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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

SUN DISTRIBUTING COMPANY,
LLC,

Plaintiff,

v.

PAUL CORBETT,

Defendant.

Case No. 18-cv-2231-BAS-BGS
**ORDER GRANTING IN PART
MOTION FOR TEMPORARY
RESTRAINING ORDER**

[ECF No. 2]

Presently before the Court is Plaintiff Sun Distributing Company, LLC’s Motion for Temporary Restraining Order and Preliminary Injunction. (“TRO,” ECF No. 2.) Also before the Court is Defendant Paul Corbett’s Response. (“Opp’n,” ECF No. 12.) The Court finds this Motion suitable for determination on the papers submitted and without oral argument. *See* Civ. L.R. 7.1(d)(1). For the reasons stated below, the Court **GRANTS** in part Plaintiff’s Motion for Temporary Restraining Order (“TRO”) and temporarily **ENJOINS** Defendant from divulging, using, disclosing, or making available to any third person or entity Plaintiff’s trade secrets, or using any trade secrets for the purpose of directly or indirectly competing with Plaintiff.

I. BACKGROUND

Plaintiff “is a distribution company that works with major national logistics

1 companies to provide last mile distribution to residences and businesses in
2 California.” (TRO 2.) Plaintiff “accepts deliveries of furniture, sports equipment,
3 appliances, parcels, and other goods from the national companies and delivers the
4 goods to their final destination in an economical and reliable manner.” (*Id.*) Plaintiff
5 also distributes publications for newspaper and magazine publishers “and assists
6 businesses and other organizations with marketing endeavors by distributing flyers,
7 brochures, door hangers, menus, and product samples.” (*Id.*) Defendant worked for
8 Plaintiff for over twelve years and served as Plaintiff’s general manager from 2014
9 to 2018. (*Id.* at 5.) Defendant resigned on August 8, 2018. (*Id.* at 1, 5.) Defendant
10 now works for Pacblue, a company that “distributes free newspapers and other print
11 media for publishers in California.” (Opp’n 4.)

12 In 2016, the Parties entered into an Employment Agreement, which contains
13 a section on confidential information. (*See* ECF No. 2-2, at 30.)¹ It generally
14 provides that Defendant will not divulge any of Plaintiff’s trade secrets and will not
15 use any trade secret for purposes of competing with Plaintiff. (*Id.* at ¶ 7.) On
16 September 12, 2018, Mr. William Thomas, Plaintiff’s CEO and owner, received an
17 inadvertent email from one of Plaintiff’s customers, David Mannis, who is a
18 publisher.² (TRO 8; *see also* ECF No. 2-2, at 39.) The email is addressed to
19 Defendant but apparently all emails sent to Defendant’s email account after his
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21 ¹ The Employment Agreement is attached to a declaration by Mr. William J. Thomas. Defendant
22 objects to various portions of Mr. Thomas’ declaration, asserting the declaration lacks foundation,
is irrelevant, forms an improper legal opinion, and is hearsay. (*See* ECF No. 12-2.)

23 Defendant’s first two objections relate to Mr. Thomas’ representations about the
24 Employment Agreement. The Court has not considered Mr. Thomas’ analysis of the Agreement
25 but has reviewed the Agreement on its own accord. As to the remainder of the objections, the Court
26 finds Mr. Thomas, as Plaintiff’s CEO and owner, has personal knowledge of the facts or allegations
27 he recites, thus, he has laid a proper foundation for the declaration. Mr. Thomas also offers no
28 improper legal opinion. Finally, the Ninth Circuit has held when a court considers a request for
preliminary injunction, it “may give even inadmissible evidence some weight, when to do so serves
the purpose of preventing irreparable harm.” *Flynt Distrib. Co. v. Harvey*, 734 F.2d 1389, 1394
(9th Cir. 1984). For these reasons, the Court **OVERRULES** Defendant’s objections.

² Although Plaintiff redacted Mr. Mannis’ full name in its papers, Defendant provided the name in
his declaration so the Court uses it here.

