No. 16-56511

IN THE UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

FREEMAN INVESTMENT MANAGEMENT CO., LLC,
Plaintiff–Appellant,

v.

FRANK RUSSELL COMPANY,
Defendant–Appellee.

Appeal from the United States District Court
for the Southern District of California, No. 13-cv-2856-JLS-RBB

Hon. Janis L. Sammartino

FILED UNDER SEAL
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CORPORATE DISCLOSURE STATEMENT

Frank Russell Company is a nongovernmental corporate entity. It is a wholly owned subsidiary of London Stock Exchange Group.

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INTRODUCTION

Academics and industry participants—including Frank Russell Company—had studied and used measures of stock volatility for years before Freeman Investment Management Co., LLC ("FIMCO") circulated its own indistinct ideas on the topic. Russell—a pioneer in "style" stock indexes that partition stocks based on specific attributes—had been researching and developing a new family of indexes based on stock volatility research long before FIMCO ever contacted Russell. Indeed, Russell was experimenting with indexes that focused on volatility alone as well as indexes combining volatility with other criteria. FIMCO nonetheless claims that the broad and familiar concepts it tried to market to Russell and many others were actually trade secrets, and that FIMCO owns the hazy concept of "emphasizing volatility" in a stock index.

Yet FIMCO never identified any plausible trade secret with sufficient particularity to allow its case to go forward. Throughout this case, FIMCO has asserted trade secret protection over essentially everything it communicated about volatility or volatility-based stock indexes. It first presented a 492-paragraph document purporting to identify its trade secrets. In response to discovery requests, FIMCO expanded its trade secret identification to include several additional documents—including two orders of the district court.

This undifferentiated and overinclusive mass of information included material that obviously could not be a FIMCO trade secret. FIMCO claimed, for example, that summaries of other people's research and assessments of general industry interest in volatility were trade secrets. And FIMCO doggedly insisted that these and equally obvious ideas not only were trade secrets, but had been wrongfully appropriated by Russell.

Most of FIMCO's 492 "trade secrets" restated vague and categorical descriptions of well-known principles discussed in FIMCO's 2009 White Paper. Yet the White Paper never described how to *construct* FIMCO's prototype "volatility style index." Nor did the White Paper specify any particular weight that an index might give volatility, except for the simplest and most obvious proportion: 100%.

[redacted]

[redacted]

FIMCO has not budged from this position. It did make one desperate effort to salvage its case after the district court tentatively ruled at the summary judgment hearing that FIMCO had not satisfied the settled requirement that a plaintiff identify its trade secrets with particularity. FIMCO filed a post-hearing "election" to pursue only eight of the 492-plus "secrets" it had pressed up to then. But FIMCO merely reproduced the belatedly selected paragraphs from its overinclusive identification without trying to explain why this tactic could preserve its case. The district court correctly held that this final maneuver was both "too little" and "too late." ER22.

Having until now disdained to specify its trade secrets or how Russell appropriated them, FIMCO in this Court seeks to defend only *three* of its hundreds of "secrets." But these three sets of vague and categorical terms come nowhere close to meeting the bar for trade secret protection. And to make matters worse, FIMCO's new descriptions of these alleged secrets conflict with its earlier ones. This latest episode of gamesmanship cannot revive FIMCO's trade secret claim.

Summary judgment on FIMCO's breach of contract claim should be affirmed for similar reasons and several more. The parties' nondisclosure agreement ("NDA") protected only "Confidential Information" of which Russell or the industry was not already aware. Yet FIMCO's information was already known to the public, and Russell had independently developed volatility-based indexes. FIMCO also voluntarily disseminated Freeman's research to dozens of third parties (and, ultimately, to the public at large) without restrictions on disclosure. For each of these reasons, FIMCO could not establish that the NDA's protections even *applied* to the information allegedly used or disclosed by Russell.

Moreover, as with its trade secret claim, FIMCO consistently refused to provide any evidence linking *any* particular information that FIMCO had shared to any evidence of use or disclosure by Russell. FIMCO's breach of contract claim failed as a matter of law for this reason as well.

FIMCO was lucky to avoid sanctions for its efforts to game the system. The judgment of the district court should be affirmed.

JURISDICTIONAL STATEMENT

Russell accepts FIMCO's jurisdictional statement.

STATEMENT OF ISSUES PRESENTED

1. Whether FIMCO failed to identify its alleged trade secrets with sufficient particularity in its 492-paragraph list (plus additional documents) comprising statements of publicly available information and background knowledge, along with vague and categorical descriptions of general principles.

2. Whether FIMCO adduced competent evidence that: (a) the information FIMCO exchanged with Russell qualified as "confidential" under the NDA; and (b) any particular piece of "confidential" information was used or disclosed by Russell in violation of the NDA.

STATEMENT OF FACTS

A. Decades Ago, Academic And Industry Researchers Turned Their Attention To The Effect Of Stock Volatility On Investment Returns.

Volatility measures how much a stock's price fluctuates over time; low-volatility stocks vary less than high volatility stocks. Over the past 50 years, widely cited papers have identified an apparent "volatility effect": low-volatility portfolios appear to outperform high-volatility portfolios over extended periods. *E.g.*, SER168–709. In particular, Eugene Fama and Kenneth French's seminal 1992 paper sorted stocks into volatility-based portfolios and found that low-volatility portfolios produced higher returns. SER553–91. Following Fama and French, many researchers published studies sorting stocks by risk characteristics. *E.g.*, SER298–312, 372–88, 603–42. David Blitz and Pim van Vliet's widely cited 2007 paper recommended viewing low- and high-volatility stocks as distinct asset classes. SER381.

Further published research confirmed that, over extended periods, low-volatility portfolios outperform high volatility portfolios; these studies used several recognized measures of price volatility, including the common 60-month measure. *See* SER298–371, 389–642. Moreover, researchers have for decades observed that "volatility is well known to be persistent," which means that high volatility stocks tend to remain volatile, while low-volatility stocks tend to remain less volatile over time. SER235, 389–402.

B. Russell Develops A New Stock Index Prototype Based On Volatility Research.

Russell is a market leader in the development of stock indexes—frameworks that organize stocks systematically for investment purposes. *See, e.g.*, ER707. Over the past 30 years, Russell has created several families of "style" indexes that partition stocks using various economic attributes. *See* SER936:6–937:17, 952:6–953:7; FIMCO Opening Brief ("Br.") 4–5 (describing Russell's style indexes); ER668–70 (FIMCO's expert's description of Russell's "wide range of indexes," including style indexes).

[redacted]

[redacted] He ran simulated backtests using volatility as the sole factor for dividing the market. *Id.* (Backtesting tests a trading strategy based on relevant historical data to assess its viability before risking any actual capital.) [redacted]

[redacted]

[redacted]

[redacted][1] [redacted]

[1] FIMCO incorrectly implies (Br. 14) that Freeman gave Russell the idea to make its Stability Indexes "style indexes" and call them "the Third Dimension of Style." As Russell's research note indicates, this terminology and framework significantly preceded Freeman's contact with Russell. ER965.

[redacted]

C. FIMCO Shares Its Volatility-Related Suggestions With Numerous Industry Participants.

In 2009, FIMCO entered the crowded field of volatility index research. [redacted] FIMCO distributed this material without any legal

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[redacted]

[redacted]

confidentiality protection. *See* ER942–49, 1095–1123, 1141–1245; SER1192:24–1193:12, 1199:1–21.

In late 2009, FIMCO prepared a White Paper titled "Divide and Conquer: An Efficient Approach to Equity Style Investing." ER838–66. [redacted]

[redacted]

[redacted]

[redacted]

Main Empirical Findings. [redacted]

VSI Construction Methodology. The White Paper also provides an overview of the standard stock sorting methodology that FIMCO used to construct its VSIs. Not surprisingly, that methodology recalls Fama and French's 1992 paper, Blitz and van Vliet's 2007 paper, and research by both FIMCO's and Russell's experts. *E.g.*, SER298–312, 372–88, 603–42. The White Paper's basic construct of partitioning the universe of stocks into halves based on economic attributes also replicated Russell's style indexes that have existed for 30 years. *See supra* p. 7.

Suggestions Regarding Use. Finally, like Hintz's March 2009 research note, the White Paper suggests that its volatility-related observations could help market participants decide how to invest. *E.g.*, ER874.

