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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

MATTEL, INC.,

CASE NO. CV 04-9049 DOC (RNBx)

v.

MGA ENTERTAINMENT, INC.,

**ORDER ON MGA'S MOTION  
FOR SUMMARY JUDGMENT;  
MATTEL'S MOTION FOR  
PARTIAL SUMMARY JUDGMENT;  
MACHADO'S MOTION FOR  
SUMMARY JUDGMENT**

AND CONSOLIDATED ACTIONS.

Before the Court<sup>1</sup> are the following Motions:

- (1) MGA Entertainment, Inc. ("MGAE"), MGA de Mexico, S.R.L. de CV ("MGA Mexico"), MGA Entertainment (HK) Ltd. ("MGA HK"), and Isaac Larian ("Larian")'s (collectively "MGA") Motion for Summary Judgment;
- (2) Mattel, Inc. ("Mattel") and Mattel de Mexico, S.R.L. de CV ("Mattel Mexico")'s joint Motion for Partial Summary Judgment; and
- (3) Carlos Gustavo Machado Gomez ("Machado")'s Motion for Summary Judgment.

<sup>1</sup> This Order has been modified slightly from the version distributed to counsel on December 22, 2010.

1 A hearing on these motions was held on November 16, 2010 and November 17, 2010, in  
2 advance of which the Court issued a minute order directing counsel for the parties to focus on  
3 certain issues in their argument to the Court. (Dkt. 9273.)

#### 4 **Background**

5 On April 27, 2004, Mattel filed a state court complaint against former employee Carter  
6 Bryant (“Bryant”) alleging that Bryant breached his contractual and common law duties to  
7 Mattel by failing to disclose his concept sketches and sculpts of the Bratz dolls prior to leaving  
8 Mattel for MGA Entertainment, Inc. (“MGAE”) on or about October 4, 2000. Bryant filed a  
9 counter-claim against Mattel in state court and filed a separate action for declaratory relief in  
10 federal court on November 2, 2004, on which date Bryant also removed Mattel’s state court  
11 lawsuit to federal court. MGAE intervened in Mattel’s suit against Bryant on December 7, 2004  
12 and, four months later, filed a stand-alone complaint in federal court against Mattel for trade  
13 dress infringement, dilution, unfair competition, and unjust enrichment, alleging that Mattel  
14 infringed MGAE’s distinctive packaging and interfered with MGAE’s business relationships.  
15 On June 19, 2006, the Honorable Stephen G. Larson consolidated the three cases for all purposes  
16 upon finding that “the[] actions involve a number of common issues of law and fact.”

17 Bryant was the only defendant named by Mattel’s state court complaint. On November  
18 20, 2006, Mattel sought leave to file an amended complaint that would “substitute [MGAE] for  
19 Defendant Doe 1, [MGA HK] for Defendant Doe 2, and [Larian] for Defendant Doe 3” and add  
20 MGA Mexico and Machado as defendants to a pleading that asserted a host of new claims  
21 unrelated to Bryant’s conduct. (Dkt. 89.) Mattel’s request was denied but only as a procedural  
22 matter; the court permitted Mattel to plead its proposed amendments “in the form of an amended  
23 answer and counterclaim in” MGAE’s case against Mattel. (Dkt. 142.) Mattel filed its First  
24 Amended Answer and Counterclaims (FAAC) on January 1, 2007 (Dkt. 143) bringing the same  
25 claims that are now pending against MGA and Machado, though the substance of those claims  
26 and the detail with which they are alleged has changed considerably. Following the filing of  
27 Mattel’s counter-claims against MGA and Machado, the court ordered claims related to the  
28 ownership of the Bratz line of dolls — raised in Mattel’s complaint against Bryant and Mattel’s

1 FAAC — to be tried separately from, and prior to, MGAE’s affirmative claims and Mattel’s  
2 counter-claims arising out of conduct unrelated to the ownership of Bratz.

3 Mattel entered into a settlement with Bryant on the eve of the “phase 1” trial, leaving the  
4 following claims to be tried to the jury: (1) Mattel’s claim for intentional interference with  
5 contract against Larian and MGAE; (2) Mattel’s claim for aiding and abetting breach of  
6 fiduciary duty against Larian and MGAE; (3) Mattel’s claim for aiding and abetting breach of  
7 duty of loyalty against Larian and MGAE; (4) Mattel’s claim for conversion against MGAE,  
8 MGA HK, and Larian; (5) Mattel’s claim for statutory unfair competition against Larian,  
9 MGAE, and MGA HK; (6) Mattel’s claim for declaratory relief against Larian, MGAE, and  
10 MGA HK; and (7) Mattel’s claim for copyright infringement against Larian, MGAE, and MGA  
11 HK. (Dkt. 3917 at 11.) Mattel prevailed on each of its claims and the jury found that Bryant  
12 conceived the idea for the name Bratz and created the concept drawings and sculpt for the Bratz  
13 dolls during his second term of employment with Mattel (January 4, 1999 to October 4, 2000).  
14 On the basis of the jury’s special and general verdicts, and after independently examining the  
15 similarity between the concept sketches/sculpts and MGA’s Bratz dolls, the district court placed  
16 the Bratz trademarks in a constructive trust and enjoined MGA from continuing to sell dolls that  
17 were substantially similar to Bryant’s initial works. MGA appealed.

18 During the pendency of MGA’s appeal of the phase 1 orders, discovery proceeded on the  
19 claims not tried in the phase 1 trial. Mattel amended its responsive pleading three times and  
20 joined Mattel Mexico as a plaintiff to its operative Fourth Amended Answer and Counterclaims  
21 (“4AAC”), which brings claims arising out of MGA’s relationships with Bryant and other  
22 former Mattel employees who allegedly stole Mattel’s confidential information before leaving  
23 Mattel. The 4AAC’s claims also arise out of MGA’s alleged litigation misconduct and  
24 unwillingness to comply with the phase 1 jury’s verdicts, though many of these allegations were  
25 dismissed on August 2, 2010. MGA narrowed its trade dress infringement allegation to the two-  
26 pronged claim that Mattel copied MGA’s trapezoidal and heart-shaped packaging. MGA also  
27 filed counterclaims-in-reply that arise out of Mattel’s alleged market research tactics.

28 On July 22, 2010, MGA prevailed on its appeal. In vacating the constructive trust and

1 injunction, the Ninth Circuit held that the equitable relief was impermissibly broad and  
2 predicated upon jury verdicts tainted by erroneous instruction. On October 22, 2010, this Court  
3 granted MGA's motion for a new trial on all claims and issues tried to the jury in phase 1,  
4 finding that the indistinct and inseparable claims were all infected by instructional error. The  
5 Court separately discarded with the earlier bifurcation of claims, and ordered that all pending  
6 claims between the parties be tried in a single proceeding to commence on January 11, 2011.

### 7 **Standard**

8 Rule 56 of the Federal Rules of Civil Procedure provides that "[a] party may move for  
9 summary judgment, identifying each claim or defense — or the part of each claim or defense —  
10 on which summary judgment is sought." Fed. R. Civ. P. 56(a). Summary judgment should be  
11 granted "when, viewing the evidence in the light most favorable to the non-moving party, there  
12 are no genuine issues of material fact" and the moving party is entitled to judgment as a matter  
13 of law. *Avery v. First Resolution Mgmt. Corp.*, 568 F.3d 1018, 1021 (9th Cir. 2009); *see also*  
14 Fed. R. Civ. P. 56(a). In adjudicating cross-motions for summary judgment, the Ninth Circuit  
15 "evaluate[s] each motion separately, giving the nonmoving party in each instance the benefit of  
16 all reasonable inferences." *ACLU of Nevada v. City of Las Vegas*, 466 F.3d 784, 790-91 (9th  
17 Cir. 2006) (citations omitted); *see also Friends of Columbia George, Inc. v. Schafer*, 624 F.  
18 Supp. 2d 1253, 1263 (D. Or. 2008).<sup>2</sup>

### 19 **Discussion**

#### 20 **I. Bryant's Inventions Agreement**

21 As explained in the order granting MGA's Motion for New Trial, Mattel's counter-claims  
22 for conversion, intentional interference with contractual relations, aiding and abetting breach of  
23 fiduciary duty, copyright infringement, and declaratory relief require the interpretation of  
24 Mattel's Employee Confidential and Inventions Agreement (the "Inventions Agreement") that  
25 Bryant signed on January 4, 1999. By paragraph 2 of the Inventions Agreement Bryant agreed

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26  
27 <sup>2</sup> Mattel's unopposed motion to consolidate the summary judgment motions is  
28 granted subject to the general rule set forth in *City of Las Vegas*.

1 to “communicate to [Mattel] as promptly and fully as practicable all inventions . . . conceived or  
2 reduced to practice by me (alone or jointly with others) at any time during my employment with  
3 [Mattel].” (Declaration of Dylan Proctor, Ex. 124.) Bryant also assigned to Mattel any “right,  
4 title and interest” in such inventions, which the Inventions Agreement defined as “includ[ing],  
5 but [] not limited to, all discoveries, improvements, processes, developments, designs, know-  
6 how, data computer programs, and formulae, whether patentable or unpatentable.” *Id.*

### 7 **A. Inventions<sup>3</sup>**

8 Prior to the phase 1 trial, Mattel successfully argued that the terms of the Inventions  
9 Agreement assigned to Mattel Bryant’s right, title, and interest in his ideas for the names Bratz  
10 and Jade, leaving for the jury the question of whether Bryant’s ideas were conceived at any time  
11 during his employment with Mattel. On appeal, the Ninth Circuit held that “the agreement could  
12 be interpreted to cover ideas, but the text doesn’t compel that reading,” and suggested that this  
13 Court evaluate whether the ambiguity “could be resolved by extrinsic evidence.”

#### 14 **1. Extrinsic Evidence**

15 Mattel argues that Bryant and Mattel mutually intended for the Inventions Agreement to  
16 assign to Mattel Bryant’s right, title, and interest in the ideas he conceived or reduced to practice  
17 at any time during his employment with Mattel. Because “[t]he fundamental goal of contractual  
18 interpretation is to give effect to the mutual intention of the parties,” the Court may consider  
19 extrinsic evidence of the parties’ intent when the contract is ambiguous. *Morey v. Vannucci*, 64  
20 Cal. App. 4th 904, 912 (1998) (quoting *Bank of the West v. Superior Court*, 2 Cal. 4th 1254,  
21 1264 (1992)) (quotation marks omitted).<sup>4</sup> Admissible extrinsic evidence includes “surrounding  
22

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23 <sup>3</sup> Mattel argues that it does not matter whether the Inventions Agreement  
24 encompasses ideas because the Bratz name was contained in a stylized logo and the  
25 Inventions Agreement indisputably assigned Bryant’s right, title and interest in his  
26 designs. But owning the idea is distinct from owning the design, since Mattel seeks to  
capture the enhancement in value of the former and not the latter.

27 <sup>4</sup> Extrinsic evidence is also provisionally accepted to determine whether the  
28 contract is reasonably susceptible to the parties’ competing interpretations and, if it is,  
“extrinsic evidence relevant to prove either of such meanings is admissible.” *Pacific Gas*

1 circumstances under which the parties negotiated or entered into the contract; the object, nature,  
2 and subject matter of the contract; and the subsequent conduct of the parties.” *Id.*

3 Mattel cites Bryant’s testimony from an unrelated lawsuit and the deposition testimony of  
4 Mattel’s corporate designee to show that both Bryant and Mattel understood the Inventions  
5 Agreement to assign Bryant’s right, title, and interest in his ideas. As a general rule, evidence of  
6 the contracting parties’ “undisclosed intent or understanding” is irrelevant to the contract’s  
7 interpretation. *Cedars-Sinai Medical Ctr. v. Shewry*, 137 Cal. App. 4th 964, 980 (2006).  
8 However, evidence of the parties’ subjective intent may be used “in interpreting an ambiguity,  
9 although in the case of contracts, it is a mutual declaration of intention which is sought to be  
10 found.” *Heston v. Farmers Ins. Group*, 160 Cal. App. 3d 402, 414 (1984) (finding prior  
11 representations about similar agreement relevant to whether parties shared intent).