1 resignation were automatically forwarded to Mr. Thomas. In the email, Mr. Mannis
2 says, “Paul, Thanks for your call yesterday,” and provides Defendant with
3 information “to prepare to take on [Mr. Mannis’] account.” (ECF No. 2-2, at 39.)
4 This information includes a “do not deliver” list, distribution maps, and circulation
5 information. (*Id.*) Mr. Mannis also says: “[a]s agreed, my rate will be...” indicating
6 the two had discussed a rate Defendant would charge for Mr. Mannis’ business.
7 Plaintiff alleges the email is evidence of Defendant’s efforts to solicit Plaintiff’s
8 customers. (TRO 8.) Plaintiff filed a complaint for misappropriation of trade secrets
9 under federal and California law, as well as breach of contract. Plaintiff now moves
10 for a temporary restraining order which orders Defendant to abide by trade laws and
11 the Employment Agreement.

12 **II. LEGAL STANDARD**

13 The standard for a TRO and preliminary injunction are “substantially
14 identical.” *Stuhlbarg Int’l Sales Co. v. John D. Brush & Co.*, 240 F.3d 832, 839 n.7
15 (9th Cir. 2001). “A plaintiff seeking a preliminary injunction must establish that he
16 is likely to succeed on the merits, that he is likely to suffer irreparable harm in the
17 absence of preliminary relief, that the balance of equities tips in his favor, and that
18 an injunction is in the public interest.” *Am. Trucking Ass’ns Inc. v. City of Los*
19 *Angeles*, 559 F.3d 1046, 1052 (9th Cir. 2009) (quoting *Winter v. Nat. Res. Defense*
20 *Council, Inc.*, 555 U.S. 7, 21 (2008)). A TRO’s “underlying purpose [is to]
21 preserv[e] the status quo and prevent[] irreparable harm” until a preliminary
22 injunction can be held. *Granny Goose Foods, Inc. v. Bhd. Of Teamsters & Auto*
23 *Truck Drivers*, 415 U.S. 423, 439 (1974).

24 **III. ANALYSIS**

25 **A. Preliminary Matters**

26 Defendant first argues the Court lacks subject matter jurisdiction over this
27 case. There are generally two types of subject matter jurisdiction: federal question
28 jurisdiction under 28 U.S.C. § 1331, and diversity jurisdiction under 28 U.S.C. §

1 1332.³ Federal question jurisdiction exists with “all civil actions arising under the
2 Constitution, laws, or treaties of the United States.” 28 U.S.C. § 1331. “The presence
3 or absence of federal-question jurisdiction is governed by the ‘well-pleaded
4 complaint rule,’ which provides that federal jurisdiction exists only when a federal
5 question is presented on the face of the plaintiff’s properly pleaded complaint.”
6 *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987) (citing *Gully v. First Nat’l*
7 *Bank*, 299 U.S. 109, 112–13 (1936)). In the absence of a complaint setting out the
8 basis for jurisdiction, the court lacks the jurisdiction to grant a temporary restraining
9 order. *Camillos v. U.S. Bank Nat’l Ass’n*, No. 5:11-CV-5228 EJD, 2011 WL
10 5122619, at *2 (N.D. Cal. Oct. 27, 2011).

11 Plaintiff asserts that federal question jurisdiction exists under the Defend
12 Trade Secrets Act of 2016 (“DTSA”), 18 U.S.C. § 1836. (“Compl.,” ECF No. 1,
13 ¶ 3.) This statute provides: “An owner of a trade secret that is misappropriated may
14 bring a civil action under this subsection if the trade secret is related to a product or
15 service used in, or intended for use in, interstate or foreign commerce.” 18 U.S.C.
16 § 1836(b)(1). Defendant argues Plaintiff has not provided evidence “how its
17 allegedly confidential trade secrets relate to the[] components of its business
18 operations, or any product or service that is used or intended for use in interstate or
19 foreign commerce.” (Opp’n 6.)