D. FIMCO Shares The White Paper With Russell And Many Other Industry Participants.

In late 2009 and early 2010, FIMCO circulated the White Paper to scores of contacts in the financial services industry. On November 17, 2009, Freeman sent the White Paper to Mary Fjelstad, a Senior Research Analyst at Russell, without first requesting an NDA. ER838–66, 951–52. And in early 2010, FIMCO circulated the White Paper to more than 60 third parties at more than 40 firms, also without NDAs. ER973–76, 1302:17–22; SER964:17–20; *see also* SER852–931.[4]

[redacted]

E. Russell Tests And Rejects FIMCO's Prototype.

After FIMCO approached Russell (through Fjelstad) in late November 2009, certain Russell employees participated in preliminary discussions regarding FIMCO's White Paper. Neither

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[4] Freeman claims that either he or his colleague Pete Johnson called everyone on the distribution list to inform them of the White Paper's confidential nature and to secure agreement to treat the information as confidential. SER965:15–21. But Johnson had no recollection of making these calls (ER1302:23–1305:3), and individuals on the distribution list did not receive or do not remember any calls seeking a promise of confidentiality. SER1145:5–1146:6. [redacted]

Hintz nor Feldman were involved in these discussions. *See* ER950, 971; SER715–18; *supra* pp. 7–10.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted] Based on Feldman's evaluation and Russell's determination to proceed with its multi-factor Stability Indexes, Russell decided in mid-March 2010 not to pursue a business venture with FIMCO. ER953; SER764–65.

F. Russell Publishes Its Stability Indexes.

[redacted]

[redacted]

[redacted]

Russell published its Stability Indexes in February 2011. ER1350. The final Stability Indexes contain five inputs—three quality factors, totaling 50 percent in the aggregate, and two volatility factors (52-week total volatility and 60-month total volatility), each with a weight of 25%. ER1346. [redacted]

G. Freeman's Patent Application Is Rejected For Lack Of Novelty.

On February 2, 2012—about a year after Russell launched its Stability Indexes—Freeman filed a patent application for "a volatility-based securities index framework." SER99. The patent application and the materials filed with it became publicly available in July 2013. SER25, 87–167, 976:2–16, 1173:20–1174:9, 1175:4–7, 1176:18–23. These materials included three drafts of the White Paper and over 800 FIMCO emails comprising more than 10,000 pages of communications discussing the VSIs. SER25–86, 141–67; *see also* SER1179:9–24, 1181:21–25, 1184:19–1185:11, 1186:13–1188:16, 1189:8–23.

The United States Patent and Trademark Office ("USPTO") rejected Freeman's patent application in June 2012 on multiple bases, including a "prior art rejection[]," which means that "the patent examiner believe[d] the invention described in the claims … is obvious." SER84–86, 1171:9–25. Since then, the application has been non-finally rejected multiple times. The examiner has repeatedly determined that "the claimed invention [is] obvious" in light of prior art in the investment management field. SER1172:11–21.[5]

H. FIMCO Sues Russell.

In December 2013, five months after its purported trade secrets were published by USPTO, FIMCO filed this lawsuit. ER471–93; SER84–86.

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5 FIMCO misstates the public record when it asserts (Br. 16) that the patent examiner eventually "acknowledged the novelty of FIMCO's invention." On the contrary, the examiner's latest rejection made a threshold determination that the claimed invention could not be patented even if it were not obvious. ER761–71.

The operative amended complaint alleged that, in sharing the White Paper and other VSI-related information with Russell in late 2009 and early 2010, FIMCO disclosed "trade secret" information that Russell misappropriated in violation of the California Uniform Trade Secret Act ("CUTSA"). ER313–29. The amended complaint also alleged several related claims, including one for breach of contract. ER329–35.

In May 2015, FIMCO produced a 500-paragraph, 110-page document labeled an "Identification of Trade Secrets." ER1387–1496. After Russell complained that the identification did not provide adequate notice of FIMCO's purported trade secrets and was legally deficient, FIMCO served an amended trade secret identification ("TSID"). But the new version merely deleted eight paragraphs and added new material to eight of the original paragraphs, leaving 492 paragraphs and 108 pages of alleged trade secret disclosure. ER1497–1606.

Numerous paragraphs in FIMCO's TSID contain mere background information. *E.g.*, ER1510–11, 1548–49 (¶¶ 91 ("Background research showing …."), 92 ("Some elite institutions were reluctant in 2009/2010 ….”), 99 (“Large entities … were open to using a broad-market volatility-based style index ….”), 100 (“PIMCO was not interested in creating a volatility-based style index ….”), 327 (“It can be helpful to draw on the historical context ….”)). Other paragraphs present general ideas about investments, volatility indexes, and related concepts, without identifying any specific volatility index or investment approach. *E.g.*, ER1504, 1509–10, 1513, 1548–49, 1576 (¶¶ 42, 86, 92, 111, 326, 327, 436).

Many more paragraphs use vague and subjective volatility-related descriptions (*e.g.*, “emphasizes volatility,” “based on volatility and other lesser factors,” “relative historical volatility,” “generally lower volatility,” and “power and the persistence of equity volatility”). *E.g.*, ER1500–04, 1507–10, 1514, 1524 (¶¶ 12, 13, 18, 24, 25, 26, 29, 30, 31, 32, 33, 34, 35, 37, 44, 46, 70, 71, 73, 74, 85, 88, 120, 191). Indeed, no fewer than 222 paragraphs rely on the phrase “emphasizing volatility,”[6] while 111 more paragraphs include close

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[6] ER1499–1541, 1543–52, 1557–76, 1581–85, 1588–90, 1592–93, 1597–1600, 1602–04 (¶¶ 5, 7, 10, 11, 12, 14, 15, 17, 18, 19, 26, 28, 36, 42, 43, 49, 50, 60, 66, 72, 74, 75, 87, 89, 90, 91, 93, 94, 97, 102, 103, 104, 105, 106, 110, 116, 118, 119, 121, 127, 136, 139, 143, 144, 145, 146, 147, 153, 154, 157, 159, 160, 166, 167, 168, 169, 170, 171, 172,

variations like "emphasis on volatility" (ER1498 (¶ 1)), "emphasizes volatility" (*id.* (¶ 23)) or "emphasizes historical stock volatility." *Id.* (¶ 27).[7] And still others describe concepts in categorical terms. *E.g.*, ER1499–1500, 1523, 1551, 1596–97 (¶¶ 8 ("principles supporting"), 9 ("Approaches to explaining"), 10 ("Compilations"), 14 ("A comprehensive, capitalization-weighted set"), 180 ("a collection of

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173, 174, 176, 177, 182, 184, 185, 186, 187, 191, 194, 195, 202, 203, 204, 205, 206, 207, 208, 213, 220, 221, 222, 223, 224, 225, 226, 229, 230, 231, 232, 234, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 262, 263, 264, 265, 266, 267, 269, 269 (e), 273, 275, 282, 291, 298, 299, 300, 302, 304, 305, 311, 316, 324, 325, 326, 329, 330, 336, 337, 338, 361, 363, 364, 365, 367, 370, 375, 377, 380, 381, 382, 384, 385, 386, 387, 388, 389, 390, 392, 393, 394, 395, 396, 397, 398, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 444, 445, 446, 447, 448, 460, 463, 464, 466, 468, 475, 477, 478, 479, 480, 482, 488, 488 (h), 489, 489(c)(vi), 491, 491 (a), and 491(a)(viii)).

[7] ER1499–1541, 1543–52, 1557–76, 1581–85, 1588–90, 1592–93, 1597–1600, 1602–04 (¶¶ 1, 4, 9, 13, 16, 20, 23, 24, 25, 27, 29, 30, 31, 32, 33, 34, 35, 38, 40, 62, 63, 64, 65, 69, 70, 71, 73, 76, 77, 78, 79, 80, 81, 82, 85, 86, 88, 100, 101, 108, 120, 122, 125, 129, 132, 133, 138, 140, 141, 148, 149, 150, 151, 152, 165, 175, 180, 183, 188, 189, 190, 192, 196, 197, 201, 209, 210, 211, 212, 228, 233, 235, 246, 272, 274, 289, 292, 310, 312, 315, 317, 327, 331, 332, 333, 335, 360, 362, 373, 391, 399, 400, 401, 402, 403, 404, 439, 450, 451, 452, 453, 454, 455, 456, 457, 465, 467, 471, 472, 473, and 476).

stocks"), 333 ("volatility style indexes"), 487(c) ("two groups of securities")).

More than 150 TSID paragraphs paraphrase the White Paper. *Compare* ER867–941, *with* ER1499, 1511, 1537, 1541–90 (¶¶ 6–8, 94, 271(b), 295–97, 309–466). Additional paragraphs refer to other voluminous documents, many identified only in vague terms. *E.g.*, ER1500, 1509–11, 1537–38, 1604–05 (¶¶ 10 ("Compilations, demonstrations and materials"), 87 ("Based on Freeman's research"), 94 ("related materials"), 271 ("research, ideas, and materials"), 272 ("facts, data, and conclusions within the sources"), 492 ("trade secrets already described and identified in each of the following")).