12 During a 2007 trial between MGA and Art Attacks Ink, LLC, Bryant testified about his  
13 relationship with Mattel:

14 Q And part of your job [at Mattel] was to come up with new ideas, right?

15 A Yeah, that was part of my job.

16 ...

17 Q I’m not asking you whether it was fair or whether [Mattel] explained [the  
18 Inventions Agreement] to you. I’m just asking what your understanding of the  
19 agreement was.

20 A I really don’t remember.

21 ...

22 Q Sir, [Exhibit 3074 is] a proprietary information checkout from Mattel that you  
23 signed on October 19th, 2000, your last day of employment there, correct?

24 A Yes.

25 ...

26 \_\_\_\_\_  
27 & *Elec. Co. v. G.W. Thomas Drayage & Rigging Co., Inc.*, 69 Cal.2d 33, 40 (1968); *Cf.*  
28 *Dore v. Arnold Worldwide, Inc.*, 139 P.3d 56, 60 (2006); *see also Trident Ctr. v.*  
*Connecticut General Life Ins. Co.*, 847 F.2d 564, 569 (9th Cir. 1988).

1 Q Okay. And scroll up. Mattel wanted to make sure that you were aware that each  
2 terminating employee should be aware that in his employment agreement he has  
3 agreed to transfer all inventions made or conceived during the period of his  
4 employment at Mattel. *By this time* did not you understand that condition?

5 A I'm sorry. I'm not exactly sure what you're asking me.

6 Q Did you understand what this first sentence meant, by October 19th, 2000?

7 A This is the first time I'd ever seen that contract.

8 THE COURT: Today is?

9 THE WITNESS: No. On my exiting day this was the first time I'd ever seen this  
10 particular contract. And, again, it was a contract that was not explained to me.

11 BY MR. GRINNELL:

12 Q Did you not understand that your interest in any and all inventions, improvements  
13 and ideas which you made or conceived during your employment at the company  
14 was the exclusive property of Mattel? Did you not understand that?

15 A You know, I think I was aware of that. It wasn't pointed out to me when I left.  
16 Nothing on this contract was pointed out to me specifically.

17 Declaration of Jon Corey In Support of Mattel's Motion for Partial Summary Judgment, Exh. 84  
18 (*Art Attacks v. MGA* May 2, 2007 Trial Tr. (Carter Bryant) at 115:25 to 123:15).

19 Bryant's ambivalent testimony about a distinct agreement, as well as his understanding at  
20 the time of his resignation, does not evidence "the mutual intention of the parties as it existed *at*  
21 *the time of contracting.*" Cal. Civ. Code § 1636 (emphasis added). The October 19, 2000  
22 proprietary information checkout form referenced in Bryant's testimony is a document he was  
23 asked to sign on his last day at Mattel. (Ex. 43 to MGA's MSJ.) As a reminder to Bryant, the  
24 checkout form purported to quote the assignment provision in the Inventions Agreement:

25 My interest in (a) any and all inventions, improvements and ideas  
26 (whether or not patentable) which I have made or conceived, or may  
27 make or conceive at any time during the period of my employment  
28 with the Company, either solely or jointly with others and in (b) any

1 suggestions, designs, trademarks, copyrightable subject matter,  
2 literary works, artistic works, and computer software which I have  
3 made or conceived, or may make or conceive at any time during the  
4 period of my employment which relate or are applicable directly or  
5 indirectly to any phase of the Company's business shall be the  
6 exclusive property of the Company, its successors, assignees or  
7 nominees.

8 Ex. 43 to MGA MSJ.

9 The checkout form misquoted Bryant's Inventions Agreement, which did not expressly  
10 assign to Mattel Bryant's interest in his ideas. This error may be attributable to the fact that  
11 prior versions of Mattel's Inventions Agreement expressly assigned the contracting employee's  
12 interest in his ideas. *Compare id. and Exs. 9077, with Proctor Decl., Ex. 124.* The minimal  
13 overlap between these prior versions and the version signed by Bryant — for example, Bryant's  
14 agreement identifies "discoveries, improvements, processes, developments, designs, know-how,  
15 data computer programs and formulae, whether patentable or unpatentable," many of which do  
16 not appear in prior versions — shows a genuine issue of material fact as to whether Bryant's  
17 understanding about the checkout form paralleled his prior understanding about the scope of the  
18 Inventions Agreement.

19 Mattel's evidence of its *own* intent is also undermined by the dissimilarity between the  
20 Inventions Agreement and checkout form. For example, Mattel's Vice President for Human  
21 Resources, Alan Kaye, submitted a declaration stating that:

22 Although the version of the Inventions Agreement signed by Mr.  
23 Bryant did not specifically identify 'ideas' among the categories of  
24 property to be assigned, it was Mattel's intent and understanding that  
25 ideas related to Mattel's line of business were included among the  
26 intellectual property assigned to Mattel. Invention is a fluid concept,  
27 and Mattel considers 'ideas' part and parcel with the creation of  
28 designs and inventions that are assigned to Mattel.



1 Declaration of Alan Kaye in Support of Mattel’s Motion for Partial Summary Judgment ¶ 8.

2 Kaye’s claim that Mattel considers ideas “part and parcel” with inventions is belied by the  
3 fact that the checkout form and earlier versions of the agreement treated inventions and ideas as  
4 distinct. Ninth Circuit Op. at 10534. Though he claims familiarity with “Mattel’s understanding  
5 of and position with respect to ownership of ideas and concepts developed off-site,” Kaye could  
6 not explain at his deposition why the Inventions Agreement signed by Bryant omitted the word  
7 “ideas.” Deposition of Alan Kaye, Vol. I, June 19, 2010, 127:2 to 130:3. Nor could Kaye define  
8 the phrase “includes but is not limited to” in Bryant’s agreement, even though his declaration  
9 claims a “familiar[ity] with the Inventions Agreement that Bryant signed in 1999.” *Compare id.*  
10 at 127:23 *with* Kaye Decl. ¶ 4.

11 The fact that prior versions of the agreement used the word ideas may undermine the  
12 credibility of Mattel’s witness. *Travis v. Southern Pacific Co.*, 210 Cal. App. 2d 410, 421  
13 (1962). However, contrary to MGA’s argument, the evolution of the Inventions Agreement does  
14 not entitle MGA to judgment as a matter of law on this issue, since a reasonable fact-finder  
15 could conclude that Bryant intended for the agreement to encompass ideas. Both motions for  
16 summary judgment are denied on this issue.

## 17 2. Assignability

18 MGA argues that Bryant lacked an assignable right, title, or interest in his ideas because  
19 ideas are not property under California law. The Ninth Circuit rejected this argument, which  
20 MGA made in its opening brief on appeal, by holding that a narrower constructive trust may be  
21 imposed after re-trial. MGA’s argument is thus precluded by the law of the case doctrine.  
22 *United States v. Houser*, 804 F.2d 565, 567 (9th Cir.1986) (“A trial court may not [on remand]  
23 reconsider a question decided by an appellate court.”). Given the broad and variable rights in  
24 intangibles, the Ninth Circuit’s conclusion was not error, let alone clear error, which is the only  
25 applicable exception to the law of the case doctrine. *See Kremen v. Cohen*, 337 F.3d 1024, 1030  
26 (9th Cir. 2003); *cf. Painton & Co. v. Bourns, Inc.*, 442 F.2d 216, 223 (2d Cir. 1971) (finding that  
27 commercially valuable ideas may be licensed); *Armorlite Lens Co. v. Campbell*, 340 F. Supp.  
28 273, 275 (S.D. Cal. 1972) (similar).

1 MGA also claims the assignment of ideas is (1) contrary to a reasonable employee's  
2 expectations and (2) unconscionable. These factors preclude the assignment of ideas if Mattel  
3 imposed and drafted the agreement and offered Bryant "only the opportunity to adhere to the  
4 contract or reject it." *Neal v. State Farm Ins. Cos.*, 188 Cal. App. 2d 690, 694 (1961). Whether  
5 Bryant was forced to accept the agreement as drafted turns on his credibility. For example, a  
6 more senior Mattel employee declares that he negotiated a more limited assignment with Mattel.  
7 Declaration of Robert Hudnut in Support of Mattel's Opp. to MGA's MSJ ¶ 4. The fact-finder  
8 must also resolve whether the assignment of ideas was contrary to a reasonable employee's  
9 expectations, given Bryant's testimony acknowledging the assignment of ideas in his other  
10 agreements with Mattel. *Graham v. Scissor-Tail, Inc.*, 28 Cal.3d 807, 820 (1981) ("[Graham]  
11 had been a party to literally thousands of . . . contracts containing a similar provision . . .").  
12 There is likewise a genuine issue of material fact as to whether the assignment of Bryant's  
13 interest in his ideas would have been unconscionable, since paragraph 2(a) of the Inventions  
14 Agreement similarly requires the non-disclosure of employee ideas. Contrary to MGA's  
15 argument, the assignment of ideas is no more offensive to employee mobility than the  
16 assignment of inventions, which MGA requires of its employees. Proctor Dec., Ex. 179 at 4604.  
17 As long as the assignment does not extend to post-employment work, it is generally enforceable.  
18 *See Patent & Licensing Corp. v. Olsen*, 188 F.2d 522, 525 (2d Cir. 1951).

19 Both motions for summary judgment are denied on this issue of contract interpretation.

## 20 **B. Timing**

21 Bryant's Inventions Agreement assigned his rights, title, and interest in inventions  
22 "conceived or reduced to practice by me (alone or jointly by others) at any time during my  
23 employment with the Company." Proctor Dec., Ex. 124. Prior to the phase 1 trial, Mattel  
24 successfully argued that the phrase "at any time during my employment" extends to nights and  
25 weekends. (Dkt. 3285 at 5.) On appeal, the Ninth Circuit held that the term "at any time during  
26 my employment" was ambiguous. The parties' exclusion of inventions defined by Cal. Labor  
27  
28

1 Code § 2870<sup>5</sup> did not necessarily evidence a mutual intent to capture everything else.

2 The Ninth Circuit’s mandate forecloses this Court from deciding the issue at summary  
3 judgment. Concluding that “[e]xtrinsic evidence doesn’t resolve the ambiguity,” the court held  
4 that “[t]he issue should have been submitted to the jury.” Ninth Circuit Op. at 10539; *see also*  
5 *id.* at 10540 (explaining that “Mattel might well convince a properly instructed jury that the  
6 agreement assigns works created outside the scope of employment” on remand); *id.* at 10548  
7 (same).

8 No exception to the law of the case doctrine applies, because the Ninth Circuit’s  
9 consideration of the extrinsic evidence was not erroneous, let alone “unreasonable,” as MGA  
10 argues. For example, the Ninth Circuit cited the deposition testimony of Veronica Marlow, an  
11 independent contractor who both introduced Bryant to MGA and developed the Bratz fashions  
12 with three moonlighting Mattel employees. (*See* TX 05-0091-TX 05-0120; Proctor Dec., Ex.  
13 67.) She testified “it was common knowledge” that Mattel employees did work on their own  
14 time, though she hesitated to name the employees who “worked for other companies.”  
15 Deposition of Veronica Marlow, at 51:21-25. The fact-finder must measure the credibility of her  
16 testimony, possibly after determining whether her unwillingness to name names was reasonable.

17 Regardless, the additional extrinsic evidence cited by the parties does not resolve the  
18 ambiguity anyway. Bryant expressed concern that selling his sketches could interfere with his  
19 Mattel employment, but as Mattel elsewhere argues, his alleged breaches “are not limited to  
20 assigning rights to MGA that Mattel owns.” (Dkt. 8679 at 16:4-7.) Indeed, Bryant testified at  
21 deposition that he thought he owned inventions he created on nights and weekends, though other  
22

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23  
24 <sup>5</sup> Labor Code § 2870 bars the assignment of inventions developed on an  
25 employee’s own time, unless (1) the employee used the employer’s materials or  
26 information; (2) the invention relates at the time of conception or practice to the  
27 employer’s business, or actual or demonstrably anticipated research or development of  
28 the employer. The Inventions Agreement acknowledged that its assignment “does not  
apply to an invention which qualifies under the provision of Section 2870.” Proctor Dec.,  
Ex. 124.