20 The Court disagrees. Plaintiff has pled it distributes publications for
21 newspapers and magazine publishers across Southern California and into Mexico.
22 (Compl. ¶ 12.) Plaintiff’s trade secrets are related to these publications. (*See id.*
23 ¶ 15 (listing trade secrets).) Therefore, Plaintiff has pled the jurisdictional element
24 of DTSA on the face of its Complaint. It is also irrelevant that Defendant’s current
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26
27 ³ Although Plaintiff checked the “diversity of citizenship” box on its civil cover sheet, this appears
28 to have been in error because Plaintiff does not allege in its Complaint that diversity exists, and
Defendant also notes there is no diversity. The Court therefore only considers federal question
jurisdiction.

1 employer does not distribute products outside of California. (Opp’n 6.) All that is
2 required is for Plaintiff to plead its trade secrets are used or intended for use outside
3 of California, which it has done. The Court therefore finds it has subject matter
4 jurisdiction over this case.

5 **B. Temporary Restraining Order**

6 The Court now turns to the requirements of a temporary restraining order.

7 **1. Likelihood of Success on the Merits**

8 Plaintiff must demonstrate a likelihood of success on the merits of its claims,
9 which are (1) misappropriation of trade secrets in violation of the DTSA and
10 California’s Uniform Trade Secret Act (“CUTSA”), and (2) breach of contract.

11 **a. Trade Secret Misappropriation**

12 To state a claim for misappropriation of trade secrets under CUTSA, a plaintiff
13 must allege: (1) the existence and ownership of a trade secret, and (2)
14 misappropriation of the trade secret. *Pellerin v. Honeywell Int’l, Inc.*, 877 F. Supp.
15 2d 983, 988 (S.D. Cal. 2012) (citation omitted). A claim for misappropriation under
16 the Defend Trade Secrets Act (“DTSA”) has substantially similar elements. *See* 18
17 U.S.C. § 1836.

18 **i. Trade Secret**

19 In establishing the existence of a trade secret, “[a] plaintiff need not ‘spell out
20 the details of the trade secret,’” *Autodesk, Inc. v. ZWCAD Software Co.*, No. 5:14-
21 cv-1409-EJD, 2015 WL 2265479, at *5 (N.D. Cal. May 13, 2015) (citation omitted),
22 but must “describe the subject matter of the trade secret with sufficient particularity
23 to separate it from matters of general knowledge in the trade or of special persons
24 who are skilled in the trade, and to permit the defendant to ascertain at least the
25 boundaries within which the secret lies.” *Pellerin*, 877 F. Supp. 2d at 988
26 (quoting *Diodes, Inc. v. Franzen*, 260 Cal. App. 2d 244, 253 (1968)). Both the DTSA
27 and CUTSA define a “trade secret” as:
28

1 all forms and types of financial, business, scientific,
2 technical, economic, or engineering information,
3 including patterns, plans, compilations, program devices,
4 formulas, designs, prototypes, methods, techniques,
5 processes, procedures, programs, or codes, whether
6 tangible or intangible, and whether or how stored,
7 compiled, or memorialized physically, electronically,
8 graphically, photographically, or in writing if-

9 (A) the owner thereof has taken reasonable
10 measures to keep such information secret; and

11 (B) the information derives independent economic
12 value, actual or potential, from not being generally known
13 to, and not being readily ascertainable through proper
14 means by, another person who can obtain economic value
15 from the disclosure or use of the information;

16 18 U.S.C. § 1839(3); *see also* Cal. Civ. Code § 3426.1(d). Plaintiff lists the trade
17 secrets at issue in this case as:

18 confidential know-how and proprietary business methods
19 and procedures (including the development of delivery
20 schedules, routes, “Do Not Deliver” lists), customer lists
21 and contact information, the identity of key contact
22 personnel and decision makers, price lists and structures,
23 customer requirements (including delivery needs,
24 schedules, routes, and “Do Not Deliver” lists), service
25 providers and drivers and pricing structure, employee
26 information and compensation structure, and other
27 proprietary business, operating, and financial information.