Russell moved to strike FIMCO's TSID as insufficiently particular under California Code of Civil Procedure section 2019.210, which requires a plaintiff to identify the alleged secrets with "reasonable particularity" before obtaining discovery. ER1628–38. In response, FIMCO asserted that "each numbered paragraph is a trade secret" and "the Identification only contains trade secrets." SER19. The district court did not address whether FIMCO's TSID was adequate under California law, but denied the motion on the ground that section 2019.210 is a matter of substantive law and the Federal Rules of Civil Procedure govern discovery in this case. ER287–93.

In response to Russell's discovery requests seeking specific identification of its purported trade secrets, FIMCO *broadened* its trade secret identification, listing in supplemental interrogatory responses the TSID and the following documents as purportedly "identify[ing] and describ[ing]" its trade secrets: (1) the amended complaint and exhibits; (2) FIMCO's opposition to Russell's motion to dismiss the amended complaint; (3) the district court's order on Russell's motion to dismiss; (4) FIMCO's TSID; (5) FIMCO's opposition to Russell's motion to strike the identification; (6) the court's order on Russell's motion to strike; and (7) two prior interrogatory responses. SER1201–02.

Russell's attempt to obtain reasonably particular identification of FIMCO's alleged trade secrets from FIMCO's 30(b)(6) deponents Freeman and Johnson proved equally futile. [redacted]

[redacted]

I. The District Court Grants Summary Judgment.

Russell moved for summary judgment on all of FIMCO's claims. In opposing summary judgment, FIMCO reaffirmed its position that "each [of the 492] numbered paragraph[s] in the TSID is a trade secret." ER558. FIMCO offered no evidence connecting any purported secret to any specific alleged use of that information by Russell in its Stability Indexes.

During the summary judgment hearing, after the district court tentatively ruled from the bench that FIMCO's identifications lacked sufficient particularity, FIMCO declared for the first time that it intended to proceed to trial on only "twenty" or "nine" of its "trade secrets." ER38:19–20. Twelve days later, FIMCO submitted a "notice ... of election of trade secrets." ER111–118. This document, filed six months after discovery closed and four months after the last summary judgment brief, purported to select a subset of eight of the TSID's 492 paragraphs "for prosecution at trial." *Id.*

The district court granted summary judgment on all claims. In a carefully reasoned, 28-page opinion, the court held that FIMCO failed to identify any trade secret with particularity, finding the TSID "overly vague and overly inclusive." ER20. The court explained that, "[r]ather than [presenting] a reasonably particular list of trade secrets, [FIMCO's] disclosure resembles an effort to categorize every piece of information or know-how that could potentially have value to the company." *Id.* (internal quotation marks omitted). Accordingly, FIMCO "failed to provide reasonable notice of the issues which must be met at the time of trial." *Id.* (internal quotation marks omitted).

The court made clear that this conclusion was not based on the "volume" of alleged trade secrets, but on FIMCO's lack of "particularity." ER22. FIMCO's failure to separate any "sufficiently particular" trade secrets from other information contained in its TSID was fatal to its case, as "[n]either the Court [n]or Defendant" had the "burden" "to do so for it." *Id.*

The court also rejected FIMCO's post-hearing submission of eight trade secrets as "simply too little too late." ER21–22. The parties had spent a year and a half litigating "a 492-plus trade secret claim" that "would look completely different" from a case with only eight trade secrets. ER22–23. The court also specifically found particularity lacking in paragraph 60, which FIMCO had identified at the hearing (ER45) and in its later election (ER113) as a core trade secret it intended to press at trial. ER21. The court noted that FIMCO's counsel could not define "emphasizing volatility"—a phrase that appears verbatim or in substance over 300 times in the TSID (*see supra* nn. 6 & 7)—in the context of paragraph 60 or the rest of its trade secret designation. ER21. "As with a recipe for chocolate cake 'emphasizing chocolate,'" the court observed, "emphasizing volatility" "is vague and, ultimately, unhelpful." *Id.* (quotation marks omitted).

The district court held that FIMCO's remaining claims derived from its trade secret claim and therefore failed as a matter of law along with it. ER23. Additionally, the court held that each remaining claim failed on its own merits. ER23–28.

The only one of those claims pursued here is FIMCO's claim that Russell breached the NDA. The district court found that the NDA did not protect the information FIMCO exchanged with Russell. The NDA excludes information disclosed "to a third party without restrictions on its disclosure." ER25. The district court found "abundant evidence in the record" that FIMCO employees "disclosed the allegedly confidential information to a third party without restrictions on disclosure." ER26. Noting that the NDA did not apply to information that "*subsequently enters* the public domain" for reasons other than "the receiving party's breach," the court held that the NDA precluded relief because Freeman's patent application publicly disclosed the White Paper and hundreds of emails between FIMCO and Russell in July 2013. ER24–26. The court further explained that relief likely was barred by the exclusions for information "independently developed by the receiving party" or that "became known to the receiving party prior to ... disclosure." ER25.

Finally, the Court held that FIMCO had failed to introduce a genuine issue of material fact "that there is any particular trade secret covered by the NDA that [Russell] used or disclosed in violation of the parties' agreement." ER26.

SUMMARY OF ARGUMENT

FIMCO's claims fail for simple reasons. FIMCO sued on a trade secret theory, served an imprecise 492-paragraph list of trade secrets, expanded the list with other documents, and doggedly refused throughout the litigation to sufficiently identify any claimed trade secret. Instead, FIMCO insisted that every one of its 492 paragraphs was a trade secret, no matter how facially obvious, vague, or categorical. FIMCO claims trade secret rights even in public court orders and summaries of research by others. Only when the district court made clear in open court that this tactic would not prevent summary judgment did FIMCO belatedly announce that it would narrow its claimed trade secrets for trial. In this Court, FIMCO tellingly seeks to protect only three secrets, none of which come close to meeting the legal standard.

FIMCO bore the burden of identifying its purported trade secrets with particularity. But it shirked that burden and repeatedly attempted to shift it onto the district court or Russell.

A uniform body of precedent insists, however, that plaintiffs let defendants know precisely what secrets are at issue and on what basis they allegedly qualify for trade secret protection. The particularity requirement helps defendants and courts distinguish information known to the industry (or the defendant) from actual secrets. Particularity also helps separate the overlapping category of broad ideas (often widely known) from specific information that may have practical value derived from its continued secrecy. And reasonable particularity is essential to provide the defendant the fair notice needed to mount a defense.

FIMCO did nothing to carry its burden. Instead, it relied on overinclusive designations that encompassed public knowledge and research by others. And FIMCO claimed protection for vague, subjective, and undefined abstractions like "emphasizing volatility."

FIMCO maintains that the district court could not grant summary judgment unless it sifted through each of the more than 492 "secrets" identified. But FIMCO has the summary judgment burdens backward. It was FIMCO's burden as plaintiff to identify each secret that it claimed had been misappropriated in terms sufficiently particular to be plausible, and to present evidence that each secret was in fact secret and in fact had been improperly used or disclosed.

Yet FIMCO did nothing. Not until it became clear that the district court would not accept FIMCO's huge and undifferentiated list did FIMCO reduce its assertions to eight paragraphs. The district court correctly rejected that late filing as a basis to forestall summary judgment.

On appeal, FIMCO presses only *three* paragraphs. Their weakness shows why FIMCO tried to hide the ball below. The three paragraphs consist of vague descriptions (including "emphasizing volatility") as well as broad concepts with which both the industry and Russell were deeply familiar. Nor did FIMCO produce evidence to show that Russell somehow wrongfully misused or disclosed even these vague formulations and well-known concepts; it did not even try to trace a "secret" to a use by Russell. And FIMCO presented insufficient evidence to show that it had maintained the secrecy of the material.

FIMCO's contract claim under the Russell NDA fails for the same reasons and more. Not only did FIMCO fail at the threshold to identify what information it plausibly claimed was confidential under the NDA, but unrebutted evidence showed that the NDA expressly excluded the information on FIMCO's list of trade secrets. Among other things, FIMCO released the information to third parties without restrictions that plausibly could have maintained the information's confidentiality. Further, much if not all of the information was widely known in the industry. Indeed, some of the information had been developed by Russell itself. And FIMCO never showed that Russell used or disclosed any particular piece of "confidential" information it shared with Russell.

The judgment should be affirmed.

STANDARD OF REVIEW

This Court "review[s] *de novo* a grant of summary judgment." *UMG Recordings, Inc. v. Augusto*, 628 F.3d 1175, 1178 (9th Cir. 2011). The Court "may affirm on any ground supported by the record." *Id.*

ARGUMENT

I. The District Court Properly Granted Summary Judgment On FIMCO's Trade Secret Claim.

To succeed on a claim for misappropriation of trade secrets under CUTSA, a plaintiff "first must clearly identify the [alleged trade secret] information." *Integral Dev. Corp. v. Viral Tolat*, 2017 WL 123316, at *1 (9th Cir. Jan. 11, 2017). As the district court correctly held (ER19–23), FIMCO did not satisfy this obligation.