1 Mattel employees felt otherwise. Bryant's intent is relevant to the extent it evidences the parties'  
2 mutual understanding, and Mattel's understanding turns on Kaye's credibility, which is  
3 undermined by his inability to explain why earlier versions of Mattel's inventions agreement  
4 used the phrase "at any time during the period of my employment" while Bryant's version only  
5 used the time "at any time during my employment."

6 Both motions for summary judgment on this issue of contract interpretation are denied.

## 7 **II. Copyright Infringement**

8 Mattel registered copyrights in Bryant's concept sketches, as well as two concept sculpts  
9 that Bryant allegedly created while working for Mattel. Declaration of Michael Moore, Exs. 1-  
10 28. Mattel claims that MGA, MGA HK, Larian, and Bryant "have reproduced, created  
11 derivative works from and otherwise infringed upon the exclusive rights of Mattel in its  
12 protected works without Mattel's authorization." 4AAC ¶ 145. MGA moves for summary  
13 judgment on two issues: (1) MGA's production sculpts, which served as the template for the  
14 dolls sold to market, did not infringe on Bryant's concept sculpts or sculpt sketches; and  
15 (2) MGA's Bratz doll products did not infringe on Bryant's concept sketches.

16 To prove copyright infringement, Mattel must establish that: (1) it owns copyrights in the  
17 concept sketches and sculpt; (2) MGA copied original elements of the copyrighted work. *Funky*  
18 *Films, Inc. v. Time Warner Entm't Co., L.P.*, 462 F.3d 1072, 1076 (9th Cir. 2006) (internal  
19 citation and quotation marks omitted). Copying may be established by (1) direct evidence of the  
20 copying of original elements of the copyrighted work; or (2) access and substantial similarity  
21 "not only of the general ideas but of the expressions of those ideas as well." *Sid & Marty Krofft*  
22 *Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1164 (9th Cir. 1977); *see also Feist*  
23 *Pubs., Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111, S.Ct. 1282 (1991)). Mattel's  
24 ownership of copyrights in the sketches and sculpt, as well as MGA's access to those works, are  
25 assumed for the purposes of this section.

### 26 **A. There is No Direct Evidence of Infringement**

27 Mattel claims there is a genuine issue of material fact as to whether MGA directly copied  
28 from Bryant's sketches and sculpt. It cites an MGA business plan stating that "[t]he Bratz[] are

1 unique in many ways; their eyes are big with a hint of animé style; their lips are more  
2 pronounced, their feet and heads are oversized.” A sculptor retained to work on the Bratz line  
3 testified that “Bryant’s drawings have the factors that MGA say[s] are unique to the dolls, which  
4 is the oversized eyes, protrusive lips, and the diminished nose.” MGA also conceded that  
5 Bryant’s works inspired the dolls released to market.

6 Mattel’s evidence of infringement is hardly direct. Testimony about MGA deriving  
7 inspiration from Bryant’s sketches is prototypically circumstantial, and is incapable of rebutting  
8 evidence in the record that shows MGA’s significant, independent investment in the design and  
9 development of the Bratz dolls. For example, it was MGAE’s designers, not just Bryant, sent  
10 input to MGA’s doll production team in Hong Kong. MGA also assigned the tasks of sculpt  
11 design, packaging, facial design, and fashions to individuals other than Bryant. All of these  
12 individuals participated in the production process and submitted input to MGA HK, which  
13 manufactured the dolls. *See, e.g.*, Proctor Decl., Exs. 50-51, 66.

14 Mattel’s evidence does not establish the copying of *original* elements. The oversized  
15 head, protrusive lips, and diminished nose found in Bryant’s sketches are not original elements.  
16 Ninth Circuit Op. at 10543-10544 (“[M]any fashion dolls have exaggerated features . . .  
17 Moreover, women have often been depicted with exaggerated proportions similar to those of the  
18 Bratz dolls . . . The concept of depicting a young, fashion-forward female with exaggerated  
19 features, including an oversized head and feet, is therefore unoriginal as well as an unprotectable  
20 idea.”). Evidence that MGA copied the unoriginal, exaggerated features found in Bryant’s  
21 sketches does not establish infringement. *Cf. Roth Greeting Cards v. United Card Co.*, 429 F.2d  
22 1106, 1109 n. 3 (9th Cir. 1970) (“Thus, if United had copied only the textual materials, which  
23 were not independently copyrightable, United might have been able to do so with impunity.”);  
24 *see also Narell v. Freeman*, 872 F.2d 907, 910 (9th Cir. 1989) (“A finding that a defendant  
25 copied a plaintiff’s work, without application of a substantial similarity analysis, has been made  
26 only when the defendant has engaged in a virtual duplication of a plaintiff’s entire work.”);  
27 *Situation Management Systems, Inc. v. ASP Consulting LLC*, 560 F.3d 53, 58 (1st Cir. 2009)  
28 (requiring evidence of both factual copying and infringement of protected elements).

1                   **B. Substantial Similarity**

2                   Summary judgment must be granted where “no reasonable juror could find substantial  
3 similarity of ideas and expression viewing the evidence in the light most favorable to the  
4 nonmoving party.” *Id.* A two part extrinsic/intrinsic test determines whether two works are  
5 substantially similar. *See Shaw v. Lindheim*, 919 F.2d 1353, 1357 (9th Cir. 1990). The extrinsic  
6 test requires an objective examination of concrete manifestations of the ideas and expression in  
7 the two works, while the intrinsic test requires a subjective evaluation, most often by the fact-  
8 finder, of the “total concept and feel of the works.” *Cavalier v. Random House*, 297 F.3d 815,  
9 822 (9th Cir. 2002) (quoting *Kouf v. Walt Disney Pictures & Television*, 16 F.3d 1042, 1045 (9th  
10 Cir. 1994)).

11                   The “extrinsic” test originally required a comparison of only the ideas expressed by the  
12 two works, but has since been augmented to include an objective examination of articulable  
13 similarities in both ideas and expression. *Funky Films*, 462 F.3d at 1077 (quoting *Kouf*, 16 F.3d  
14 at 1044).<sup>6</sup> This inquiry focuses on whether “the specific details of an author’s rendering of ideas  
15 . . . standing alone, are substantially similar.” *Funky Films*, 462 F.3d at 1078 (quoting *Metcalf v.*  
16 *Bochco*, 294 F.3d 1069, 1074 (9th Cir. 2002) and *Cavalier*, 297 F.3d at 822).<sup>7</sup> Specific details,  
17 or “protectable elements,” do not include (1) *scenes a faire* that “necessarily result from the  
18

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19                   <sup>6</sup> A comparison of protectable elements, as opposed to the work as a whole,  
20 ensures that unprotectable expression does not form the basis for a determination of  
21 substantial similarity, thereby “confer[ring] a monopoly of the idea upon the copyright  
22 owner.” *Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 901 (9th Cir. 1987). Because the  
23 intrinsic test was designed to compare expression, the Ninth Circuit initially held that an  
24 analytical dissection of similarities “properly may be assimilated within the analytical  
25 framework of the intrinsic test.” *Id.* However, the Ninth Circuit now requires that the  
26 analytical dissection take place at the extrinsic stage.

27                   <sup>7</sup> At the extrinsic stage, the court determines the standard for infringement that will  
28 be “applied at the ‘intrinsic’ stage.” Ninth Circuit Op. at 10541. “If there’s a wide range  
of expression . . . then copyright protection is ‘broad’ and a work will infringe if it’s  
‘substantially similar’ to the copyrighted work. If there’s only a narrow range of  
expression . . . then copyright protection is ‘thin’ and a work must be ‘virtually identical’  
to infringe.” *Id.*

1 choice of a setting or situation,”; (2) purely utilitarian elements; and (3) elements of expression  
2 merged with the underlying idea. *See Well-Made Toy Mfg. Corp. v. Goffa Intern. Corp.*, 210 F.  
3 Supp. 2d 147, 160-161 (E.D.N.Y. 2002); *see also Apple Computer, Inc. v. Microsoft Corp.*, 35  
4 F.3d 1435, 1444 (9th Cir. 1994). Because both the extrinsic and intrinsic tests must be satisfied  
5 in order to prove substantial similarity, a “plaintiff who cannot satisfy the extrinsic test  
6 necessarily loses on summary judgment.” *Kouf*, 16 F.3d at 1045.

### 7 **1. The Sculpt<sup>8</sup>**

8 A genuine issue of material fact exists as to whether MGA’s Bratz Production Sculpt (TX  
9 17733) infringed Bryant’s sculpt (TX 1136), in which Mattel registered a copyright. Since  
10 “[t]he expression of an attractive young, female fashion doll with exaggerated proportions is []  
11 highly constrained,” the protectable elements subject to an extrinsic analysis are few, and the  
12 standard to be applied at the intrinsic stage is virtual identity overall. *Am. Ninth Cir. Op.* at  
13 10544 & n.9 (“When there are few protectable features not required by the underlying idea,  
14 applying the substantial similarity test to them is effectively the same as determining whether the  
15 dolls or doll sculptures are virtually identical overall.”).

16 Both the Bratz production sculpt and Bryant’s sculpt depict a young, female fashion doll  
17 with exaggerated proportions — an unprotectable idea. The Bratz production sculpt and  
18 Bryant’s sculpt also share large heads, thick lips, high cheekbones, slim arms, long legs, and  
19 slim torsos, all of which are unprotectable features as they are required by the underlying idea.

20 A reasonable fact-finder could conclude that the protectable expression of the Bryant  
21 sculpt is substantially similar to the Bratz production sculpt. For instance, a reasonable jury  
22 could find that the precise shape, size, and placement of the ears on the Bratz Sculpt and the  
23 Bryant Sculpt are substantially similar. In particular, a jury could find that the inner ear cochlea  
24 separates from the outer ear in an identical manner on both sculptures. A jury could further find

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25  
26 <sup>8</sup> MGA’s statement of uncontroverted facts asserts that Bryant’s sculpt did not  
27 infringe certain sculpt drawings. However, MGA does not identify the specific sculpt  
28 drawings that are the subject of its motion, and the Court declines to visit the issue *sua*  
*sponte*.

1 that the precise design of the nose is substantially similar, noting that both sculpts almost  
2 completely lack a nasal bridge. With respect to overall face shape, a reasonable jury could find  
3 that the rear-most point of the scalp on both sculpts similarly slopes down to the jaw at about a  
4 fifteen degree angle before immediately curving forward at about a five degree angle.

5 A reasonable jury could also find substantial similarity in the precise angles,  
6 measurements, and shapes of the sculpts' midsections. For example, although the sculpts have  
7 very small, defined waists, both have a slightly protruding, rounded lower stomach. Both  
8 sculpts also lack the roundness in the breast area that is common to many other fashion dolls  
9 with exaggerated, idealized proportions. Likewise, a reasonable jury could note substantial  
10 similarity in the uniquely rounded shoulders of both sculpts, as well as the way in which both  
11 sets of lower arms flare out from the body in an unnatural and unrelaxed state. Looking at the  
12 back of the sculpts, a reasonable jury could find substantial similarity in noticeable indentation  
13 that exists between both sculpts' shoulder blades. A view of the sculpts' profile reveals the  
14 dramatic S-shaped curve in both sculpts' spines.

15 Both on this illustrative list of substantial similarities in protectable elements of the  
16 sculpt, a genuine issue of material fact remains as to whether the Bratz Sculpt infringes Bryant's  
17 Sculpt.<sup>9</sup> MGA's request for summary judgment is therefore denied.<sup>10</sup>

## 18 **2. First Generation Dolls<sup>11</sup>**

19 MGA contends the first generation of Bratz dolls are not substantially similar to any of

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20  
21 <sup>9</sup> By the same token, a reasonable jury could find that the sculpts are virtually  
22 identical overall.

23 <sup>10</sup> This does not constitute a finding that subsequent generation dolls infringe. The  
24 grant of summary judgment on that issue is absolute.