28 (TRO 13; Compl. ¶ 9.) Defendant argues this information does not qualify as trade
secrets. (Opp’n 8.)

Plaintiff attests it has spent “considerable time, effort, and resources”
developing its trade secrets and therefore the information is not readily known or
ascertainable. (TRO 5.) In developing its customer list, Plaintiff first identified
potential customers who may require distribution services and then formed
relationships with the decision makers at those companies. Plaintiff maintains the

1 relationships by learning the customers' needs and preferences, as well as generating
2 a "do not deliver" list so that it does not bother those who wish to remain off
3 distribution routes. (*Id.*) Plaintiff then develops routes and schedules to efficiently
4 service its customers. (*Id.* at 6.)

5 Plaintiff has demonstrated that its customer list has value and is not generally
6 known or readily ascertainable through proper means. See *MAI Sys. Corp. v. Peak*
7 *Comput., Inc.*, 991 F.2d 511, 521 (9th Cir. 1993) (finding a customer database
8 qualifies as a trade secret because the database has "potential economic value
9 because it allows a competitor . . . to direct its sales efforts to those potential
10 customers"); see also *Henry Schein, Inc. v. Cook*, 191 F. Supp. 3d 1072, 1077 (N.D.
11 Cal. 2016) ("Customer information such as sales history and customer needs and
12 preferences constitute trade secrets"); *Morlife, Inc. v. Perry*, 56 Cal. App. 4th 1514,
13 1522 (1997) ("[A] customer list can be found to have economic value because its
14 disclosure would allow a competitor to direct its sales efforts to those customers who
15 have already shown a willingness to use a unique type of service or product as
16 opposed to a list of people who only might be interested." (citation omitted)).

17 Defendant argues some of alleged trade secret information in fact "belongs to
18 the publisher-customers themselves," and therefore the information is not secret and
19 is readily ascertainable because the customers could share the information with
20 competitors. (Opp'n 7.) But, it is a given that in any case, the customers themselves
21 will have access to their own information. The value to the customer list is in the
22 completeness and details of the list; the fact that each individual customer has access
23 to its own information does not make Plaintiff's list of customers worthless. Further,
24 Plaintiff has established it used reasonable measures to protect its information from
25 the public. Plaintiff attests it has its "employees sign employment agreements with
26 provisions to maintain the confidentiality of Trade Secrets [and] has a security
27 system designed to protect its proprietary, confidential, and trade secret information."
28 (TRO 13.) See *Morlife*, 56 Cal. App. 4th at 1523 (finding reasonable measures where

1 customer list was stored on a computer with restricted access and company instructed
2 employees to maintain confidentiality); *Courtesy Temp. Serv., Inc. v. Camacho*, 222
3 Cal. App. 3d 1278, 1288 (1990) (finding reasonable measures where customer list
4 was distributed to employees on an “as needed basis” and employees were directed
5 to keep it confidential). This requirement is therefore met.

6 Finally, Defendant’s argument that “publication names and publisher contact
7 information for most free publications are publically available” and therefore not
8 protectable is unavailing. (Opp’n 7.) While it is true that Defendant could surely
9 find a list of all publishers who may be interested in a publication distribution service,
10 this is a far cry from knowing Plaintiff’s specific customer list and details about each
11 customer’s preferences. The California Court of Appeals succinctly summed up the
12 distinction:

13 [C]ourts are reluctant to protect customer lists to the extent
14 they embody information which is ‘readily ascertainable’
15 through public sources, such as business directories. On
16 the other hand, where the employer has expended time and
17 effort identifying customers with particular needs or
18 characteristics, courts will prohibit former employees
19 from using this information to capture a share of the
20 market. Such lists are to be distinguished from mere
21 identities and locations of customers where anyone could
22 easily identify the entities as potential customers.