Instead, FIMCO evaded its burden at every turn. To start, FIMCO incorporated all the information it shared with Russell as alleged trade secrets, and used vague, subjective, and categorical terms to describe those purported secrets. FIMCO next maintained that summary judgment should be denied unless Russell could exclude the possibility that any of the supposed trade secrets might be legitimate. Then, at the summary judgment hearing, FIMCO announced for the first time its plan to narrow its claims dramatically for presentation at trial. This was litigation gamesmanship at its worst.

A. FIMCO Had The Burden To Identify Its Trade Secrets With Particularity To Survive Summary Judgment.

As this Court has emphasized, to succeed on a CUTSA claim, the plaintiff must "describe the subject matter of the trade secret with *sufficient particularity* to separate it from matters of general knowledge in the trade or of special knowledge of those persons ... skilled in the trade." *Imax Corp. v. Cinema Techs., Inc.*, 152 F.3d 1161, 1164–65 (9th Cir. 1998) (internal quotation marks omitted); *accord Integral Dev.*, 2017 WL 123316, at *1 (plaintiff must "first ... clearly identify the information" that allegedly qualifies as a trade secret).[8] To evaluate compliance with this requirement, the Court assesses as a matter of law whether a plaintiff has articulated the asserted trade secrets with requisite particularity before proceeding

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[8] An unbroken line of appellate authority has recognized this threshold particularity burden in trade secret cases. *See IDX Sys. Corp. v. Epic Sys. Corp.*, 285 F.3d 581, 583–84 (7th Cir. 2002) (alleged secrets must be described specifically enough to separate them from information generally known in the trade); *Trandes Corp. v. Guy F. Atkinson Co.*, 996 F.2d 655, 661 (4th Cir. 1993) (alleged secrets must be described "in sufficient detail"); *Givaudan Fragrances Corp. v. Krivda*, 639 F. App'x 840, 845 (3d Cir. 2016) ("trade secrets must be identified with enough specificity to put a defendant on notice").

to other elements of a trade secret claim. *See Imax*, 152 F.3d at 1164–67; *IDX*, 285 F.3d at 583–84; *Trandes*, 996 F.2d at 661–62.

Under this analytical structure, the litigation shell game that FIMCO engaged in here is not permissible. A court is not required to try to identify and separate out plausible alleged trade secrets from background information and general principles that indisputably contain matters known to the industry. *See, e.g.*, *IDX*, 285 F.3d at 584 (a trade secret plaintiff may not "invite the court to hunt through the details in search of items meeting the statutory definition"). If a trade secret plaintiff "refuse[s] to specify precisely what trade secrets it believes to be at risk," a court need not and should not "cast about in the record" to make the plaintiff's case for it. *AMP Inc. v. Fleischhacker*, 823 F.2d 1199, 1203 (7th Cir. 1987), *superseded by statute on other grounds*.

FIMCO misstates its particularity burden. It contends that *Russell* bore the burden to show that all of FIMCO's 492 paragraphs and 108 pages of alleged trade secrets were *not* sufficiently particular. Br. 26, 30–31, 36. In FIMCO's view, a plaintiff's mere assertion that any collection of words or ideas is a trade secret raises a presumption that every "secret"—no matter how ludicrous—is particular enough to survive summary judgment.

FIMCO has it backwards. A trade secret plaintiff bears the burden of identifying its trade secrets with particularity. *E.g.*, *Imax*, 152 F.3d at 1164–65. "When a party fails to identify its trade secrets with particularity, summary judgment is appropriate." *W.L. Gore & Assocs., Inc. v. GI Dynamics, Inc.*, 872 F. Supp. 2d 883, 899 (D. Ariz. 2012). That is why this Court and other circuits have upheld summary judgment because a plaintiff "fail[ed] to allege trade secrets ... with sufficient particularity." *Imax*, 152 F.3d at 1166–68, 1170; *accord IDX*, 285 F.3d at 584; *Givaudan*, 639 F. App'x at 845.

Contrary to FIMCO's characterizations, the plaintiff's burden to identify its trade secrets with reasonably particularity to avoid summary judgment is not a mere technicality. Nor is it only a means of imposing "death-knell sanctions" for discovery violations. Br. 42. Rather, the burden of particularity serves an essential purpose. If the plaintiff fails to separate plausible trade secrets from background information and "general knowledge in the trade" (*Imax*, 152 F.3d at 1164–65), or offers overly vague, subjective, and categorical descriptions, a court cannot assess whether any trade secret exists or was misappropriated—the two elements of a trade secret misappropriation claim. *E.g.*, *Mattel v. MGA Entm't*, 782 F. Supp. 2d 911, 967–68 (C.D. Cal. 2011). And a defendant cannot develop its defense. *Id.*; *accord Imax*, 152 F.3d at 1167. Without knowing what the secret is, a defendant cannot prove that the alleged secret was disclosed to others. And without enough specificity to allow the plaintiff to carry its burden of tracing the secret through some use or disclosure by the defendant, the defendant cannot develop evidence that would rebut the claim that the secret was misappropriated.

Accordingly, FIMCO cannot paper over its own failure to shoulder (let alone carry) its burden. It cannot "impermissibly shift its burden onto [defendant] (and the Court) to sift through … pages … to ascertain [plaintiff's] trade secret." *Big Vision Private Ltd. v. E.I. DuPont De Nemours & Co.*, 1 F. Supp. 3d 224, 263 (S.D.N.Y. 2014), *aff'd*, 610 F. App'x 69 (2d Cir. 2015); *accord IDX*, 285 F.3d at 584; *AMP*, 823 F.2d at 1203. It is FIMCO that failed to provide sufficient particularity as necessary to support its trade secret claims.

B. FIMCO's Sprawling Submission Did Not Satisfy Its Burden To Identify Its Purported Trade Secrets With Sufficient Particularity.

The procedural history of this case paints a clear picture: at each juncture, FIMCO refused to define adequately its alleged trade secrets and instead provided identifications that obscured any potentially colorable secrets (had there been any) under a mass of obviously nonsecret or indiscernible material.

FIMCO rewrites history when it maintains that the district court threw out its entire case based on a finding that one of its hundreds of supposed trade secrets was vague. In fact, the court followed well-settled authority holding that a trade secret plaintiff must specify its trade secrets with particularity to survive summary judgment. ER19–23. The district court focused on paragraph 60 of the TSID in response to FIMCO's assertion—surfaced for the first time at the summary judgment hearing—that it intended to advance only paragraph 60 and a few others at trial.

The court's analysis of paragraph 60's considerable deficiencies merely confirmed its holding, as a threshold matter, that FIMCO's entire "identification" was both "overly vague and overly inclusive."

ER20 (internal quotation marks omitted). As the court aptly observed, "[r]ather than a reasonably particular list of trade secrets, [FIMCO's identification] resemble[d] an effort to categorize every piece of information or know-how that could potentially have value" and thus "failed to provide reasonable notice of the issues which must be met at the time of trial." *Id.* (internal quotation marks omitted).

FIMCO also claims (Br. 26) that Russell "devoted only a few pages to arguing" on summary judgment "that FIMCO had not adequately identified its trade secrets." Nonsense. Insufficient particularity was Russell's primary and opening argument on summary judgment. *See* Memorandum of Points and Authorities ISO Defendant's MSJ (ECF No. 160) at 1, 15–19.

FIMCO failed to meet its particularity burden for three reasons; each provides an independent basis for affirmance.

1. FIMCO's Identifications Were Plainly Overinclusive.

The most obvious flaw in FIMCO's identifications is their inclusion of material that cannot possibly qualify as trade secret. "It is not enough to point to broad areas of technology and assert that something there must have been secret and misappropriated."

Composite Marine Propellers, Inc. v. Van Der Woude, 962 F.2d 1263, 1266 (7th Cir. 1992). Rather, "[t]he plaintiff must show concrete secrets." *Id.* And the identification must "separate" any potential trade secrets "from elements" that are "hard to call trade secrets." *IDX*, 285 F.3d at 584.

In *IDX*, for example, the plaintiff's "43-page description of the methods and processes underlying and the inter-relationships among various features making up [it]s software package" was not "specific enough." *Id.* at 583 (internal quotation marks omitted). That identification "le[ft] mysterious exactly which pieces of information are the trade secrets." *Id.* at 584. The 43-page description also included many items "that any user or passer-by sees at a glance are 'readily ascertainable by proper means.'" *Id.* The plaintiff's failure to separate these elements from other elements warranted summary judgment on its claim. *Id.*

Similarly, in *GlobalTap LLC v. Elkay Mfg. Co.*, 2015 WL 94235 (N.D. Ill. Jan. 5, 2015), the plaintiff identified its trade secrets by pointing to a "101-page document," of which its witness testified that "every word" was a trade secret. *Id.* at *6. In granting summary judgment, the court found that "[t]here may well be trade secrets within the [document], but it was Plaintiff's burden to identify those secrets and it has repeatedly failed to do so." *Id.* at *7; *see also Bainter v. League of Women Voters of Fla.*, 150 So. 3d 1115, 1132 & n.11 (Fla. 2014) (faulting party for "identif[ying] nearly every page of the disputed documents as allegedly containing trade secrets").

