa Clara County
Superior Court, Dep't 14
(The Hon. James Kleinberg),
Case No. 1-04-CV-032178

**REQUEST OF INTEL CORPORATION AND THE BUSINESS
SOFTWARE ALLIANCE FOR LEAVE TO FILE A BRIEF AS
AMICI CURIAE SUPPORTING APPLE COMPUTER, INC.**

— and —

**BRIEF OF INTEL CORPORATION AND THE BUSINESS
SOFTWARE ALLIANCE SUPPORTING APPLE COMPUTER, INC.**

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APPLICATION FOR LEAVE TO FILE

TO THE HONORABLE PRESIDING JUSTICE,
SIXTH DISTRICT COURT OF APPEAL:

Pursuant to California Rule of Court 13(c), *amici curiae* Intel Corporation and the Business Software Alliance (BSA) request leave to file the attached brief in support of Real Party in Interest Apple Computer, Inc. and the ruling below.

This case requires the Court to weigh the interests of victims of trade secret theft in seeking discovery about that theft against the interests of the media in resisting such discovery.* The various *amici* supporting petitioners have ably articulated the media's interests but have ignored other critical interests that weigh in the balance. Those interests extend beyond Apple Computer's need to redress the outright misappropriation in this particular case. As explained below, all technology-oriented companies—and ultimately all consumers—share a strong interest in vigorous enforcement of the trade secret laws, including discovery to determine who may have violated those laws.

Intel and BSA are well suited to explain those interests. For over 35 years, Intel has developed technology enabling the computer and Internet revolution that has changed the world. Founded in 1968 to build semiconductor memory products, Intel introduced the world's first microprocessor in 1971. Today, it is the largest chip maker in the world. It designs and produces chips, boards, systems and software building blocks that are

* This brief assumes (without taking the position) that petitioners qualify in this instance as “media” and “reporters.” It likewise assumes (without taking the position) that discovery requests to petitioners' Internet service providers will be treated as though they were directed toward petitioners. This brief does not address any issues relating to the federal Stored Communications Act.

integral ingredients in millions of computers, servers and networking and communications products. Intel's success and its future depend critically on strong intellectual property laws protecting its proprietary technology.

BSA is an association of the world's leading software and hardware technology companies, including Adobe, Apple, Autodesk, Avid, Bentley Systems, Borland, Cadence Design Systems, Cisco Systems, CNC Software/Mastercam, Dell, Entrust, HP, IBM, Intel, Internet Security Systems, Macromedia, McAfee, Microsoft, RSA Security, SolidWorks, Sybase, Symantec, UGS and VERITAS Software. BSA's members create and supply much of the software and hardware infrastructure for personal computers and the Internet and are responsible for 90% of the world's office productivity software. BSA's members are constantly developing innovative new products and have a compelling interest in ensuring adequate protection for trade secrets relating to their future products.

Intel and BSA therefore ask the Court to accept their brief and consider the full range of relevant interests and views.

BRIEF OF *AMICI CURIAE*

Introduction and Summary of Argument

Intel and BSA recognize that discovery requests directed to the media can implicate free-speech concerns. The federal and California courts have properly recognized, however, that the media are not absolutely immune from such requests, especially where the media know or their files would show who has committed a serious crime or tort. Instead, the “reporter’s privilege” is qualified, and the media’s interests must be balanced against the requesting party’s need for that information. *See, e.g., Mitchell v. Superior Court*, 37 Cal. 3d 268 (1984).

As explained below, strong trade secret laws are vital to the health of California’s high-technology businesses and to the economy of the nation as a whole. The types of trade secrets at issue here (information about unannounced future products) are among the most valuable and closely guarded of all. There is no public interest in having such trade secrets stolen and plastered on the Internet for competitors and others to see. If that occurs, victims must be entitled to use the courts for redress—starting with discovery to determine who committed the theft. The protections of the Civil and Penal Codes must be available in practice as well as in name.