20 *Wanke, Indus., Commercial, Residential, Inc. v. Keck*, 209 Cal. App. 4th 1151, 1175
21 (2012) (internal citations and quotations omitted). Here, although publication names
22 and contact information might be public knowledge, it is clear Plaintiff has put in
23 time and effort to develop other specific information, inter alia, its customer list,
24 preferences, pricing structures, and “do not deliver” list. Thus, this information is
25 protectable.

26 In sum, the Court finds Plaintiff has established it has protectable trade secrets.

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ii. Misappropriation

Misappropriation is defined as:

(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;

(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 by mistake.

Cal. Civ. Code § 3426.1(b).⁴ Misappropriation under the DTSA is nearly identical. *See* 18 U.S.C § 1839(5).

Plaintiff argues it has established misappropriation through both the “acquisition” and “use” methods. (TRO 14.) There is no question that Defendant had access to Plaintiff’s trade secrets through his position as general manager. But

⁴ The plaintiff “must plead facts showing that [defendant] had a duty not to use the information in the way alleged.” *Space Data Corp. v. X*, No. 16-CV-03260-BLF, 2017 WL 5013363, at *2 (N.D. Cal. Feb. 16, 2017). Plaintiff has done this by producing the Employment Agreement. *See Blindlight, LLC v. Cubbison*, No. CV17-3497 JAK (PLAx), 2017 WL 4769460, at *11 (C.D. Cal. July 3, 2017) (finding that confidential agreement signed by the defendant is sufficient to show the defendant “should have known that the information he acquired while an employee of [plaintiff] was ‘acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use,’ as required to show misappropriation” (quoting Cal. Civ. Code § 3426.1).)

1 Defendant argues he did not use the information or acquire it by improper means.
2 From Defendant’s point of view, he did nothing wrong: Mr. Mannis learned
3 Defendant had left the company, requested Defendant contact him, and then
4 voluntarily provided him with confidential information as it related to Mr. Mannis’
5 company. (See “Corbett Decl.,” ECF No. 12-1, ¶¶ 10–15.) “[O]ne who passively
6 receives a trade secret, but neither discloses nor uses it, would not be guilty of
7 misappropriation.” *Silvaco Data Sys. v. Intel Corp.*, 184 Cal. App. 4th 210, 223
8 (2010). But the Court finds Defendant did not only passively receive the information.
9 Regardless of who first contacted who, Defendant and Mr. Mannis discussed
10 transferring Mr. Mannis’ business (using Plaintiff’s maps and circulation data) over
11 to Defendant, and Mr. Mannis specifically mentioned a rate previously discussed and
12 said he would not pay more than what he paid Plaintiff. Defendant therefore likely
13 proposed a rate he would charge Mr. Mannis in an effort to convince Mr. Mannis to
14 transfer his business to Defendant. Defendant only knew Plaintiff’s rates and
15 distribution plans due to his position as general manager. Thus, Defendant “used”
16 Mr. Mannis’ customer and pricing information.⁵

17 The final requirement is that the defendant acquired knowledge of the trade
18 secret information through improper means. “Improper means” is defined as “theft,
19 bribery, misrepresentation, breach or inducement of a breach of a duty to maintain
20

21 ⁵ Further, Defendant points out that he has known Mr. Mannis for twelve years, the two are friends,
22 and Defendant therefore did not use trade secrets to obtain Mann’s name or contact information.
23 (Corbett Decl. ¶ 13.) This Court, as well as other courts, have found this argument unavailing
24 because regardless of Defendant’s relationship with the client, the relationship formed through
25 Defendant’s employment with Plaintiff. Trade secret protection extends to information about
26 business contacts an employee makes while working for his employer. *Can We Studios LLC v.*
27 *Sinclair*, No. 13-6299 PSG (FFMx), 2013 WL 12120437, at *5 (C.D. Cal. Nov. 20, 2013); *Morlife,*
28 *Inc. v. Perry*, 56 Cal. App. 4th 1514, 1525 (1997) (“[I]nformation developed by an employee
concerning the employer’s customers represents an investment of time and money on the part of
the employer, justifying a grant of trade secret protection against exploitation by the former
employee”). Simply because Defendant became friends with a client and maintained a relationship
with him does not mean Defendant can use information he learned while employed by Plaintiff in
violation of trade laws.