This case mirrors *IDX* and *GlobalTap*: FIMCO's TSID comprises 492 paragraphs and 108 pages, and incorporates additional voluminous documents by reference. ER1497–1606. Even in this Court, FIMCO continues to assert that "[e]very numbered paragraph [in the TSID] ... is a stand-alone trade secret." Br. 32; *see also* SER19 ("the Identification only contains trade secrets" and "each numbered paragraph is a trade secret"); ER558 ("each [of the 492] numbered paragraph[s] in the TSID is a trade secret") (internal quotation marks omitted).

That statement is facially preposterous. A number of paragraphs delineate the history of style indexes. *E.g.*, ER1438–40 (¶¶ 332–336). One even describes *Russell's* research: "It can be helpful to draw on the historical context of style indexes in creating or marketing a volatility style index. Work between Professor William F. Sharpe and *the Frank Russell Company* eventually led to the mid-1980s launch of the Value and Growth style indices assembled from the Russell equity index constituents ….” ER1548–1549 (¶ 327) (emphasis added). This general background information cannot conceivably constitute actionable FIMCO “trade secret[s].” Br. 32.

Moreover, not content with its 492-paragraph trade secret identification, FIMCO also claims “*portions of, and combinations of*, numbered statements *and other phrases* herein.” ER1605 (emphasis added). Merely taking all potential three-paragraph combinations alone, there are 19,728,380 “combinations of” alleged trade secrets in the TSID. That illustrates why a plaintiff cannot “assert a trade secret” by alleging that it “resides in some combination” of information as FIMCO does at the end of its TSID. *SL Montevideo Tech., Inc. v. Eaton Aerospace, LLC*, 491 F.3d 350, 354 (8th Cir. 2007) (internal quotation marks omitted) (affirming summary judgment).

To make matters worse, FIMCO’s TSID frequently refers to *additional* documents. *E.g.*, ER1500, 1509–1510, 5137–1538, 1604–1605 (¶¶ 10, 87, 271, 272, 492). And in response to Russell’s requests for specificity, FIMCO expanded its identification still further, listing many more documents—including two of the district court's orders—as "identify[ing] and describ[ing]" its trade secrets. SER1201. The vast majority of this material cannot possibly qualify as trade secret.

Summary judgment has been granted against trade secret identifications far less overinclusive than FIMCO's. *E.g.*, *IDX*, 285 F.3d at 584, 587 (43-page description of software); *Big Vision*, 1 F. Supp. 3d at 263–66, 276 (70-page document); *GlobalTap*, 2015 WL 94235, at *6–8 (101-page document); *Bunnell v. Motion Picture Ass'n of Am.*, 567 F. Supp. 2d 1148, 1151, 1155 (C.D. Cal. 2007) (34 pages of documents); *see also Loop AI Labs Inc. v. Gatti*, 195 F. Supp. 3d 1107, 1112–18 (N.D. Cal. 2016) (striking disclosure consisting of "55 paragraphs of purported trade secrets"). FIMCO points to no case permitting a remotely similar laundry list of purported trade secrets to survive summary judgment.

FIMCO nonetheless tries to distinguish several of these decisions, asserting that the plaintiffs identified their trade secrets by referring to "pre-existing" documents, whereas FIMCO set forth some of its alleged secrets in a TSID. Br. 31–36. How this would help

FIMCO is unclear, since its TSID referred to numerous pre-existing documents. In any event, FIMCO mischaracterizes those cases: the claims in *GlobalTap*, *Big Vision*, and *Bunnell* were dismissed not because of some categorical rule prohibiting reference to "pre-existing documents," but because, like FIMCO's trade secret identification here, plaintiffs' purported identifications were vastly overinclusive. *See GlobalTap*, 2015 WL 94235, at *6–7; *Big Vision*, 1 F. Supp. 3d at 263–66; *Bunnell*, 567 F. Supp. 2d at 1155.

More important, the plaintiffs in *IDX* did *not* refer to pre-existing documents at all. The Seventh Circuit rejected a 43-page identification that "was created for th[e] litigation" precisely because it did "not separate the trade secrets from the other information" and included a variety of elements that were "exceedingly hard to call trade secrets." 285 F.3d at 584. The only distinction FIMCO makes between its TSID and the identification in *IDX* is that its TSID contains "numbered paragraph[s]," every one of which is supposedly "a stand-alone trade secret." Br. 32. But the assertion that each paragraph of the TSID is a stand-alone trade secret cannot be taken seriously. *Supra* pp. 40–41. And adding paragraph numbers to a list of vague statements and summaries of general public knowledge does not make them trade secrets.

Indeed, the *Loop* court rejected a TSID much shorter than FIMCO's even though its 55 paragraphs were numbered. 195 F. Supp. 3d at 1112. Like the district court here, the *Loop* court declined to "separately discuss each of [plaintiff's] 55 paragraphs," and instead focused on "basic problems with Plaintiff's disclosure." 195 F. Supp. 3d at 1112–15. The district court here properly identified fundamental problems that permeate FIMCO's TSID, including the fact that it required the court to dig through overinclusive identifications and documents in search of any potential trade secret. ER19–21.

2. FIMCO's Identifications Consisted Largely Of Vague And Subjective Terms.

FIMCO's TSID also fails on the independent basis that it relies on vague and subjective descriptions of volatility-related concepts. As the Seventh Circuit has observed, "[o]ne expects a trade secret to be rich in detail, because a process described in general terms ... will usually be widely known ... and so not a trade secret." *BondPro Corp. v. Siemens Power Generation, Inc.*, 463 F.3d 702, 710 (7th Cir. 2006).

The *Big Vision* court held that "vague" and "subjective" descriptions like "suitably strong," "high pigment levels," "predominantly LDPE structure," and "minimal use" of resins rendered a trade secret identification insufficiently particular. 1 F. Supp. 3d at 265–66.

FIMCO's TSID is littered with similarly vague phrases, including "emphasizing volatility," "based on volatility and other lesser factors," "relative historical volatility," "generally lower volatility," and "power and persistence of equity volatility." *Supra* p. 21. The three TSID paragraphs that FIMCO defends on appeal—paragraphs 60, 74, 193—illustrate this flaw. *See* Br. 27–30, 36–40. Two use the phrase "emphasizing volatility," and one uses the phrase "relative historical volatility"—*i.e.*, vague, subjective terms that give no guidance as to the precise nature of FIMCO's alleged trade secrets. Indeed, "emphasizing volatility" and close variations of that phrase appear in more than 300 of the TSID's 492 paragraphs. *See supra* nn. 6 & 7. As the district court explained, "emphasizing volatility" "could mean anything" and is "devoid of substance." ER21. "As with a recipe for chocolate cake 'emphasizing chocolate,'" the court found that "emphasizing volatility" "is vague and, ultimately, unhelpful." *Id.*

Disclosures like these are "almost risible"; they are not protectable trade secrets. *BondPro*, 463 F.3d at 710.

Underscoring the vagueness of its disclosures, FIMCO does not even use the term "emphasizing volatility" consistently. Paragraph 50 of the TSID asserts that it covers "[d]eveloping a style index family by emphasizing volatility in at least two ways: [1] making volatility *at least as large* as any other factor in construction, and [2] including 60-month trailing volatility in the volatility factor." ER1505 (¶ 50) (emphasis added). At many other points, however, the TSID says that merely "includ[ing] long-term volatility" in an index amounts to "[e]mphasizing volatility in constructing a new dimension of style." ER1548 (¶ 325); *see also* ER1551–54 (¶¶ 333, 335, 338, 341, 344, 345, 346). Even FIMCO does not know what these "secrets" mean.

Unsatisfied with the summary judgment record, FIMCO advances a new but equally vague definition for the first time on appeal, asserting (Br. 38) that "[e]mphasizing volatility in the construction of an index simply means giving great weight to volatility compared to any other factor when the index is created." But a recipe for chocolate cake instructing that "great weight" be given to chocolate is no more helpful than a recipe calling for "emphasizing chocolate." *See* ER21. This "great weight" standard is also inconsistent with FIMCO's previous assertion that merely "including" long-term volatility amounts to "emphasizing volatility" in an index. The *Big Vision* court faulted the plaintiff for similarly "redefin[ing]" a crucial term throughout the litigation, which improperly required the defendant to play a game of "'whack-a-mole.'" 1 F. Supp. 3d at 266.