25 <sup>11</sup> The Court has considered TX 1107, TX 1108, TX 1109, and TX 1110, since  
26 MGA's motion moves for summary judgment as to all sketches that were the subject of  
27 the jury's phase 1 verdict. In its reply brief in support of its motion, MGA states that  
28 these drawings were jointly authored by MGA and Bryant, even though the phase 1 jury  
never made a finding of joint authorship. Having reviewed the testimony cited by  
MGA's reply brief, the Court finds a genuine issue of material fact as to the joint  
authorship of these sketches.



1 Bryant's sketches.

2 (a). First Generation Jade

3 There is a genuine issue of material fact as to whether there are articulable similarities  
4 between the first generation Jade doll and Bryant's Jade sketches. Both the doll and the sketches  
5 express the idea of a complete, young, hip female fashion doll who wears trendy clothing and  
6 exhibits a bratty look or attitude. The doll and sketches use exaggerated physical proportions to  
7 express this idea, including larger eyes, heads, lips and feet, longer legs, and skinnier torsos and  
8 limbs than found in nature; however, the mere fact of these exaggerated features is both  
9 unoriginal and an unprotectable idea. *See* Ninth Circuit Op. at 10546-10547; *cf. Mattel, Inc. v.*  
10 *Goldberger Doll Mfg. Co.*, 365 F.3d 133, 136 (2d Cir. 2004) ("An upturned nose, bow lips, and  
11 wide eyes are the 'idea' of a certain type of doll face. That idea belongs not to Mattel but to the  
12 public domain.").

13 The dolls and sketches nevertheless share many protectable features, including "fashions  
14 and hairstyles." Ninth Circuit Op. at 10547. Both the doll and the girl in the sketch don pink,  
15 midriff-baring, short sleeved t-shirts. On the center of the t-shirts is an emblem of a creature that  
16 appears to be a pink Cheshire-like cat with green eyes. *Compare* TX 1107 *with* TX 17551. The  
17 t-shirts are worn over a long-sleeved, off-pink shirt adorned with dark pink, light pink, and white  
18 polka dots. *See id.* The doll and the girl in the sketch wear olive-green, flared, non-denim pants  
19 with off-pink vertical piping that runs down the outer seam. *See id.* Both the doll and the girl in  
20 the sketch sport red sneakers decorated with pink accenting and a lip on the front of the shoe that  
21 curls upwards, and, to complete the look, shoelaces untied. *See id.* Both accessorize with a  
22 silver satchel with quilted accenting. The doll and the girl in the sketch complete their look with  
23 light-colored lipstick and lip liner, pinkish eyeshadow, and dark bangs that protrude from a flat-  
24 topped, pink-based, multi-colored hat with horizontal stripes and two pink thread-braid tassels  
25 dangling from the uppermost corners.

26 The doll and the girls in the sketches also share anatomical similarities unrelated to  
27 standard features of the underlying idea, especially with respect to the eyes. For example, the  
28 doll and sketches both depict three equidistant and identically shaped eyelashes, having an equal

1 and triangular girth, on each doll eye, with each of the eyelashes protruding from the eyelid at  
2 identical angles. *Compare* Ex. 302 at MGA 006463 with TX 17551-001. Although the upper  
3 eyelid in Bryant’s Jade sketches droops a little lower than on the doll, the dolls and sketches all  
4 lack a lower eyelid and the surface area between the top of the upper eyelid and the bottom of  
5 the upper eyelid is consistent across the eyelid between the sketches and doll. *See id.* The doll  
6 is also substantially similar to the sketches’ particular expression of the eyes: the pupils are  
7 dilated in a nearly identical manner, with the pupils situated at the top center of the iris (these  
8 sketches apparently depict young female fashion dolls with defective vision), and the inner  
9 corner where the upper and lower eye lids meet sits at the center of the nose. *Id.*

10 To be sure, there are dissimilarities between the doll and sketches. For example, the doll  
11 wears rolled up pants made of a shiny fabric that resembles an alligator’s skin. By contrast, the  
12 pants worn by the doll depicted in the sketch appear to be made of cotton, and fall over the shoes  
13 depicted in the sketch; the pants drawn in the sketch also feature prominent orange piping. The  
14 doll’s shoes reveal more white cushioning on the outside of the shoe than the shoes depicted in  
15 the sketch. The satchel depicted in the sketch bears the word “Purrfect” and the doll’s satchel  
16 has no lettering or otherwise narcissistic terms incorporating sounds commonly made by  
17 animals. The doll’s lips are darker than the lips depicted in the sketch, and the doll’s eyeshadow  
18 is two-toned and more dramatic than the eyeshadow depicted in the sketch. Finally, the girl  
19 depicted in the sketch has rosier cheeks and shorter hair (in pigtails) than the doll.<sup>12</sup>

20 A reasonable fact-finder could easily conclude that there are articulable and substantial  
21 similarities between the protectable expression of the Jade sketch (Trial Exhibit 1107, 10638)  
22 and sculpt (Trial Exhibit 17551). MGA’s request for summary judgment as to the first  
23 generation Jade doll is therefore denied.

24 (b). First Generation Cloe

25 There is likewise a genuine issue of material fact as to whether the first generation Cloe

26 \_\_\_\_\_  
27 <sup>12</sup>The Court notes that the different cheek tones may simply be a consequence of  
28 the fact that the mass production of the dolls did not allow for the intensity of cheek color  
in Bryant’s drawings.

1 doll and Bryant's sketches are substantially similar in their expression of the underlying idea.  
2 *Compare* TX 1109, 771 *with* TX 13903-001. Both the doll and the sketches express the idea of a  
3 complete, young, hip female fashion doll who wears trendy clothing and exhibits a bratty look or  
4 attitude. The doll and sketches share exaggerated physical proportions, including larger eyes,  
5 heads, lips and feet, longer legs, and skinnier torsos and limbs than found in nature; however, the  
6 mere fact of these exaggerated features is both unoriginal and an unprotectable idea. *See* Ninth  
7 Circuit Op. at 10546-10547; *cf. Goldberger Doll Mfg. Co.*, 365 F.3d at 136 ("An upturned nose,  
8 bow lips, and wide eyes are the 'idea' of a certain type of doll face. That idea belongs not to  
9 Mattel but to the public domain.").

10 A reasonable fact-finder could nevertheless conclude that the doll and sketches are  
11 substantially similar in their particular expression of these anatomical features. *See id.* ("But  
12 Mattel's copyright will protect its own particularized expression of that idea and bar a  
13 competitor from copying Mattel's realization of the Barbie features."). For example, both the  
14 girl depicted in the sketch and the doll have bright, cerulean eyes with dilated pupils centered on  
15 the upper half of the iris. Unlike the eye lids depicted on the Jade doll and in the Jade sketches,  
16 which maintain a consistent inward gradient where the upper and lower eye lids meet, both the  
17 Cloe doll and Bryant's Zöe sketch depict lower eye lids that drop at a steep gradient and then  
18 immediately flatten for the latter half of their approach to the center of the face. Moreover, in  
19 addition to the three eye lashes located on the outside corner of the upper eyelid (as found on the  
20 Jade doll and in the Jade sketches), the Cloe doll and Zöe sketch depict a patch of much smaller  
21 eye lashes that protrude from the outside corner of the lower eye lid (the doll's three eye lashes  
22 are evenly spaced but the eyelashes in the sketch appear to merge together).

23 The doll and the girls in the sketches also share non-anatomical features, including  
24 hairstyle and fashions. Both the sketch and doll depict a baby-blue, midriff-baring t-shirt  
25 adorned with sequined studding along the collar and the word "Angel" in cursive font in the  
26 center of the shirt; sparkling bell-bottom jeans with a fringe on the outer seams and a slit on the  
27 bottom outer ankle, which fall over the boots worn in the sketch and on the doll; and a baby-  
28 blue, bumpy, rubbery-textured belt with a square buckle. The doll is sold with a jacket worn in

1 the sketch and both three button jackets have fold-over collars, rolled up sleeves, and fringes  
2 around the lower seam. Both jackets appear to be composed of the same sparkly denim fabric as  
3 the jean pants. The doll is sold with a pair of boots that, like the boots depicted in the sketch, are  
4 weighty and white, with an orange and brown buckle that falls on top of the foot. The sketch  
5 and the doll share a one-shouldered bag with a white base, teal piping, and a leopard-print flap  
6 that covers most of the front of the bag. The sketch and the doll share light blonde, long hair  
7 parted to the side and pulled back with a wide headband made of teal and gold fabric. Both have  
8 metallic-pinkish lip color, with noticeably contrasting, darker lip liner.

9         There are nevertheless certain differences between the doll and sketches. In the sketches,  
10 the lips are slightly parted, though the doll's lips remain closed. The doll's eyes are surrounded  
11 by blue eyeshadow, whereas the sketch's eyeshadow appears to be more grayish in color. The  
12 sketch's cheeks are more flushed than the doll's. The doll's attire also differs from the sketch's:  
13 the leopard-print flap on the doll's bag overlays a white background whereas the sketch's  
14 leopard-print bag overlays a tan background; the doll's buttons appear to be more metallic than  
15 the sketch's; the doll's shirt exposes more of her stomach; and the sketch's jacket displays more  
16 noticeable, defined stitching. In addition, the buckle on the Doll's belt is silver, and the buckle  
17 on the sketch's belt is baby-blue, like the rest of the belt.

18         A reasonable fact-finder could easily conclude that the Cloe doll and Bryant's Zoe  
19 sketches share many protectable features. MGA's motion for summary judgment is therefore  
20 denied as to the first generation of Cloe dolls.

21                                 (c). First Generation Yasmin

22         There is a genuine issue of material fact as to whether there are substantial similarities  
23 between the protectable elements of Bryant's Lupe sketch and the first generation Yasmin doll.  
24 *Compare* TX 1110 *with* TX 13901. Both the doll and the sketches express the idea of a  
25 complete, young, hip female fashion doll who wears trendy clothing and exhibits a bratty look or  
26 attitude. The doll and sketches share exaggerated physical proportions, including larger eyes,  
27 heads, lips and feet, longer legs, and skinnier torsos and limbs than found in nature; however, the  
28 mere fact of these exaggerated features is both unoriginal and an unprotectable idea. *See* Ninth

1 Circuit Op. at 10546-10547; *c.f. Mattel, Inc. v. Goldberger Doll Mfg. Co.*, 365 F.3d 133, 136 (2d  
2 Cir. 2004) (“An upturned nose, bow lips, and wide eyes are the ‘idea’ of a certain type of doll  
3 face. That idea belongs not to Mattel but to the public domain.”).

4 The doll also depicts certain non-anatomical features found in the sketch, including  
5 fashions and certain elements of the hair style. For instance, the doll and the girl in the sketch  
6 don a purple, midriff-baring tube top as well as flared, light-colored pants that fall over pure  
7 platform shoes. Both pairs of pants feature prominent stitching along the sides of the outer leg  
8 and a pattern at the very bottom of each leg. Both accessorize with a tan satchel cinched at the  
9 top with a drawstring bow and decorated with a purple-themed, intricate, geometric pattern.  
10 Both sport a suede, maroon/brown bandana with fashion-keyhole designs along the edge that is  
11 threaded with an exposed drawstring tied into a bow at the nape. Both wear their hair with two  
12 small braids featured towards the front of their heads amongst their flowing locks. And both  
13 wear a similar smoky-purple eye makeup and identical lipstick surrounded by dark brown lip  
14 liner.

15 The Yasmin doll also parallels Bryant’s particularized expression of Lupe’s anatomical  
16 features. Like the other first generation Bratz dolls and sketches, the Yasmin doll and the girl in  
17 the sketch share dilated pupils located in eyes partially covered by upper eyelids. The Yasmin  
18 doll and the girl in the sketch both have hazel eyes with a speck of blue, accentuated by four  
19 upper eye lashes, as well as eye lashes on the bottom corner of the bottom eye lid of only the left  
20 eye. And both have an identically located small dark mole below the left eye.