1 secrecy, or espionage through electronic or other means.” 18 U.S.C. § 1839(6); Cal.
2 Civ. Code § 3426.1(a). This requirement is met. As Plaintiff’s general manager,
3 Defendant had a duty to maintain the secrecy of the information even after he left the
4 company. Defendant knew the information Mr. Mannis provided was a trade secret
5 and he was under a duty not to use that information. “[I]f a reasonable person in the
6 position of the actor would have inferred that *he or she was in wrongful possession*
7 of another’s trade secret, the actor is subject to liability for any subsequent use or
8 disclosure.” *Silvaco*, 184 Cal. App. 4th at 226.

9 The Court notes that the direct evidence of misappropriation at this stage is
10 small: only one email. However, as another court has pointed out:

11 [M]isappropriation and misuse can rarely be proved by
12 convincing direct evidence. In most cases plaintiffs must
13 construct a web of perhaps ambiguous circumstantial
14 evidence from which the trier of fact may draw inferences
15 . . . that it is more probable than not that what plaintiffs
16 allege happened did in fact take place.

16 *UniRAM Tech., Inc. v. Taiwan Semiconductor Mfg. Co.*, No. C-04-1268 VRW, 2007
17 WL 2572225, at *5 (N.D. Cal. Sept. 5, 2007) (quoting *Q-Co Indus., Inc. v. Hoffman*,
18 625 F. Supp. 608, 618 (S.D.N.Y.1985)). This is true here. Plaintiff’s allegations of
19 misappropriation go further than only alleging Defendant has been improperly
20 communicating with Mr. Mannis. Plaintiff alleges Defendant was negotiating a new
21 business opportunity with another one of Plaintiff’s clients while employed by
22 Plaintiff, and, after Defendant left, he contacted that client seeking the business
23 opportunity for himself. (TRO 9.) This allegation is based on “information and
24 belief,” (*id.*), but the Court finds it plausibly pled based on the evidence of
25 Defendant’s contact with another client, Mr. Mannis. In sum, through a combination
26 of direct and circumstantial evidence, Plaintiff has met its burden in establishing
27 Defendant acquired trade secret information through improper means.
28

1 The Court finds Plaintiff has sufficiently alleged a likelihood of success on the
2 merits for its trade secret misappropriation claim.⁶

3 **b. Breach of Contract**

4 To state a claim for breach of a written contract, a plaintiff must plead facts
5 that establish “(1) existence of the contract, (2) plaintiff’s performance or excuse for
6 nonperformance; (3) defendant’s breach; and (4) damages to plaintiff as a result of
7 the breach.” *CDF Firefighters v. Maldonado*, 158 Cal. App. 4th 1226, 1239 (2008).
8 The Court finds Plaintiff’s breach of contract cause of action is preempted by its
9 CUTSA claim.

10 Section 3426.7 of the CUTSA “preempts common law claims that are ‘based
11 on the same nucleus of facts as the misappropriation of trade secrets claim for
12 relief.’” *K.C. Multimedia, Inc. v. Bank of Am. Tech. & Operations, Inc.*, 171 Cal.
13 App. 4th 939, 958 (2009) (quoting *Digital Envoy, Inc. v. Google, Inc.*, 370 F. Supp.
14 2d 1025, 1035 (N.D. Cal. 2005)). In analyzing this, courts focus on “whether [the]
15 claims are not more than a restatement of the same operative facts supporting trade
16 secret misappropriation. . . . If there is no material distinction between the
17 wrongdoing alleged in a [C]UTSA claim and that alleged in a different claim, the
18 [C]UTSA claim preempts the other claim.” *Convolve, Inc. v. Compaq Comp. Corp.*,
19 No. 00 CV 5141(GBD), 2006 WL 839022, at *6 (S.D.N.Y. Mar. 31, 2006) (internal
20 quotations omitted) (applying California law).