As this Court has explained, the particularity requirement "separate[s]" the "subject matter of the trade secret … from matters of general knowledge in the trade or of special knowledge of those persons ... skilled in the trade." *Imax*, 152 F.3d at 1164–65. In contrast, "[g]eneral terms ... will usually be widely known ... and so not a trade secret." *BondPro*, 463 F.3d at 710. Use of vague terminology by a trade secret plaintiff impedes the court's ability to test the plaintiff's allegations that purported trade secrets were misappropriated. *Big Vision*, 1 F. Supp. 3d at 265–66, 274.

These decisions control this case. Vague terms like "emphasizing volatility" and "relative historical volatility" fail to distinguish FIMCO's supposed trade secrets from Russell's own work product or general knowledge in the trade, as is necessary to show misappropriation. "Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret." *Knudsen Corp. v. Ever-Fresh Foods*, 336 F. Supp. 241, 244 (C.D. Cal. 1971) (quoting Restatement (First) of Torts § 757 (1939)). And "trade secret law ... does not offer protection against discovery by fair and honest means"—like Russell's own, earlier research. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974).

Confirming the excessive breadth and vagueness of FIMCO's terms, abundant prior research falls within the broad concept of "emphasizing volatility" and sorting stocks based on "relative historical volatility" in constructing low-volatility strategies and portfolios. *See supra* pp. 6–7, 12–13. Long before hearing from FIMCO, Russell developed a prototype Stability Index and conducted research that sorted stocks based on "relative historical volatility" and "emphasized volatility" under any of FIMCO's various definitions. [redacted]

[redacted] Terms like "emphasizing volatility" and "great weight" capture such a broad spectrum of index construction that FIMCO's identifications cannot serve as a foundation for a trade secret claim.

Struggling to make excuses for its pervasive lack of precision, FIMCO (Br. 38–39) cites a dictionary definition of "emphasize" and points to examples where Russell and the district court used that word. But the standard for particularity is not whether certain lines or words in a voluminous document are comprehensible English. Instead, as FIMCO acknowledged below, a trade secret plaintiff must "'give both the court and the defendant reasonable notice of the issues which must be met at the time of trial'" to survive summary judgment. ER557–58 (quoting *Pellerin v. Honeywell Int'l*, *Inc.*, 877 F. Supp. 2d 983, 988 (S.D. Cal. 2012)). As the district court held, FIMCO's "overly vague" identifications failed to provide adequate notice to the court or to Russell. ER20–21.

3. FIMCO's Identifications Sought To Claim Ownership Of Entire Categories Of Indistinctly Articulated Ideas.

This Court also has made clear that a trade secret plaintiff cannot merely identify the ***type*** of trade secret it claims; it must instead identify specific incorporated components to meet its particularity burden. *Imax*, 152 F.3d at 1165–67. Contrary to FIMCO's contention, a trade secret plaintiff cannot simply "list[] by general item and category hundreds of pieces of … internal information." *AMP*, 823 F.2d at 1203. A mere "description of the category, or even of the subcategories of information within a category, does not comply with the requirement to identify the actual matter that is claimed to be a trade secret." *Social Apps, LLC v. Zynga, Inc.*, 2012 WL 2203063, at *4 (N.D. Cal. June 14, 2012).

Yet FIMCO's TSID frequently provides categorical descriptions of its alleged trade secrets. *E.g.*, ER1499–1500, 1523, 1551, 1596–1597 (¶¶ 8 ("principles supporting"), 9 ("Approaches to explaining"), 10 ("Compilations"), 14 ("A comprehensive, capitalization-weighted set"), 180 ("a collection of stocks"), 333 ("volatility style indexes"), 487(c) ("two groups of securities")). As detailed above (*supra* pp. 21-23, 45-50), the TSID repeatedly refers to broad concepts like investments and volatility indexes without defining any specific volatility index or investment approach.

Descriptions like these improperly place the burden on the court to discern which of the components in a category or concept are trade secrets. *E.g.*, *Imax*, 152 F.3d at 1166 (identifying "every dimension and tolerance" in design improperly placed onus on court); *Mattel*, 782 F. Supp. 2d at 967–70 (plaintiff identified elements of process categorically without sufficient specificity to allow court to perform trade-secret analysis). For this reason as well, summary judgment was proper.

C. The District Court Was Not Required To Sift Through A Mass Of Undifferentiated Material In Hopes Of Finding A Trade Secret That FIMCO Itself Could Not Identify.

[redacted]

Yet FIMCO now faults the *district court* for not considering the entirety of the 492-paragraph TSID "because the court considered that evidence to be too complex or too burdensome to review." Br. 31. Courts have no duty to clean up after parties who, "in [their] own version of the 'spaghetti approach,' … heave[] the entire contents of a pot against the wall in hopes that something [will] stick." *Indep. Towers of Wash. v. Washington*, 350 F.3d 925, 929 (9th Cir. 2003). As the Seventh Circuit observed "in its now familiar maxim, '[j]udges are not like pigs, hunting for truffles.'" *Id.* (citing *United States v. Dunkel*, 927 F.2d 955, 956 (7th Cir. 1991)).

FIMCO must live with its adoption of the "spaghetti approach." FIMCO's refusal to supply a precise identification made it impossible for Russell and the court to comprehend and address each aspect of its identification separately. It also meant that FIMCO never needed to identify and stick with any particular theory of misappropriation. Even FIMCO's liability expert admitted that he could not map paragraphs of the TSID to any specific alleged use of trade secrets by Russell. SER1244:13–18, 1244:24–1245:4, 1245:13–20.

Contrary to what FIMCO claims (Br. 30), the district court did not demand "a perfect list of trade secrets" or grant summary judgment "solely because it regarded a single trade secret … as vague." Rather, the district court explained the many infirmities in FIMCO's identifications and applied clearly established law to grant summary judgment.

D. FIMCO's Election Of Trade Secrets Came Too Late To Avoid Summary Judgment And Identified No Cognizable Trade Secrets.

FIMCO claims (Br. 40) the district court erred when it "fail[ed] to consider" the "election" of eight purported trade secrets that FIMCO made after the summary judgment hearing, weeks after the close of briefing on summary judgment, and months after the close of discovery. But even though FIMCO described its election as an identification of trade secrets "for prosecution at trial," the district court *did* consider FIMCO's belated election, addressing it thoroughly in its summary judgment opinion. As that opinion properly held, FIMCO's election was both "too little" and "too late." ER22.

1. FIMCO's Belated "Election" Had No Legal Significance.

A trade secret plaintiff may not supplement an insufficient trade secret disclosure on opposition to summary judgment or later: it is "bound by its [earlier] descriptions." *Pixion v. Placeware*, 421 F. Supp. 2d 1233, 1240–41 (N.D. Cal. 2005), *aff'd*, 177 F. App'x 85 (Fed. Cir. 2006) (refusing to allow plaintiff to amend identification in summary judgment papers); *Big Vision*, 1 F. Supp. 3d at 257–59 (collecting cases requiring particular identification "throughout the litigation" and before summary judgment).

And for good reason. Allowing plaintiffs to amend their identifications during or after summary judgment briefing would prejudice defendants and the courts. In *Pixion*, for example, the plaintiff, like FIMCO here, "expressly represented to the Court and parties" that its prior identification "was a complete statement of the secrets." 421 F. Supp. 2d at 1241–42. In such circumstances, "[a]llowing [the plaintiff] to defend against summary judgment by asserting" a different definition would impair "both [the defendant's] ability to defend against the trade secret claim and the Court's ability to review the issue of secrecy." *Id.*

FIMCO says (Br. 42) that *Pixion* is inapposite because there the plaintiff attempted to add additional detail to its trade secret identification rather than "elect" eight of 492 paragraphs. But that is a distinction without a difference. As the district court recognized (ER21–23), FIMCO's efforts to radically change its trade secret claim *after* summary judgment briefing and argument would have been at least as prejudicial to Russell as the *Pixion* plaintiff's efforts to further specify its trade secret identification in opposition to summary judgment.

The court in *Big Vision* similarly explained that "specificity is required" both "at the moment of disclosure of the trade secret" and "throughout the litigation," "so that the defendant can defend himself adequately against claims of trade secret misappropriation, and can divine the line between secret and nonsecret information." 1 F. Supp. 3d at 257–58 (quotation marks omitted). FIMCO asserts (Br. 43) that "*Big Vision* says nothing about the propriety of voluntarily dismissing trade secrets to address a court's concern." But "a defendant must know what constitutes a plaintiff's trade secret ... so that the defendant can defend itself." *Big Vision*, 1 F. Supp. 3d at 257. Accordingly, as the district court informed FIMCO at the summary judgment hearing, Russell "was entitled to know what [it] was dealing with before now." ER22.