Of course, courts should not authorize wild fishing expeditions into media files. Nor should media outlets be the preferred source for discovery if they merely reported on and did not participate in the theft—particularly when the information sought could be readily obtained from alternative sources. The balance of interests is very different, however, where reporters have been conduits of stolen information and their files contain direct evidence of that illegal conduct.

Intel and BSA also urge the Court to reject any blanket requirement that victims of trade secret theft take the deposition of every employee who

might conceivably have been involved in the misappropriation before taking any discovery from the media. To begin with, victim companies already have every incentive to do a full and thorough internal investigation. Here, for example, Apple not only conducted a forensic investigation of its internal computers but brought in trained investigators to interrogate every possible employee source of the leak. Moreover, employees who have already stolen or lied and risked their jobs in failing to come clean are not likely to change course in a deposition. Mandating depositions would be unreasonable, unduly disruptive and ultimately a pointless formality. The Court likewise should reject the suggestion that victim companies must subpoena and search the home computers and documents of every employee even *potentially* involved before seeking targeted discovery from a reporter *known* to have received and published the stolen information.

Argument

A. Effective Protection for Trade Secrets Involving Unannounced Future Products Is Critical for Technology Companies—and for the Good of Society at Large

Trade secret law is an ancient doctrine whose rationales have become all the more compelling in today's technology-oriented society.

Thousands of years ago, Roman law punished those who induced an employee to divulge secrets relating to his or her master's business affairs. *See* Restatement (Third) of Unfair Competition § 39 cmt. a (1995). Trade secret protection was well established in this country by the mid-1800s, and it is a mainstay of intellectual property protection today. *Id.* Under modern California law, misappropriation of trade secrets is not only a civil tort [Cal. Civ. Code § 3426 *et seq.* (Uniform Trade Secrets Act)], but a serious criminal offense [Cal. Penal Code § 499c (defining misappropriation as a form of theft punishable by both fine and imprisonment)].

Strong and effective protection of trade secrets serves several important purposes. Most critically, trade secret law encourages innovation: companies that sow in the form of productive investments are enabled to reap the rewards, and their competitors are prevented from free-riding on those efforts. In addition, absent strong legal protection, companies would have to take extravagant and inefficient measures to maintain secrets. *See, e.g., Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481-97 (1974); 1 MELVIN F. JAGER, *TRADE SECRETS LAW* § 1:4 (2004); JAMES POOLEY, *TRADE SECRETS* § 1.02 (1997); Restatement (Third) of Unfair Competition § 39 cmt. a.

Trade secret protection is especially crucial in this technology-oriented era; indeed it is “of growing importance to the competitiveness of American industry.” *Rockwell Graphic Sys., Inc. v. DEV Indus., Inc.*, 925 F.2d 174, 180 (7th Cir. 1991). Our state and national economies can thrive only if intellectual property laws enable high-technology companies to flourish. As one leading treatise put it, “[t]he robustness of the U.S. economy depends in large part on its supportive environment for invention,” and “the U.S. enjoys a competitive advantage over many other countries” precisely because its trade secret laws “encourage useful discoveries by securing their fruits to those who make them.” POOLEY, *TRADE SECRETS* § 1.02[3] (quoting *Fowle v. Park*, 131 U.S. 88, 98 (1889)).

Trade secrets involving unannounced future products are particularly critical and deserving of protection. The trade secrets involved in this case, for example, include ideas for future product designs, technical specifications, analyses of the potential market and competition for the product, and projections for pricing and revenue. When this sort of information is leaked to the public, millions or even billions of dollars of investment can be lost in a heartbeat. Once the information is public, competitors can copy the designs and attempt to free-ride off the insights. Even if the technology

itself is patented and could not be copied, the analysis of the market would remain useful in developing a competing design. In short, as the United States Supreme Court observed, “[t]he protections of state trade secret law are *most* effective at the developmental stage, before a product has been marketed and the threat of reverse engineering becomes real.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 161 (1989) (emphasis added).