21 There are ways in which a fact-finder could nevertheless find that there relevant  
22 similarities between the Lupe sketch and Yasmin doll are not substantial. The speck of blue in  
23 the doll’s eye is much smaller than in the sketch. Though the doll’s upper lip is smaller than its  
24 lower lip, the opposite is true in the sketch. The sketch depicts a large necklace, though the doll  
25 wears no such accessory. Moreover, the doll’s eyeshadow contains more shades of brown than  
26 the eyeshadow depicted in the sketch. Whereas the doll uses her brown bandana as a headband,  
27 with the exposed tan drawstring tied into a bow at the nape of the neck, the sketch wears the  
28 bandana as a sarong tied diagonally across the hips in the sketch. The doll’s hair is longer and

1 darker than the almost blonde hair depicted in the sketch, though the drawings on the back of the  
2 packaging for the Yasmin doll depict the character with lighter hair than the doll itself. The hair  
3 in the sketch is pulled back by a pair of barrettes, which the doll does not appear to own. The  
4 tube top worn by the doll is a pure magenta color, whereas the tube top depicted in the sketch is  
5 a darker purple with subtle pink striping. The doll's pants are khaki-colored, whereas the pants  
6 depicted in the sketch are white. The pattern on the bottom of the pants depicted in the sketch is  
7 geometric, with red orange, blue and yellow color themes. By contrast, the embroidery at the  
8 bottom of the doll's pants have two orange stripes and a floral pink and blue pattern. The  
9 platform clogs depicted in the sketch are open-toed, whereas the doll's platform clogs are  
10 closed-toed.

11 A reasonable fact-finder could easily conclude that the protectable details of the rendering  
12 of the underlying idea expressed by the sketch (Trial Exhibit 1110) and sculpt (Trial Exhibit  
13 13901) are substantially similar. MGA's request for summary judgment as to the first generation  
14 Yasmin doll is therefore denied.

15 (d). First Generation Sasha

16 There is a genuine issue of material fact as to whether the first generation Sasha doll  
17 shares protectable elements of Bryant's Hallidae sketches. *Compare* TX 1108 and TX 3-5 with  
18 TX 17558. Both the doll and the sketches express the idea of a complete, young, hip female  
19 fashion doll who wears trendy clothing and exhibits a bratty look or attitude. The doll and  
20 sketches share exaggerated physical proportions, including larger eyes, heads, lips and feet,  
21 longer legs, and skinnier torsos and limbs than found in nature; however, the mere fact of these  
22 exaggerated features is both unoriginal and an unprotectable idea. *See* Ninth Circuit Op. at  
23 10546-10547; *cf. Mattel, Inc. v. Goldberger Doll Mfg. Co.*, 365 F.3d 133, 136 (2d Cir. 2004)  
24 ("An upturned nose, bow lips, and wide eyes are the 'idea' of a certain type of doll face. That  
25 idea belongs not to Mattel but to the public domain.").

26 The doll nevertheless depicts protectable expression found in the sketch, including  
27 fashions and hair style. Both the sketches and the doll depict long-sleeved t-shirts with  
28 horizontal stripes on the sleeves with a burst of orange in the center. In another Bryant sketch,

1 TX 3-5, Hallidae wears a similar ensemble comprised of a multicolored, striped, long-sleeved  
2 shirt overlaid with an orange puffy vest. Both the doll and sketch also depict long, oversized,  
3 flared denim skirts with cargo pockets, which fall over remarkably similar white, orange, and  
4 blue sneakers with oversized soles and untied white laces. Both also depict blue and orange  
5 backpacks that bear the term “hip hop” and, in a display of wit, pictures of bunny rabbits. Both  
6 depict long, kinky, black hair trapped underneath silver triangular hats made of a ribbed knitted  
7 material and topped with a poof ball. Both depict dramatically defined eyebrows and eyes  
8 covered in two-toned eyeshadow, and makeup that includes purple-toned lip liner and loud  
9 cheek paint.

10 There are some elemental differences between the doll and sketches, though the  
11 differences between TX 17558 and TX 3-5 are more defined than the differences between TX  
12 17558 and TX 1108, which are minimal. TX 3-5 depicts brown-toned eyeshadow, whereas TX  
13 1108 and the doll share purple-toned eyeshadow. The bunny rabbit on the backpack depicted in  
14 TX 3-5 is more cartoonish than the more realistic bunny rabbit on the backpacks depicted in TX  
15 1108 and the doll (though the doll packaging depicts a bunny that is very similar to the bunny  
16 rabbit on TX 3-5's backpack). The hat depicted in TX 3-5 is orange with stripes, and covers the  
17 ears, whereas the hats worn in TX 1108 and on the doll are silver. The hair depicted in TX 3-5  
18 is dreadlocked, whereas the hair depicted in TX 1108 and on the doll is smoother and straight.  
19 With respect to differences in clothing, the t-shirt depicted in TX 1108's t-shirt shows the word  
20 “YUM”, whereas the doll’s shirt contains no words, images, or exclamations of satisfaction after  
21 a tasty treat. The pocket attached to the skirt depicted in TX 3-5 is located near the thigh,  
22 whereas the pockets depicted in TX 1108 and the doll are located near the calf. The pocket in  
23 sketch 3-5 is near the thigh, whereas the pocket in sketch 1108 is lower on the skirt, near the  
24 calf. Both TX 1108 and the doll depict a stitching indicating that the lower portion of the skirt  
25 can be removed to transform the skirt into a mini-skirt, but TX 3-5 does not appear to have that  
26 design. The shoes depicted in TX 3-5 differ from the shoes shared by TX 1108 and the doll,  
27 because the TX 3-5 depicts Timberland boots, whereas sneakers are worn by both TX 1108 and  
28 the doll.

1 A reasonable fact-finder could conclude that the Hallidae sketches and Sasha doll are  
2 substantially similar in not just the ideas depicted, but in the expression of those ideas as well.  
3 *See Kouf*, 16 F.3d at 1045 (summary judgment only appropriate if no reasonable fact-finder  
4 could find substantial similarity of ideas and expression). MGA’s motion is therefore denied as  
5 to the first generation Sasha doll.

### 6 3. Subsequent Generation Dolls<sup>13</sup>

7 In addressing the district court’s errors, the Ninth Circuit stated that it “fail[ed] to see how  
8 the district court could have found the vast majority of Bratz dolls, such as ‘Bratz Funk N’ Glow  
9 Jade’ or ‘Bratz Wild Wild West Fianna,’ substantially similar—even though their fashions are  
10 hair styles are nothing like anything Bryant drew—unless it was relying on similarities in ideas.”  
11 Ninth Circuit Op. at 10547. Since the court must determine at the extrinsic stage whether “no  
12 reasonable juror could find substantial similarity of ideas *and* expression,” *Kouf*, 16 F.3d at 1045  
13 (emphasis added), the Ninth Circuit’s inability to identify a basis for substantial similarity  
14 determination for dolls with distinct fashions and hair styles from Bryant’s sketches disposes of  
15 the vast majority of Mattel’s counter-claim as to the later generations of Bratz dolls.

16 Not only do the vast majority of the subsequent generations of Bratz dolls differ in their  
17

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18  
19 <sup>13</sup> Mattel attempts to construct another support for its copyright infringement  
20 counter-claim by arguing that all generations of the Bratz dolls infringe the “character” in  
21 Bryant’s original sketches. “In determining whether the characters are similar, a court  
22 looks at the ‘totality of [the characters’] attributes and traits as well as the extent to which  
23 the defendants’ characters capture the ‘total concept and feel’ of figures in [plaintiff’s  
24 work].” *Hogan v. DC Comics*, 48 F. Supp. 2d 298, 309-10 (S.D.N.Y. 1999). “No  
25 character infringement claim can succeed unless plaintiff’s original conception  
26 sufficiently developed the character, and defendants have copied this development, and  
27 not merely the broader outlines.” *Smith v. Weinstein*, 578 F. Supp. 1297, 1303 (S.D.N.Y.  
28 1984), *aff’d mem.*, 738 F.2d 419 (2d Cir. 1984). Similarity between characters cannot  
“exist[] only at a level of abstraction too basic to permit any inference that defendant[]  
wrongfully appropriated any ‘expression’ of plaintiff’s ideas.” *Arden v. Columbia  
Pictures Indus., Inc.*, 1248, 1261 (S.D.N.Y. 1995). Mattel thus cannot claim a coypright  
in the Bratz character circumvent the rule that the copying of the idea and expression  
required by the idea does not constitute infringement. If no reasonable fact-finder could  
find substantial similarity in the *protectable expression*, Mattel fails the extrinsic test.



1 hair styles and fashions (the two elements identified by the Ninth Circuit), but they lack any  
2 meaningful similarities outside of ideas. Like Bryant’s sketches, all of the subsequent  
3 generation Bratz dolls express the idea of a complete, young, hip female fashion doll who wears  
4 trendy clothing and exhibits a bratty look or attitude. The dolls also depict exaggerated physical  
5 proportions, including larger eyes, heads, lips and feet, longer legs, and skinnier torsos and limbs  
6 than found in nature; however, the mere fact of these exaggerated features is both unoriginal and  
7 an unprotectable idea. *See* Ninth Circuit Op. at 10546-10547; *cf. Goldberger*, 365 F.3d at 136  
8 (2d Cir. 2004) (“An upturned nose, bow lips, and wide eyes are the ‘idea’ of a certain type of  
9 doll face. That idea belongs not to Mattel but to the public domain.”). The similarities end  
10 there: with the exception of two subsequent generation dolls (identified below), the dolls sport  
11 distinct fashions; make up; jewelry; accessories; hair styles, colors, and sheens; eye colors and  
12 shapes; and eye lash shape, size, and texture; from Bryant’s sketches. In its subsequent  
13 generation Bratz dolls, MGA unmistakably abandoned Bryant’s particular expressions of the  
14 underlying idea.

15 Mattel nonetheless argues that “the proof of infringement is substantial” as to these  
16 subsequent generation dolls, relying upon a report prepared by its expert. *See* Declaration of Lee  
17 Loetz in Opposition to MGA MSJ. Mr. Loetz does not analyze the subsequent generation dolls  
18 on a doll by doll basis, but instead purports to provide exemplar comparisons of the placement  
19 and proportions of body parts, (*id.*, Ex. B at 7), poses, (*id.*, Ex. B at 9), facial elements, (*id.*, Ex.  
20 B at 10), and clothing/accessories, (*id.*, Ex. B at 12).

21 Mr. Loetz’s report commits a number of logical errors that corrode the foundation for his  
22 analysis. First, Mr. Loetz attempts, on numerous occasions in his report, to show that “parallels  
23 between the drawings and doll faces are not coincidental, but the result of executing the  
24 drawings in the dolls.” *See, e.g., id.*, Ex. B at 12. Mr. Loetz confuses evidence of factual  
25 copying—which is relevant to a defense of inadvertent infringement—with copying of *original*  
26 elements of Bryant’s works that are protectable. *See Goffa Intern. Corp.*, 210 F. Supp. 2d at  
27 159. So long as the parallels between the drawings and the subsequent generations of dolls were  
28 parallels in ideas or unprotectable expression, MGA was free to execute the drawings with

1 impunity. *Narell*, 872 F.2d at 910.

2 Second, Mr. Loetz bases almost all of his conclusions about the subsequent generation  
3 dolls on the express basis of similarity between ideas and unprotectable elements. For example,  
4 Mr. Loetz states that the placement of the body landmarks in the subsequent generation dolls in  
5 similar to the placement of such landmarks in Bryant's sketches, a conclusion that is both  
6 factually wrong and irrelevant. The placement of anatomical features is, as Mr. Loetz admits,  
7 relevant to making a doll "look older or younger." Loetz Dec., Ex. B at 7. Elongating the body  
8 expresses a different idea about the "age and gender," since "[a]s the human body grows from  
9 child to adult, the body proportions lengthen from top to bottom." *Id.* Just as "slightly larger  
10 heads, eyes and lips; slightly smaller noses and waists; and slightly longer limbs" are elements  
11 that necessarily result from the idea of a young, fashion forward female, so too does the idea  
12 require "proportionally shorter bodies." A body with compressed proportions is not a  
13 protectable element of Bryant's sketches and Mr. Loetz admits as much.