21 Various courts have held that CUTSA may supersede certain claims “where
22 the wrongdoing alleged in connection with such claims is the misappropriation of
23 trade secrets.” *SunPower Corp. v. SolarCity Corp.*, No. 12-CV-694-LHK, 2012 WL
24

25 ⁶ Plaintiff alleges its compensation structure for its employees is a trade secret and that Defendant
26 knows of the structure. (TRO 7.) But Plaintiff makes no allegations that Defendant has acquired
27 or used the compensation structure in violation of trade laws. Plaintiff does allege Defendant
28 attempted to solicit one of Plaintiff’s employees after Defendant resigned, (*id.* at 10), but does not
allege Defendant used the trade secrets in any way. Thus, Plaintiff has not proven Defendant
misappropriated this specific trade secret. This is irrelevant because Plaintiff has met its burden in
showing likelihood of success on the merits of misappropriation of at least some trade secrets.

1 6160472, at *3 (N.D. Cal. Dec. 11, 2012) (collecting cases). A claim is not
2 preempted, however, if the plaintiff asserts “*some other basis in fact or law* [than
3 misappropriation] on which to predicate the requisite property right,” *Silvaco*, 184
4 Cal. App. 4th at 238–39; *see also Axis Imex, Inc. v. Sunset Bay Rattan, Inc.*, No. C
5 08–3931, 2009 WL 55178, at *5 (N.D. Cal. Jan. 7, 2009) (finding a claim is not
6 preempted if based on facts that are “similar to, but distinct from” those underlying
7 the misappropriation claim).

8 Here, Plaintiff’s breach of contract claim has no basis other than its
9 misappropriation claim. Plaintiff argues Defendant breached the confidentiality
10 provision of the Employment Agreement “by using [Plaintiff’s] Trade Secrets,
11 including its customer lists, needs, and pricing structures, to directly compete with
12 [Plaintiff].” (TRO 15; *see also* Compl. ¶ 42.) There is no material distinction
13 between the trade secret misappropriation claim and the breach of contract claim.
14 The breach of contract claim is preempted and therefore Plaintiff is not likely to
15 succeed on the merits of this claim.

16 In determining whether injunctive relief is proper, the first factor (whether the
17 plaintiff is likely to succeed on the merits) is “the most important.” *Garcia v. Google,*
18 *Inc.*, 786 F.3d 733, 740 (9th Cir. 2015.) Because the Court finds Plaintiff has not
19 established this factor, it “need not consider the remaining three [factors].” *Id.*
20 (citation omitted). The Court **DENIES** Plaintiff’s request for a TRO on its breach of
21 contract claim and proceeds to analyze the remaining three factors for Plaintiff’s
22 misappropriation claim.

23 **2. Likelihood of Irreparable Harm**

24 Plaintiff asserts it “is in immediate danger of losing valuable business,
25 customer relations, opportunities, profits, and goodwill” if Defendant is permitted to
26 use Plaintiff’s trade secrets. (TRO 15.) “[E]conomic injury alone does not support
27 a finding of irreparable harm, because such injury can be remedied by a damage
28 award.” *Rent-A-Ctr., Inc. v. Canyon Television & Appliance Rental, Inc.*, 944 F.2d

1 597, 603 (9th Cir. 1991) (citing *L.A. Mem'l Colliseum Comm'n v. Nat'l Football*
2 *League*, 634 F.2d 1197, 1202 (9th Cir. 1980)). However, “an intention to make
3 imminent or continued use of a trade secret or to disclose it to a competitor will
4 almost always certainly show irreparable harm.” *Pac. Aerospace & Elec., Inc. v.*
5 *Taylor*, 295 F. Supp. 2d 1188, 1198 (E.D. Wash. 2003) (quoting *Campbell Soup Co.*
6 *v. ConAgra, Inc.*, 977 F.2d 86, 92–93 (3rd Cir. 1992)). “Evidence of threatened loss
7 of prospective customers or goodwill certainly supports a finding of the possibility
8 of irreparable harm.” *Stuhlberg Int'l Sales*, 240 F.3d at 841.