Petitioners and some *amici* have erred in belittling such secrets as nothing more than information that eventually would have become public anyway. While the design and specifications of a final, released product may become public, the designs and specifications of earlier, nonreleased versions are not revealed. Nor are manufacturing methods. Competitive analyses and pricing projections also remain closely guarded. Indeed, nontechnical market analyses can be just as important as detailed technical designs—and protecting their secrecy is equally important to all of society. *See Kewanee Oil*, 416 U.S. at 482-83 (“[K]eeping such items secret encourages businesses to initiate new and individualized plans of operation, and constructive competition results.”).

Petitioners also ignore that timing alone can be absolutely critical. The “lead time” advantage and the benefits of “pioneer” or “first-mover” status are well recognized, especially in fast-moving high-technology industries. *See, e.g.*, POOLEY, TRADE SECRETS § 4.04[3][d]; *cf.* Cal. Civ. Code § 3426.2 subd. (b) (recognizing availability of lead-time injunctions even after a trade secret has become public).

Civil discovery must be made available to ensure that these policies are upheld and the protections of the statutes that embody them are not hollow. In particular, victims of trade secret theft must be able to discover who stole their trade secrets and how. In far too many cases, internal investigations into leaks or disclosures come up dry. In such cases, the

only way to remedy the situation is to track the information from where it surfaced publicly back to the illicit source.

This case well illustrates the problem. What happened here is exactly what California's trade secret laws were intended to prevent: secret documents about a future Apple product were copied, delivered to the media, and then posted on the Internet for all—including Apple's competitors—to see. Next year, perhaps, a competitor may come out with a competing product that copies Apple's concept or design, yet Apple may have no recourse against it because the information was gleaned from public sources. Apple's only recourse may be against those who misappropriated the trade secrets, yet absent civil discovery Apple would be stymied in trying to find out who did it.

Ultimately, petitioners would force Apple into a classic Catch-22. Apple could not pursue those who broke their vows of confidentiality because it does not know who they are—yet it could not discover who those sources are because the people who know refuse to reveal their identities. If petitioners were right, Apple effectively would have no relief. The courts must strive to avoid opening such a large loophole in the trade secret laws.

B. A Reporter's Interest in Protecting Sources Is Not Absolute and Depends on the Circumstances of the Case

As noted above, Intel and BSA strongly support the First Amendment and do not doubt that the legitimate news media (including Web-based media) have an interest in protecting their sources. The strengths of the media's interests, however, vary from case to case and are relatively weak in circumstances such as this.

There is a vast difference between cases where the media have simply reported on a misdeed by someone else and cases where reporters have wittingly or unwittingly participated in tortious activity. As the facts

of this case illustrate, the media's interest in concealing their sources is far stronger in the former than the latter. This is not a case where the targets of discovery merely investigated past misappropriation and learned relevant information. Rather, petitioners were conduits for the publication of trade secrets. Whether or not they also instigated the theft, the information in their e-mail files is at the heart of the case. Indeed, it constitutes part of the *corpus delicti*. The trial court was therefore within its discretion in finding that Apple's need for discovery outweighed petitioners' desire to protect their sources.

Simply put, the reporter's privilege is qualified and must yield in circumstances such as these. The law relating to other privileges supports this result. Perhaps the oldest, most enshrined and least qualified privilege is the attorney-client privilege. Yet even it has a "crime-fraud" exception and succumbs when the lawyer's services were used to commit a crime or fraud. Cal. Evid. Code § 956; *see also id.* §§ 981, 997, 1018 (similar exceptions for the marital, physician-patient and psychotherapist-patient privileges). In the circumstances of this case, the reporter's qualified privilege must give way to the victim's need for discovery.

C. Petitioners' Suggestion that a Victim of Trade Secret Theft Must Depose and Subpoena (Not Just Interview and Question) All Possible Internal Suspects Is Misguided

Petitioners have suggested that a discovery request to the media must be quashed unless the victim of trade secret theft first deposes and subpoenas production of all computers and records kept at home by every employee who might conceivably have been implicated in the leak. Such a blanket requirement would be misguided, unreasonable and unworkable.