14 Mr. Loetz commits this error again when he states that the manner in which the facial  
15 features are situated in the subsequent generation dolls is substantially similar to Bryant's  
16 drawings. He argues:

17 The proportional placement of features on the face of a doll design is  
18 a key factor in how the design develops its look. *To vary the*  
19 *placement of features on a face is to change who the character will*  
20 *be.* Think of the compressed features of a cute baby, and then think  
21 of the elongated features in a traditional 'evil witch' character face.

22 There are endless variations in between.

23 *Id.* at 11 (emphasis added).

24 Each of the endless variations of facial features to which Mr. Loetz refers can express a  
25 different idea. Working within Mr. Loetz's "cute baby" to "evil witch" spectrum, different  
26 variations of facial features can express different ideas — *e.g.*, a cute witch, an evil baby, a  
27 toddler, or an old woman. Mr. Loetz concedes, however, that the compacted features in Bryant's  
28 drawings were necessary to "create a pleasing attractive look," which is an unprotectable idea

1 that is distinct from the other ideas expressed by the “endless variations” in the placement of  
2 facial features discussed in Mr. Loetz’s report. Allowing Mattel to prevent others from depicting  
3 the placement of facial features that necessarily result from the idea of a young, fashion forward  
4 female with exaggerated features is tantamount to giving Mattel a monopoly over the idea itself.  
5 *See* Am. Ninth Circuit Op. at 17341 (“[F]ashion dolls that look like Patty and Selma Bouvier  
6 don’t express the idea behind Bratz.”).

7 Mr. Loetz also argues that the dolls are substantially similar to specific facial features  
8 found in Bryant’s sketches, like lips that curve, “the look of a girl who has too much eye makeup  
9 on,” oversized almond eyes, and angular eyebrows. Loetz Dec., Ex. B at 11-12. But these  
10 unoriginal features are all unprotectable elements of Bryant’s work, because they belong to the  
11 underlying idea of a young, fashion-forward doll with exaggerated features and a bratty look or  
12 attitude. *Cf. Ideal Toy Corp. v. Sayco Doll Corp.*, 302 F.2d 623, 627 (2d Cir. 1962) (Clark, J.,  
13 dissenting) (“But is it so that one gets a 56-year copyright in normal arms and legs of a doll or in  
14 a hidden smile? This gives plaintiff a destructive power against competitors of unexplored  
15 extent. For a grin or a smirk in their otherwise dissimilar product may turn out to make them  
16 accountable as infringers.”). The features discussed by Mr. Loetz (*e.g.*, a heavily made-up  
17 young female) are unprotectable ideas and, for the reasons discussed below, the subsequent  
18 generation dolls are not substantially similar to Bryant’s particular expression of these ideas.  
19 *See Goldberger Doll Mfg. Co.*, 365 F.3d at 136 (“Mattel’s copyright will protect its own  
20 particularized expression” of the idea of a certain type of doll face composed of “[a]n upturned  
21 nose, bow lips, and wide eyes”).

22 The vast majority of Mr. Loetz’s actual comparisons (*see* Loetz Dec., Ex. B, Ex. 1-25)  
23 concern the first generation of Bratz dolls. Those comparisons that attempt to compare the  
24 second generation Bratz dolls reveal the lack of similarity between the dolls and the protectable  
25 elements of Bryant’s sketches. For example, exhibit 20 to Mr. Loetz’s report includes a side-by-  
26 side comparison of the head of a subsequent generation Cloe doll with Bryant’s Lupe sketch.  
27 Both the doll and sketch share large eyes, large parted lips, light colored hair, and heavily made  
28 up eyes, none of which are protectable elements. The particularized expression of each of these

1 elements is not similar, let alone substantially similar: the lips are of a different shape and color,  
2 the eyes rounder, the eye lashes more numerous and spaced differently, the faces shaped  
3 differently, and the hair of a different color, sheen, and style. The comparison between a  
4 subsequent generation Sasha doll and Bryant's Hallidae sketch located at exhibit 21 of Mr.  
5 Loetz's report reveals even more dissimilarities in Bryant's particular expression of the  
6 unprotectable idea: the hairstyles, lips, eye lashes, and face shape, and skin tone are all different.

7         Mattel attempts to remedy these defects by pointing to Mr. Loetz's conclusion that the  
8 dolls have "a visual consistency from Carter Bryant's sketches, to the first wave of dolls, and  
9 through the later waves of Bratz dolls, even including the most recent 2010 Bratz dolls." Mattel  
10 Mot. at 40. Mr. Loetz's observation may have be relevant to an intrinsic examination, which  
11 involves "mere subjective judgment as to whether two [] works are or are not similar." *Shaw*,  
12 919 F.2d at 1357. Since "objective manifestations of creativity" must be examined in the  
13 "extrinsic" test, the absence of any similarity in protectable expression, from fashions, to hair  
14 styles, to facial features, make up, and the eyes, means that Mattel cannot show a genuine issue  
15 of material fact on the extrinsic test for the subsequent generation Bratz dolls.

16         Nevertheless, there are two subsequent generation dolls as to which an "indicia of  
17 sufficient disagreement concerning the substantial similarity of [the] two works" remains.  
18 *Swirsky v. Carey*, 376 F.3d 841, 846 (9th Cir. 2004) (internal citations omitted). First, a  
19 reasonable fact-finder could conclude that Ooh La La Cloe is substantially similar to the  
20 protectable elements of the sketch depicted in TX 5.051, TX 11810.001. Ooh La La Cloe likes  
21 to shop til she drops at "the world's most chic boutiques" and wears a fashion ensemble that  
22 resembles the ensemble depicted in the sketches: a plaid, short, A-line skirt with a ribbon  
23 around it; a midriff-baring, slightly scoop-necked shift worn underneath a cropped jacket with a  
24 flared collar, chest-level pockets, and exposed stitching; (differently adorned and shaped) knee-  
25 high boots; and a distinctively-shaped, pleated, somewhat floppy hat that falls to the middle of  
26 the forehead and tilts to one side in a loose manner. Second, a reasonable fact-finder could  
27 conclude that Formal Funk Dana is substantially similar to protectable elements to TX 3-4.  
28 Formal Funk Dana is dressed for the ball and, like the doll in the sketch, wears a midriff-baring,

1 two-pieced gown that is cinched at the waist with a bow, a sequined top held up by two thin  
2 shoulder straps, and, to finish her look, a beaded, dangling, choker and drop-earrings, as well as  
3 a triangle, sequined tiara.

4 For the foregoing reasons, MGA's Motion is granted as to all subsequent generation Bratz  
5 dolls with the exception of Ooh La La Cloe and Formal Funk Dana.

### 6 **III. Misappropriation of Trade Secrets**

7 Mattel's third counter-claim seeks to hold MGA, MGA Mexico, Larian and Machado  
8 liable for misappropriating Mattel's trade secrets. Mattel alleges the illegal acquisition, use and  
9 disclosure of its trade secret materials, which include "documents, materials, designs, names, and  
10 other information stolen by Machado, Trueba, Vargas, Brisbois, Castilla, Cooney, Contreras,  
11 Brawer, other former Mattel employees, and other persons acting for, on behalf of or at the  
12 direction of MGA and/or Larian." 4AAC ¶ 134.

13 California's Uniform Trade Secrets Act proscribes the improper disclosure, acquisition or  
14 use of a trade secret. Cal. Civ. Code § 3426.1. The term "trade secret" is defined by the Act as:

15 [I]nformation, including a formula, pattern, compilation, program,  
16 device, method, technique, or process, that:

17 (1) Derives independent economic value, actual or potential, from  
18 not being generally known to the public or to other persons who can  
19 obtain economic value from its disclosure; and

20 (2) Is the subject of efforts that are reasonable under the  
21 circumstances to maintain its secrecy.

22 *Id.*, § 3426.1(d).

23 Information derives independent economic value from not being generally known when  
24 its secrecy "provides a business with a 'substantial business advantage.'" *Morlife, Inc. v. Perry*,  
25 56 Cal. App. 4th 1514, 1522 (1997) (quoting *Klamath-Orleans Lumber, Inc. v. Miller*, 87 Cal.  
26 App. 3d 458, 465 (1978)). Both parties request broad summary judgment rulings on the issue of  
27 whether Mattel's alleged trade secrets derived independent economic value from not being  
28 generally known. The arguments in the parties' briefs failed to discuss each identified trade

1 secret with particularity, but the Court nevertheless did so. For the reasons that follow, the Court  
2 finds genuine issues of material fact as to independent economic value that the vast majority of  
3 Mattel's alleged trade secrets derived from not being generally known.

4 The determination of whether information is the subject of efforts that are reasonable  
5 under the circumstances to maintain its secrecy is fact specific. *See Rockwell Graphic Sys., Inc.*  
6 *v. DEV Indus., Inc.*, 925 F.2d 174, 176-77 (7th Cir. 1991). It is relevant whether an employer  
7 "required its employees to sign confidentiality agreements respecting its trade secrets." *See Mai*  
8 *Sys. Corp. v. Peak Comp., Inc.*, 991 F.2d 511, 521 (9th Cir. 1993). However, an employer's  
9 vague descriptions of exactly what it is that constitutes a trade secret renders the confidentiality  
10 agreement largely meaningless. Moreover, an employer's failure to mark documents as  
11 confidential or trade secret "precludes in many cases trade secret protection for those materials."  
12 *Gemisys Corp. v. Phoenix Am., Inc.*, 186 F.R.D. 551, 559 (N.D. Cal. 1999) (citing *Jensen v.*  
13 *Redevlopment Agency of Sandy City*, 998 F.2d 1550, 1557 (10th Cir. 1993)). At the same time,  
14 it makes no sense to hold, as a matter of law, that the failure to mark documents as confidential  
15 precludes a finding of reasonable efforts, since the very employee that creates the trade secret at  
16 the employer's direction may be the individual who misappropriates it. On the basis of these  
17 principles, the Court finds genuine issues of material fact as to whether Mattel took reasonable  
18 efforts to maintain the secrecy of its trade secret materials. Although Mattel conducted  
19 extensive employee training, had its employees sign agreements, and controlled access to its  
20 databases, it often provided vague direction to its employees and in many circumstances failed to  
21 mark proprietary documents, including the documents that are at issue in this case, as  
22 confidential.

#### 23 **A. Bratz**

24 Mattel claims that the Bratz fashion doll concept is a trade secret, to which Mattel claims  
25 ownership under the assignment clause of the Inventions Agreement. The concept includes the  
26 group name Bratz, the four doll names Jade, Hallidae, Lupe, and Zöe, as well as the doll designs,  
27 fashions, themes, and marketing slogans in Bryant's pitch book. It is undisputed that Bryant  
28 disclosed the Bratz concept to MGA and shared his pitch book and concept sculptures with MGA

1 while he was still employed by Mattel. (Bryant Tr. 2481:18-2482:5.) It is also undisputed that  
2 the dolls eventually released to market by MGA used the names Bratz and Jade.

3 **1. MGA's Procedural Objection**

4 On the grounds that a trade secret counter-claim predicated upon the acquisition,  
5 disclosure, and use of the Bratz concept implicated phase 1 issues, the Court refused to allow  
6 Mattel to allege the Bratz concept was a trade secret until the Ninth Circuit ruled on MGA's  
7 appeal from the post-phase 1 equitable relief. Following the Ninth Circuit ruling, Mattel timely  
8 moved to confirm the pendency of a trade secret misappropriation counter-claim predicated upon  
9 the disclosure, acquisition, and use of the Bratz fashion doll concept. On the basis of extensive  
10 briefing and oral argument, the Court granted Mattel's request. MGA "reiterates its objection to  
11 amendment of Mattel's pleading," and claims to have suffered prejudice as a result of Mattel's  
12 "change [in] legal theory," which MGA claims "violated the [Ninth Circuit's] mandate." (MGA  
13 MSJ at 25 & MGA Reply at n. 2.)