Notably, FIMCO never disputes that its self-styled "election" would have fundamentally prejudiced Russell. Nor could it. FIMCO insisted (and continues to insist) that each and every paragraph in its TSID identified trade secrets that it accused Russell of misappropriating. ER20, 558; SER19. Russell defended itself throughout fact and expert discovery based on FIMCO's vague and facially overinclusive TSID. And Russell developed its defense and prepared its summary judgment papers based on those identifications. It would have been incalculably prejudicial to Russell had the district court allowed FIMCO to avoid summary judgment and proceed to trial based on its post-summary-judgment "election." Moreover, giving FIMCO a do-over on summary judgment would simply encourage other parties to engage in the same patently unreasonable tactics that FIMCO pursued here.

2. FIMCO's Belated "Election" Did Not Identify Any Sufficiently Particular Trade Secrets.

Even if FIMCO's belated "election" could be considered, it could not save its case; the election includes "vague" designations the district court had already found legally deficient. ER23. Tellingly, FIMCO defends only three of its eight "elected" trade secrets on appeal. [9] Two of them, paragraphs 60 and 74, use the term "emphasizing volatility"—the hopelessly vague term rejected by the district court. ER21, 23; *see also supra* p. 46. And paragraph 193 uses the fatally vague term "relative historical volatility" as the factor used to sort stocks. *See supra* p. 46.

FIMCO (Br. 40) tries to define the "core idea" covered by paragraph 60 as giving "great weight to volatility as compared to any other factor in formulating a new style index." As explained above (*supra* p. 47), however, the term "great weight" is just as vague as "emphasizing volatility" and only confirms FIMCO's inability to define a reasonably particular trade secret even now on appeal.

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[9] FIMCO has waived any argument it might raise on reply with respect to the remaining five paragraphs (241, 261, 368, 447, and 483) in its election. *See Smith v. Marsh*, 194 F.3d 1045, 1052 (9th Cir. 1999).

Additionally, the three paragraphs FIMCO defends on appeal all rely on broad and categorical descriptions. *See, e.g.*, *Imax*, 152 F.3d at 1166 (broad and categorical descriptions improper). Paragraph 60 refers to "a broad-market set of market-weighted stock indexes" categorically, without specifying any particular set. Paragraph 74 refers to "a commercial family of style indexes" and "non-volatility factors" without specifying any particular commercial family or non-volatility factors. And paragraph 193 uses the general and inclusive terms "assigning new stocks (IPOs, etc.)," "sufficient historical volatility data … (e.g., 5 years, 1 year, etc.)," and "standard sorting protocol." It does not specify the particular "new stocks" it means or the time period necessary for historical volatility data to be "sufficient," instead providing open-ended examples. It also fails to define "standard sorting protocol." As in *Imax*, these categorical descriptions improperly place the burden on the court and Russell to determine which components in a category or general concept are trade secrets. *See id.* For this reason as well, the three paragraphs FIMCO defends on appeal fail for lack of particularity.

3. Summary Judgment Should Be Affirmed On The Alternate Ground That The Three Paragraphs FIMCO Still Defends Comprise Only Broad And Vague Concepts Well-Known To The Industry And To Russell.

And even if paragraphs 60, 74, and 193 were somehow deemed sufficiently particular, they still would fail to satisfy CUTSA as a matter of law. To qualify as trade secret under CUTSA, information must "[d]erive 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." Cal. Civ. Code § 3426.1(d). Concepts "general[ly] know[n] in an industry," *Knudsen*, 336 F. Supp. at 244, or discovered by the defendant through "fair and honest means," *Kewanee*, 416 U.S. at 476, do not qualify for protection.

The vague information in paragraphs 60, 74, and 193 did not derive value from secrecy because it was not secret: the concepts were well-known to the industry in general and to Russell in particular. The undisputed evidence shows that well before FIMCO shared the White Paper with Russell in November 2009, Russell was testing various ways of "emphasizing volatility" in constructing stock index prototypes. *See supra* pp. 7–10. The undisputed evidence also shows that "emphasizing volatility" in constructing and marketing stock indexes was not novel. *See supra* pp. 6–7, 12–13. Accordingly, as a matter of law, FIMCO could not have differentiated paragraphs 60 or 74 from general concepts known in the industry. Nor could FIMCO create a triable issue of fact over whether Russell had wrongfully misappropriated an idea that it independently developed before having any contact with FIMCO. *See Kewanee*, 416 U.S. at 476.

The idea of using a default rule to categorize newly public stocks as described in paragraph 193 also was not new to the financial services industry or to Russell. *See supra* pp. 6–13. Rather, this idea is commonplace in index construction. Accordingly, FIMCO presented insufficient evidence to establish either that this abstract idea was a protectable trade secret or that Russell had wrongfully misappropriated it.

Nor did FIMCO offer any evidence that connected any of the concepts contained in paragraphs 60, 74 and 193 to use by Russell in the development of its Stability Indexes. This failing, too, is fatal to FIMCO's CUTSA claim. *E.g.*, *Sargent Fletcher, Inc. v. Able Corp.*, 3

Cal. Rptr. 3d 279, 286 (Cal. Ct. App. 2003) (trade secret plaintiff has burden to show improper use of trade secret under CUTSA).

4. Summary Judgment Should Be Affirmed On The Alternate Ground That FIMCO Did Not Make Reasonable Efforts To Protect Its Supposed Secrets.

Information also must be "the subject of efforts that are reasonable under the circumstances to maintain its secrecy" to qualify as trade secret under CUTSA. Cal. Civ. Code § 3426.1(d). As explained below (*infra* pp. 65–71), FIMCO widely distributed its VSI concepts without securing NDAs or taking other reasonable efforts to maintain the supposed secrecy of the information. Disclosure of purported secrets to a third party without an NDA precludes trade secret protection as a matter of law. *E.g.*, *Cole Asia Business Ctr., Inc. v. Manning*, 2013 WL 3070913, at *4 (C.D. Cal. June 18, 2013); *HiRel Connectors, Inc. v. United States*, 2006 WL 3618011, at *10 (C.D. Cal. Jan. 25, 2006).

* * *

The district court correctly rejected FIMCO's election—the final step in its litigation gamesmanship—as "too little too late." ER22.

Besides, none of the paragraphs FIMCO addresses on appeal "describe[s] the subject matter of the trade secret with *sufficient particularity* to separate it from matters of general knowledge in the trade." *Imax*, 152 F.3d at 1164–65 (internal quotation marks omitted). FIMCO's plight is the result of its own litigation tactics. Summary judgment on the CUTSA claim should be affirmed.

II. FIMCO's Breach Of Contract Claim Fails As A Matter Of Law For Multiple, Independent Reasons.

FIMCO's breach of contract claim fares no better. To survive summary judgment, FIMCO had to offer evidence from which a reasonable jury could find that (a) Russell "disclose[d]" or otherwise "used" information that (b) qualified as "Confidential" within the meaning of the NDA. ER951. For a number of independent reasons, FIMCO fell short on both elements.

A. Undisputed Evidence Precluded FIMCO From Establishing That Information Shared With Russell Qualified As "Confidential Information" Under The NDA.

[redacted]

[redacted] Because this Court "may affirm on any ground supported by the record," *UMG*, 628 F.3d at 1178, the judgment should be affirmed if even one of the contractual exclusions applied. As the district court found, all four applied, and each independently defeated FIMCO's breach of contract claim.

1. FIMCO Failed To Identify The Purported "Confidential Information."

To begin, and as the district court recognized (ER23–26), FIMCO's contract claim fails for the same reason as its trade secret claim: FIMCO failed to identify any particular "Confidential Information." *See Tax Track Sys. Corp. v. New Inv'r World, Inc.*, 478 F.3d 783, 787 (7th Cir. 2007) (affirming summary judgment where it was "not entirely clear what" information "exactly" was claimed to be "confidential"). FIMCO could not reasonably assert that the entire White Paper qualified as "Confidential Information" because it included reports of prior public research and industry sentiment. But FIMCO made no effort to identify which parts of the White Paper were part of its contract claim and which were not. Summary judgment was proper on this ground alone. *Id.*; *accord Rockwell Med., Inc. v. Yocum*, 630 F. App'x 499, 500 (6th Cir. 2015) (affirming summary judgment on contract claim where plaintiff did "not even begin to address which pieces of [its] information qualify as trade secrets").

2. FIMCO Disclosed Its Purported "Confidential Information" Without Restriction.

a. FIMCO Shared Its VSI-Related Ideas With Multiple Parties In 2009 Without Any Request For Or Assurance Of Confidential Treatment.

The undisputed record amply supported the district court's conclusion that FIMCO "disclosed the allegedly confidential information"—to the extent that information can be discerned from FIMCO's vague descriptions—"to a third party without restrictions on disclosure." ER26. As *Tax Track* makes clear, a plaintiff who does not consistently seek confidentiality agreements or even mark documents as confidential has not made reasonable efforts to preserve confidentiality. 478 F.3d at 787–88.