To begin with, petitioners start from the mistaken premise that companies will not vigorously pursue internal suspects absent such a rule. A company whose valuable trade secrets have been stolen and publicized

has the strongest incentive to track down any internal source of the leak. Investigations of employee theft are accordingly prompt and vigorous. Apple's investigation in this case confirms as much. According to the record, Apple brought in trained corporate security investigators who not only conducted a forensic examination of Apple's computer system, but interrogated every employee known to have had access to the stolen documents—on pain of dismissal for failure to be forthright.

Informal interrogation of employees who might be knowledgeable about the theft ought to suffice; there is no reason to require a corporate victim of trade secret theft to take formal depositions as well. Employers have the authority to compel attendance and fire employees who lie or do not cooperate. Moreover, any employee who has stolen trade secrets and lied about it in an interview is not likely to come clean in a deposition. Other employees with possible knowledge will already have been required to disclose what they know or risk losing their jobs. Putting those employees under oath is not likely to make a difference, either.

Nor does it make sense to require the company to serve formal subpoenas and search the houses and home computers of all possible internal sources of the leak. In many cases, dozens or hundreds of employees may have had access to the trade secrets, and virtually all of them will be innocent. In some instances, a company may appropriately desire to serve targeted subpoenas on employees, but petitioners' universal rule would mandate broad witch-hunts. Such efforts would not only be costly and time-consuming to the company, but devastating to employee morale already shaken from the betrayal of trust inherent in the original crime. Rather than disrupting the lives of numerous innocent employees to search for a needle in the haystack, the wiser approach often will be to go outside to where the information is known to have surfaced. Discovery targeted to

that person or entity may then lead back to an internal source, who can then be confronted or compelled to provide additional discovery.

In this case, Apple's internal investigation was extensive but ultimately (and not unusually) unsuccessful. It was entirely appropriate for Apple to take the next step and discover communications to and from the Web sites that published its trade secrets.

Conclusion

The petition for writ relief should be denied.

April 27, 2005.

Respectfully submitted,

PERKINS COIE BROWN & BAIN P.A.

By Dan L. Bagatell

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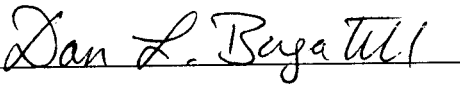
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Certificate of Compliance

Pursuant to California Rule of Court 14(c), I certify that the body of the foregoing brief contains 2,670 words, as calculated by the Microsoft® Word 2002 SP3 word-processing program used to prepare it. Consistent with California Rule of Court 14(b), the brief has been prepared in 13-point Times New Roman font and uses 1.5-line spacing except for headings and footnotes.

A handwritten signature in cursive script, reading "Dan L. Bagatell", is written over a horizontal line.

Dan L. Bagatell

Certificate of Service

I, Charlotte Couch, declare as follows:

My business address is Perkins Coie Brown & Bain P.A., 2901 N. Central Ave., Suite 2000, Phoenix, Arizona 85012.

I am a citizen of the United States and employed in the County of Maricopa, State of Arizona. I am over the age of eighteen years. I am not a party to and have no legal interest in this action.

On April 27, 2005, I hand-delivered an original and four copies of this Request of Intel Corporation and the Business Software Alliance for Leave to File a Brief as *Amici Curiae* Supporting Apple Computer, Inc. and Brief of Intel Corporation and the Business Software Alliance Supporting Apple Computer, Inc. for filing with:

Clerk of the California Court of Appeal
Sixth Appellate District
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On April 27, 2005, I also caused the Request and Brief to be served as follows:

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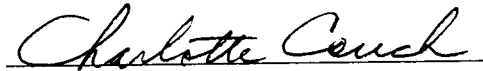
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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on April 27, 2005, in Phoenix, Arizona, under the laws of the State of California.

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Charlotte Couch