14 MGA's request for reconsideration of the two-month old order granting Mattel's motion  
15 to confirm is denied as untimely. *United States v. Comprehensive Drug Testing, Inc.*, 473 F.3d  
16 915, 928-29 (9th Cir. 2006). MGA's request for reconsideration is also denied because no "new  
17 material facts or a change of law occurring after the time" of the court's order compel a different  
18 outcome. Local Rule 7-18. To the contrary, the Court has since granted MGA a new trial on all  
19 phase 1 issues, eliminating the potential that Mattel's Bratz trade secret counter-claim will  
20 undermine the phase 1 jury's findings.

21 MGA's arguments are not just procedurally defective but predicated upon a paranoid  
22 misreading of trade secret law. MGA is specifically concerned that identifying the Bratz  
23 concept as a trade secret allows Mattel to (1) lose the contractual assignment issues discussed  
24 above and still capture the Bratz line; and (2) avoid the supersessive effect of California's  
25 Uniform Trade Secret Act. Neither concern is valid.

26 Mattel cannot prevail on a trade secret misappropriation counter-claim predicated upon  
27 the acquisition, disclosure, or use of the Bratz concept unless it proves it owned the concept. *See*  
28 *Cytodyn, Inc. v. Amerimmune Pharmaceuticals, Inc.*, 160 Cal. App. 4th 288, 297 (2008) ("[A]

1 prima facie claim for misappropriation of trade secrets ‘requires the plaintiff to demonstrate [that  
2 it] owned [the] trade secret’’) (citation omitted).<sup>14</sup> Identifying the Bratz concept as a trade secret  
3 does not diminish, or even affect, Mattel’s burden to prove that Bryant assigned his rights to the  
4 ideas and creative works that composed the Bratz concept. Of course, by proving the doll names  
5 Bratz and Jade are trade secrets, Mattel may defeat MGA’s challenge to the existence of a  
6 property right in an idea. *See Silvaco Data Sys. v. Intel Corp.*, 184 Cal. App. 4th 210, 239  
7 (2010) (“Information is not property unless some law makes it so.”). But MGA already failed to  
8 convince the Ninth Circuit that ideas are not property. Section IA2, *supra*. More importantly,  
9 information (or an idea) does not become a trade secret only when it is so alleged; whether the  
10 ideas behind the Bratz concept were or were not trade secrets is unrelated to Mattel’s pleading.

11 MGA commits a similar error when it argues that Mattel’s dilatory identification of the  
12 Bratz and Jade names as trade secrets prevented MGA from arguing during phase 1 that the  
13 Uniform Trade Secrets Act superseded the constructive trust remedy for Mattel’s conversion  
14 claim or the claim itself. An allegation of trade secret misappropriation is not a prerequisite to  
15 UTSA supersession. (Dkt. 8705 at 5.) To the extent the formal assertion of a trade secret  
16 misappropriation allegation predicated upon the acquisition, disclosure, and use of the Bratz  
17 concept reminded MGA to argue that UTSA supersedes Mattel’s claim(s), MGA may have  
18 actually *benefitted* from Mattel’s identification of the Bratz concept as a trade secret.

19 MGA also argues that Mattel’s identification of the Bratz concept as a trade secret is  
20 untimely. As discussed in greater depth in the Court’s Order granting Mattel’s motion to  
21 confirm, the parties’ have long operated under the understanding that Mattel’s trade secret  
22 misappropriation counter-claim encompassed the Bratz and Jade names. MGA’s counsel  
23 remarked at a deposition in early 2010:

24 Well, let me say this. It’s part of Phase 2. They have made a trade  
25

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26 <sup>14</sup> Other jurisdictions have concluded that possession of a trade secret is all that is  
27 required. *See Metso Minerals Indus., Inc. v. FLSmidth-Excel LLC*, \_\_\_ F. Supp. 2d \_\_\_,  
28 2010 WL 1850139, at \*2 (E.D. Wis. May 7, 2010). However, Mattel’s possession of the  
Bratz concept is likewise conditioned on the assignment of Bryant’s ideas and inventions.



1 secret misappropriation claim based on Bratz. Let me say that again.

2 There is a trade secret misappropriation claim in Phase 2 with an  
3 allegation of willful misappropriation of trade secrets against MGA  
4 Entertainment and Mr. Larian based on Bratz.

5 (Dkt. 8705 at 3-4.)

6 Finally, MGA claims that it “continue[s] to dispute that the [4]AAC contains a Bratz and  
7 Jade trade secret misappropriation claim,” noting that the Court never ruled on Mattel’s request  
8 to formally amend its pleading to expressly allege the misappropriation of the Bratz and Jade  
9 doll names. (MGA MSJ at 61 n. 10.) Mattel’s failure to expressly allege the predicate facts for  
10 each of its counter-claims is unremarkable; the parties have long accepted that each other’s  
11 pleadings need not specifically enumerate all the factual predicates for each claim. For example,  
12 MGA’s claim for trade dress infringement does not identify the specific trade dress allegedly  
13 infringed by Mattel, which MGA only definitively identified a few months ago, more than five  
14 years after filing its Complaint. Mattel’s request for leave to amend was immaterial and  
15 irrelevant to its motion to confirm, and the Court’s failure to rule on Mattel’s request does not  
16 undermine the force of its Order granting the motion to confirm.

## 17 **2. The Bratz Concept as a Trade Secret**

18 MGA argues that, even assuming Bryant’s Inventions Agreement assigned to Mattel  
19 some right, title, and interest in the idea for the Bratz fashion doll concept, Bryant’s disclosure  
20 and MGA’s acquisition and use of those doll names did not constitute misappropriation  
21 because a doll concept and doll names are not trade secrets.

22 Concepts can have value independent from the product they eventually inspire. *Cf.*  
23 *Learning Curve Toys, Inc. v. Playwood Toys, Inc.*, 342 F.3d 714, 726 (7th Cir. 2003) (finding  
24 issue of fact as to whether “concept for noise-producing toy railroad track” was trade secret); *see*  
25 *also* 2 Roger M. Milgrim, *Milgrim on Trade Secrets* § 9.05[4], at 9-487-9-488.2 & n. 36 (Eric E.  
26 Benson, ed., 2003 rev. ed. & 2009 supp.) (explaining that trade secrets may reside in  
27 “confidential disclosures of concepts, or as yet-untested, ideas for a new product or new  
28 process”). Mattel, for instance, invests a tremendous amount of material and human resources

1 into the development of product concepts and ideas, including product names. Mattel's Design  
2 Center houses hundreds of employees who experiment with doll names, fashions, and  
3 accessories. Internal correspondence exhibits a compulsion with getting the doll names exactly  
4 right. *See* Ex. 314 to MGA MSJ. For example, an internal memoranda to all Mattel employees  
5 concedes:

6 Consider Barbie for example. A Barbie doll is made up of plastic,  
7 fabric, paint, synthetic hair, as well as cardboard and cellophane for  
8 the box, which combined is worth only a few dollars. Why then will  
9 a consumer pay \$10, \$20, \$30 or more for this particular mix of raw  
10 materials? A primary reason is the name "Barbie." This name  
11 means something special to little girls all over the world; it inspires  
12 fashion, friendship, association, dreams, fun.

13 *See* Declaration of Richard DeAnda, Ex. A.

14 MGA argues that a product name or concept lacks independent economic value from the  
15 product with which it is associated, but this is a chicken and egg dilemma appropriate for  
16 resolution by a fact-finder. MGA's own witness, and a key member of the Bratz team,  
17 previously recognized that "a toy manufacturer's unreleased toy concepts . . . are among its most  
18 highly valuable trade secrets." Declaration of Paula Garcia in support of Carter Bryant and  
19 MGA's Motion for Clarification (Zeller Dec., Ex. 13) ¶ 4. Larian similarly conceded that MGA  
20 considered a product name to be a trade secret while the product was still in development.  
21 Deposition of Isaac Larian, Vol. VII, dated January 20, 2010 (Buchakjian Dec., Ex. 74), at  
22 1799:5-15. A reasonable fact-finder could certainly conclude that the Bratz concepts, including  
23 the names Bratz and Jade, derived no independent economic value from not being generally  
24 known. However, MGA's failure to cite any evidence supportive of its position, as well as the  
25 wealth of evidence discussing the value independently generated by doll concepts in the toy  
26 industry, precludes the entry of summary judgment.

27 MGA also argues that the easy accessibility of the names Bratz and Jade (both are words  
28 that can be found in the dictionary) means the names lack novelty and therefore aren't trade

1 secrets. But Mattel does not allege that the words Bratz and Jade are trade secrets in a vacuum  
2 just as the developer of a formula can't claim that the numbers and variables that compose the  
3 formula are trade secrets. *O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, 420 F. Supp. 2d  
4 1070, 1089-1090 (N.D. Cal. 2006) ("It does not matter if a portion of the trade secret is generally  
5 known, or even that every individual portion of the trade secret is generally known, so long as  
6 the combination of all such information is not generally known."). Mattel argues that doll names  
7 Bratz and Jade are novel — an argument MGA does not challenge with, for example, evidence  
8 that any doll sold in the course of toy history used the name Bratz or Jade.

9 MGA instead responds that treating easily discoverable product ideas as trade secrets will  
10 incentivize Mattel (or any other corporation) to "giv[e] each of its employees a dictionary and  
11 inform[] them that every name has been or will be considered a product name." However,  
12 MGA's concern is misplaced because the UTSA does not prevent a person from using  
13 independently developed or properly obtained trade secret information already in the possession  
14 of another. *See* Cal. Civ. Code § 3426.1(a); *Composite Marine Propellers, Inc. v. Van Der*  
15 *Woude*, 962 F.2d 1263, 1265-66 (7th Cir.1992) (finding that plaintiff "must establish" that the  
16 trade secrets were "misappropriated (that is, stolen from it rather than developed independently  
17 or obtained from a third source)"); *see also E.I. Du Pont de Nemours & Co. v. U.S.*, 288 F.2d  
18 904, 911 (Ct. Cl. 1961) ("A plurality of individual discoverers may have protectible, wholly  
19 separate rights in the same trade secret."). "Trade secret law, in short, protects only the right to  
20 control the dissemination" by Mattel employees of their ideas for doll names. *Silvaco Data Sys.*  
21 *v. Intel Corp.*, 184 Cal. App. 4th 210, 221 (2010).

22 MGA's arguments are better addressed to a fact-finder tasked with determining whether  
23 the doll names Bratz and Jade qualify as trade secrets; in particular, whether the names derive  
24 independent value from not being generally known. Though MGA challenges this basis for  
25 Mattel's counter-claim, it cites no material evidence to aid the Court's evaluation of the issue.

### 26 **B. Misappropriation of Other Mattel Information**

27 Due to the commercial success of the Bratz dolls, MGA expanded its corporate operations  
28 between 2001 and 2006. Part of MGA's expansion involved the recruitment of employees from

1 Mattel. Mattel's third counter-claim alleges that MGA should be held liable for alleged acts of  
2 misappropriation committed by nine of these former Mattel employees, three of whom —  
3 Machado, Mariana Trueba, and Pablo Vargas — were recruited away from Mattel Servicios,  
4 S.A. (Mattel Mexico's subsidiary) to be founding members of MGA Mexico. Machado is also a  
5 named counter-defendant to this counter-claim. Mattel, MGA, and Machado move for summary  
6 judgment on various elements of this counter-claim.

7 **1. Ron Brawer**

8 Former Tyco Toys, Inc. employee Ron Brawer ("Brawer") was retained when Mattel  
9 acquired Tyco in 1997. Between 1997 and his September 17, 2004 resignation, Brawer held the  
10 posts of Marketing Director and Senior Vice President/General Manager, in which he directed  
11 teams of employees who worked with Mattel's retailer accounts. MGA recruited him away from  
12 Mattel with a competitive salary package but, more importantly, equity in MGA in anticipation  
13 of an Initial Public Offering. Mattel responded by escorting Brawer from the premises about 20  
14 minutes after he tendered his letter of resignation. Deposition of Ron Brawer, dated February 5,  
15 2008, Vol. I, at 127:11-24; *see also* Ex. 4252 to MGA MSJ. Mattel also directed a team of  
16 private investigators to shadow Brawer, Brawer's wife, and Brawer's young children, whose  
17 activities the investigators recorded via videotape and shared with Mattel's legal department.