9 Here, Plaintiff has established it will lose customers and goodwill through
10 Defendant's actions, which shows there is a likelihood of irreparable injury if
11 Defendant is not enjoined. This satisfies the burden with respect to this factor.

12 3. Balance of Equities

13 “To qualify for injunctive relief, Plaintiff must establish that ‘the balance of
14 the equities tips in [its] favor.’” *Stormans, Inc. v. Selecky*, 586 F.3d 1109, 1138 (9th
15 Cir. 2009) (quoting *Winter*, 555 U.S. at 20). A court has the “duty . . . to balance the
16 interests of all parties and weigh the damage to each.” *L.A. Mem'l Coliseum Comm'n*
17 *v. Nat'l Football League*, 634 F.2d 1197, 1203 (9th Cir. 1980). The damage to
18 Plaintiff, as noted above, is the loss of customers and goodwill. Defendant argues
19 the damage to him is that he would “be precluded from fairly competing in the
20 industry that has formed the basis of his livelihood for three decades.” (Opp'n 9.)
21 Defendant is unfairly characterizing the scope of what Plaintiff requests. Defendant
22 is not precluded from working in his desired industry, he is only precluded from using
23 Plaintiff's trade secrets in doing so. This is only a small harm, compared to Plaintiff's
24 irreparable harm of loss of business and goodwill. The balance of equities tip in
25 Plaintiff's favor.

26 4. Public Interest

27 “The public interest is served when [a] defendant is asked to do no more than
28 abide by trade laws and the obligations of contractual agreements signed with [his]

1 employer. Public interest is also served by enabling the protection of trade secrets.”
2 *Henry Schein*, 191 F. Supp. 3d at 1078 (citing *Bank of Am., N.A. v. Lee*, No. CV 08–
3 5546 CAS (JWJX), 2008 WL 4351348, at *7 (C.D. Cal. Sept. 22, 2008).)
4 Accordingly, the public interest is served in ordering Defendant here to abide by
5 trade laws and protect Plaintiff’s trade secrets.

6 **IV. CONCLUSION**


7 In sum, the Court finds Plaintiff has met its burden in establishing it is entitled
8 to partial injunctive relief. The Court **GRANTS** Plaintiff’s motion for a TRO with
9 respect to its misappropriation claim and **DENIES** Plaintiff’s motion for a TRO with
10 respect to its breach of contract claim.

11 Accordingly, the Court **ENJOINS** Defendant from divulging, using,
12 disclosing, or making available to any third person or entity Sun Distributing’s trade
13 secrets, or using any trade secrets for the purpose of directly or indirectly competing
14 with Sun Distributing. Sun Distributing’s trade secrets include but are not limited
15 to, Sun Distributing’s confidential know-how and methods developed and/or
16 acquired by Sun Distributing, its proprietary business methods and procedures,
17 customer lists and contact information, key contact information, price lists and
18 structures, customer requirements, service providers and pricing structures,
19 employee lists and compensation structures, and other proprietary business,
20 operating, and financial information.

21 The Court **ORDERS** Defendant to show cause as to why the Court should not
22 grant Plaintiff’s motion for a preliminary injunction. The Court **ORDERS** the
23 Parties to appear on October 22, 2018 at 3:00 p.m. in Courtroom 4B for oral
24 argument. The Parties should be prepared to discuss Plaintiff’s Motion for
25 Preliminary Injunction.

26 **IT IS SO ORDERED.**

27 **DATED: October 12, 2018**

28 
Hon. Cynthia Bashant
United States District Judge