FIMCO's failure to take such measures here precludes its contract claim. [redacted]

[redacted] These broad disclosures to multiple third parties "without restrictions" placed the shared information about VSIs outside the scope of the NDA under the plain terms of the parties' contract. ER961; *see Tax Track*, 478 F.3d at 787–88.

To counter this unrebutted evidence of wholesale, unrestricted dissemination, FIMCO claims that it *expected* material shared with others to be kept confidential based on supposed "industry norms." Br. 48. Unsubstantiated "industry norms" or a one-sided, subjective expectation that information will be kept secret cannot constitute a "restriction" on disclosure under the NDA. Accordingly, FIMCO's systematic disclosure of VSI-related information to third parties placed the information beyond the scope of the NDA.

b. The Undisputed Evidence Shows That The White Paper Was Distributed To Over 60 Third Parties "Without Restrictions."

FIMCO's unrestricted disclosure of its VSI-related concepts in early and mid-2009 renders that information outside the protections of the NDA as a matter of law. The undisputed evidence further demonstrates that FIMCO disclosed the subsequently drafted White Paper to third parties "without restrictions" on disclosure. [redacted]

Any one of these disclosures was sufficient to exclude the alleged "Confidential Information" from the NDA's scope. Indeed, a plaintiff's unrestricted disclosure of allegedly "confidential" information to third parties precludes a breach of contract claim as a matter of law. *See Tax Track*, 478 F.3d at 788, 790; *nClosures Inc. v. Block & Co.*, 770 F.3d 598, 602 (7th Cir. 2014) (NDA with company was unenforceable when plaintiff did not secure additional agreements from defendant's individual employees who accessed the "confidential" information).

[redacted] But the competent, admissible evidence shows otherwise.

[redacted] *See* Fed.

R. Evid. 602 (a witness's testimony is admissible "only if" the witness has personal knowledge of the matter); Fed. R. Civ. P. 56(c)(4) (evidence must be admissible to create a triable issue of fact); *Bank Melli Iran v. Pahlavi*, 58 F.3d 1406, 1412 (9th Cir. 1995) (granting summary judgment where the only evidence offered in opposition to a motion was not based on the declarant's personal knowledge).

[redacted] FIMCO therefore lacks competent evidence that each recipient of the White Paper agreed to an oral NDA.

Moreover, recipients of the White Paper testified about the absence of verbal NDAs. [redacted]

[redacted] Thus, no reasonable factfinder could conclude that *all* distributions of FIMCO's claimed trade secrets were made with "restrictions on … disclosure," as would be necessary to bring FIMCO's information under the protection of the NDA. ER951. And should FIMCO try to advance purportedly relevant evidence on reply, that argument plainly would be waived because it was not raised below. *Broad v. Sealaska Corp.*, 85 F.3d 422, 430 (9th Cir. 1996).

Because FIMCO failed to adduce competent evidence that it placed reasonable restrictions on each of the numerous disclosures of its White Paper, the mass circulation of the White Paper provides an independent basis for concluding that FIMCO failed to create a triable issue on an essential element of its breach of contract claim.

See supra pp. 63–64; Fed. R. Civ. Proc. 56(e)(3) (summary judgment proper where a party fails "to properly support an assertion of fact"); *Tax Track*, 478 F.3d at 788.

3. FIMCO's Purported "Confidential Information" Was Already In The Public Domain.

In addition, undisputed evidence showed that market participants already knew about the general observations, methodology, and suggestions in FIMCO's VSI research and subsequent White Paper well before FIMCO shared it. *See supra* pp. 6–7, 12–13. This supposed "Confidential Information" had thus "enter[ed] the public domain" within the meaning of the NDA (ER951) before FIMCO disclosed the White Paper to Russell.

In particular, the record shows that, long before FIMCO circulated its research, market participants were well aware of the notion of using price volatility in constructing a style index. *See supra* p. 6–7. For all of these reasons, FIMCO's concept of emphasizing volatility in a stock index cannot qualify as "Confidential Information" as a matter of law. ER951.

4. FIMCO's Purported "Confidential Information" Was "Independently Developed" By Russell And Already "Known" To Russell.

[redacted]

[redacted] The record thus establishes that Russell knew—months before it received the White Paper—that volatility could be used to partition stocks to create a style index, and had tested such indexes. In light of the undisputed evidence that Russell already knew about FIMCO's supposed "Confidential Information," FIMCO had the burden to identify specific evidence from which a reasonable factfinder could identify information disclosed to Russell that was *not* "independently developed" or already "known" to Russell. ER951. FIMCO failed to carry that burden. It did not even try.

5. Information That "Subsequently Enter[ed] The Public Domain" In FIMCO's Patent Applications Cannot Be "Confidential" Under The NDA.

As the district court concluded (ER25), FIMCO's breach of contract claim failed for yet another reason. Because FIMCO publicly disclosed thousands of pages of information in connection with its unsuccessful patent application, that information did not qualify as "Confidential Information" under the NDA. [redacted]

The patent application disclosed at least three versions of the White Paper, SER26–29, and hundreds of emails relating to the "confidential disclosure of the VSI white paper," SER30–83; *see also* SER25, 141–167. Indisputably, information in the U.S. Patent and Trademark Office's public files has "subsequently enter[ed] the public domain" within the meaning of the NDA's exclusion. Washington law required the district court to construe the contract "focusing on the objective manifestations of the agreement." *Hearst Commc'ns, Inc. v. Seattle Times*, 115 P.3d 262, 267 (Wash. 2005) (en banc); ER951 (providing that Washington law governs the NDA). The district court correctly gave effect to the plain terms of the parties' contract in finding that FIMCO's disclosures rendered its information no longer "Confidential" within the meaning of the NDA.

B. FIMCO Failed To Identify Any Actionable Use Or Disclosure Of Any Particular Piece Of FIMCO's "Confidential Information" By Russell.

To avoid summary judgment on its breach of contract claim, FIMCO also had the burden to offer evidence that Russell "used" or "disclosed" allegedly "Confidential Information" within the meaning of the NDA. ER951. As with its trade secret claim, however, FIMCO refused (apparently as part of a litigation strategy) to trace *any* "Confidential Information" from FIMCO's disclosure to Russell to improper use or disclosure by Russell through publication or development of the Stability Indexes. *See supra* pp. 53–54, 61–62. Accordingly, as the district court properly found, FIMCO "failed to introduce a genuine issue of material of fact that there is any particular trade secret covered by the NDA that [Russell] used or disclosed in violation of the parties' agreement." ER26.[10]

As with its trade secret claim, FIMCO sought to defeat summary judgment on the ground that it was Russell's burden to prove the negative—that Russell had *not* used or disclosed a single one of FIMCO's more than 492 alleged secrets. As the district court recognized (ER26), this notion runs counter to both Supreme Court precedent and "the plain language of Rule 56(c)," which "mandates the entry of summary judgment … against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Cattrett*, 477 U.S. 317, 322 (1986).

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10 *See, e.g.*, *Cardiovascular Support Perfusion Reliance Network, LLC v. SpecialtyCare, Inc.*, 629 F. App'x 673 (6th Cir. 2015) (affirming summary judgment on contract claim where plaintiff offered only conclusory assertions of use of the relevant materials by defendant); *Rockwell*, 630 F. App'x at 500–01 (affirming summary judgment on contract claim "because [plaintiff] failed to identify any specific pieces of *confidential* information that [defendant] disclosed in violation of his confidentiality agreement"); *QR Spex, Inc. v. Motorola, Inc.*, 2004 WL 5642907, at *7 (C.D. Cal. Oct. 28, 2004) (summary judgment on misappropriation element of trade secret claim compels similar judgment on contract claim).

By failing to link any specific information to an obligation of confidentiality and, in turn, to a breach of that obligation, FIMCO failed to carry its burden under *Celotex* to adduce evidence sufficient to support the conclusion that Russell breached a contractual duty—an essential element of FIMCO's claim.

For this reason as well, summary judgment on FIMCO's breach of contract claim should be affirmed.

CONCLUSION

The judgment should be affirmed.

Respectfully submitted,

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April 21, 2017

CERTIFICATE OF COMPLIANCE WITH FED. R. APP. P. 32(A) AND CIRCUIT RULE 32.1 FOR CASE NUMBER 16-56511

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April 21, 2017

STATEMENT OF RELATED CASES

Counsel for Frank Russell Company is unaware of any related cases pending in this Court.

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of April 2017, I electronically filed the foregoing brief with the Clerk of the Court of the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system. I further certify that those registered on the CM/ECF system to receive service on behalf of Appellant were served via email on April 21, 2017, per the parties' agreement.

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April 21, 2017