18 Brawer attempted to re-negotiate Mattel's confidentiality agreements prior to his  
19 departure, and even before he accepted an offer with MGA. For example, in response to a  
20 March 5, 2004 request from the Director of Barbie Brands that all Mattel executives sign a  
21 revised Code of Conduct, (Webster Dec., Ex. 487), Brawer complained that "[t]here is one  
22 section of the document that contains new and fairly broad language" regarding confidentiality  
23 obligations, and expressed an intent to subject the language to an outside review (*id.*, Ex. 488).  
24 On August 13, 2004, and while his employment negotiations with MGA were ongoing (*see id.*,  
25 Ex. 480), Brawer asked to re-negotiate paragraph 6 of his employment agreement, which  
26 concerned his confidentiality obligations (*id.*, Ex. 486). During his post-resignation exit  
27 interview, Brawer did not sign Mattel's standard Exit Interview and Checkout Form for  
28 Executives, which also addressed Brawer's obligation to not disclose or use Mattel's

1 confidential information after his departure (*id.*, Ex. 490).<sup>15</sup>

2 Brawer's September 17, 2004 employment agreement with MGA also emphasized that he  
3 keep his contractual obligations to Mattel. (Ex. 4240 to MGA MSJ.) MGA reminded Brawer to  
4 "not retain any of Mattel's property or confidential and proprietary information . . . nor should  
5 you use or disclose Mattel's property and/or confidential and proprietary information in  
6 connection with your employment at MGA." (*Id.*) Mattel alleges that Brawer disregarded the  
7 instructions from both Mattel and MGA by disclosing Mattel's "ideas, designs, and conception  
8 for a fashion doll theme" called "Swappin' Styles" that MGA thereafter used for a line of Bratz  
9 dolls. (Webster Dec., Ex. 305 at 189.)<sup>16</sup>

10 There is a genuine issue of material fact as to whether Mattel's unreleased product idea  
11 for a line of dolls with interchangeable heads and fashions derived independent value from not  
12 being generally known to the public. MGA moves for summary judgment on this issue but cites  
13 no evidence or law, resting its argument on two appellate cases that discuss the parties' burdens  
14 on a motion for summary judgment. (MGA SF ¶ 102(d) (citing *Celotex Corp. v. Catrett*, 477  
15 U.S. 317 (1986) and *Devereaux v. Abbey*, 263 F.3d 1070 (9th Cir. 2001) (en banc)).) However,  
16 as discussed earlier, one of MGA's employees submitted a declaration in this lawsuit claiming  
17 that "a toy manufacturer's unreleased toy concepts . . . are among its most valuable trade  
18 secrets." Garcia Dec. ¶ 4. The disclosure of certain forthcoming product lines well before they  
19 hit the market, especially in the toy industry in which the product concept arguably requires  
20 more effort than its execution, may prevent a manufacturer from enjoying the potential benefits

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21  
22 <sup>15</sup> The Court will not consider the notes from that meeting, which are hearsay.

23  
24 <sup>16</sup> Mattel actually claims that the Swappin' Styles theme contains "one or more  
25 trade secrets," with no more specificity than that. Mattel's Statement of Genuine Issues  
26 ¶ 102. Mattel's lack of specificity forecloses it from claiming as a trade secret anything  
27 more than the unreleased product idea for swappable fashions and heads. *See Silvano*  
28 *Data Sys. v. Intel Corp.*, 184 Cal. App. 4th 210, 221 (2010). Mattel has also abandoned  
its counter-claim to the extent predicated upon other information allegedly  
misappropriated by Brawer and MGA's motion is granted as unopposed as to this  
information.

1 of primacy. *See Sikes v. McGraw-Edison Co.*, 665 F.2d 731, 733-34 (5th Cir.), *cert. denied*, 458  
2 U.S. 1108 (1982); *but see Richter v. Westab, Inc.*, 529 F.2d 896, 900 (6th Cir. 1976) (holding  
3 that any product idea that would be obvious upon the product's release is not a trade secret); *see*  
4 *also Hudson Hotel Corps. v. Choice Hotels Intern.*, 995 F.2d 1173, 1178 (2d Cir. 1993)  
5 (comparing cases and noting that “[i]n the pre-marketing stage, the question whether a marketing  
6 concept or new product idea can constitute a trade secret is murkier.”). Not all product plans  
7 derive independent economic value from not being generally known to the public, but some  
8 may. Given MGA's failure to present any evidence as to the economic value Mattel obtained  
9 from keeping MyScene Swappin' Styles secret prior to its release,<sup>17</sup> the Court finds the issue  
10 appropriate for resolution by a fact-finder.<sup>18</sup>

11       There is also a genuine issue of material fact as to whether the MyScene Swappin' Styles  
12 product plan was subject to reasonable efforts under the circumstances to maintain its secrecy.  
13 MGA argues that Mattel failed to either inform Brawer of his obligation to not misappropriate  
14 information after he resigned or warn MGA about Brawer's potential misappropriation. MGA  
15 UF ¶ 102(c). However, Mattel's efforts to bind and remind its employees to keep business  
16 information confidential is well documented. *See, e.g.*, Declaration of Kimberly Graham in  
17 support of Mattel's MSJ ¶¶ 3-25 (discussing efforts to encourage employee secrecy from  
18 beginning to end of employment relationship). Brawer acknowledged receiving a notice  
19

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20  
21 <sup>17</sup> For instance, other than the self-serving testimony of its own employee, MGA  
22 has presented no evidence as to whether the concept for a doll with interchangeable heads  
23 and fashions was well-known or had been attempted before MyScene Swappin' Styles.  
24 Nor has MGA presented evidence about the value a manufacturer obtains from being  
25 “first to market” with a doll concept. *ABBA Rubber Co. v. Seaquist*, 235 Cal. App. 3d 1,  
26 21 (1991) (“[I]nformation can be a trade secret even if it is readily ascertainable, so long  
27 as it has not yet been ascertained”).

28 <sup>18</sup> Mattel argues that its efforts to maintain the secrecy of the Swappin' Styles  
product plan proves the information was valuable. Though efforts to maintain secrecy  
may sometimes be a relevant to the value of the information, Mattel has not shown that  
these materials enjoyed any special protections unique from the protections Mattel  
provided to every other document in its database.

1 reminding him of these obligations while he was in the process of participating in company-wide  
2 discussions about the release of MyScene Swappin' Styles. (Webster Dec., Ex. 488.) On the  
3 other hand, Mattel's company-wide circulars did not discriminate between categories of business  
4 information or illustrate confidential information. *See, e.g.*, Graham Dec., Ex. 16. Neither  
5 Mattel nor MGA cites any evidence specific to Mattel's efforts to maintain the secrecy of  
6 Swappin' Styles — *e.g.*, Mattel's communications with retailers.

7 Finally, there is a genuine issue of material fact as to whether Brower disclosed and MGA  
8 improperly acquired knowledge about Mattel's MyScene Swappin' Styles doll. On the one  
9 hand, MGA deliberately created a line of dolls sporting interchangeable heads and clothing on  
10 the heels of MyScene Swappin' Styles' release, acting with urgency and with apparent  
11 knowledge of Swappin' Styles' impending release to market. *See* Webster Dec., Ex. 8 (stating  
12 that project for interchangeable heads "back on" in apparent bid to beat Mattel to market). On  
13 the other hand, MGA's 30(b)(6) designee testified that the company had long planned for the  
14 release of a product with interchangeable heads — *i.e.*, the fact that it was released at the same  
15 time as Mattel's product was purely coincidental and not the consequence of any improperly  
16 acquired knowledge of Mattel's upcoming product lines. MGA 30(b)(6) Depo. Vol. XXV, dated  
17 October 4, 2010, at 6123. The same witness, however, claimed that the genesis for this product  
18 could be found in Bryant's portfolio, (*id.* at 6123:4-6), even though Bryant's portfolio only  
19 discusses interchangeable fashions, and not heads. Since a reasonable fact-finder could either  
20 conclude that the evidence shows improper acquisition, disclosure and/or use or that it doesn't,  
21 summary judgment cannot be granted on this element of Mattel's third counter-claim.

## 22 2. Nick Contreras

23 Nick Contreras ("Contreras") served as a Manager on Mattel's Customer Business Team  
24 for a retailer named Target. He started at Mattel in 1994, earning a salary of approximately  
25 \$2,760.00 per month. (Ex. 1913 to MGA MSJ.) Ten years later, and after ascending Mattel's  
26 hierarchy, he accepted a position with MGA, where he officially started work on November 29,  
27 2004. (Deposition of Nick Contreras, dated January 28, 2008, at 204:22-24.) In a January 11,  
28 2009 interrogatory response, Mattel identified twenty-four Mattel trade secrets allegedly

1 misappropriated by Contreras and MGA. (MGA SUF ¶ 110.) On October 26, 2010, after the  
2 deadline for the filing of motions for summary judgment, Mattel abandoned the claim that any of  
3 these 24 categories of information constituted trade secrets. (Webster Dec., Ex. 305.)<sup>19</sup> To the  
4 extent Mattel’s third counter-claim arises out of Contreras’ conduct, it’s now predicated upon  
5 Contreras’ alleged attempt to recruit a subordinate from his time at Mattel to join MGA and to  
6 ask that the subordinate download documents to a thumb drive.

7 Contreras resigned from Mattel by a letter dated October 29, 2004 and was escorted out  
8 of the building. (Ex. 1917 to MGA MSJ.) During a short break in employment before he started  
9 working at MGA, Contreras allegedly met with Yoon Jung Kim (“Susan Kim”), who worked for  
10 him at Mattel, and has since left Mattel to pursue a graduate degree in business administration.  
11 (Deposition of Susan Kim, dated January 18, 2010, at 44-45.) Kim claims that Contreras  
12 “indicated that he would want me to come and work for him at MGA, and he [] also [] asked me  
13 to take a thumb drive [] that he gave me at this meeting and download certain files from our  
14 network for his use for what he said was formatting reasons.” *Id.* at 43-44; *see also* Declaration  
15 of Susan Kim ¶ 4 (same). Contreras denies ever asking Kim to download documents or even  
16 recruiting Kim to join MGA, although an email sent by Brawer to Larian while MGA was  
17 recruiting Contreras predicted that “he will want to bring an analyst who works for him named  
18 Susan Kim (she is fantastic) . . . a real work horse who gets the numbers right.” (Webster Dec.,  
19 Ex. 191.)

20 Even though there is an issue of fact as to whether Contreras induced Kim to download  
21 materials from Mattel’s servers, that fact is immaterial to Mattel’s third counter-claim. Although  
22 Kim claims she initially agreed to download the requested materials, she ultimately “didn’t think  
23 it was the right thing to do, and [] felt very awkward about the request.” Kim Depo. at 64:17-19.  
24 The undisputed evidence establishes that, whether or not Contreras intended to misappropriate  
25 Mattel trade secrets, his alleged efforts failed.

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26  
27 <sup>19</sup> MGA’s motion is granted as unopposed as to these categories of alleged trade  
28 secrets.



1 Mattel concedes that Contreras did not misappropriate trade secrets, but maintains that  
2 Contreras' "attempt shows that the other multiple thefts by persons departing for MGA were  
3 deliberately orchestrated by MGA, rather than mere coincidence as MGA would have it."  
4 (Mattel Opp. at 15.) While Mattel's arguments about the probative value of Contreras' conduct  
5 may certainly prove interesting in the context of a motion in limine to exclude evidence of the  
6 conduct, they have no bearing on whether Mattel's third counter-claim can arise out of conduct  
7 that Mattel concedes does not give rise to liability under UTSA. Mattel cannot ignore that its  
8 operative pleading defines the allegedly stolen trade secret material to include "documents,  
9 materials, designs, names, and other information stolen by . . . Contreras." 4AAC ¶ 134. Mattel  
10 now concedes that it can prove no portion of this allegation and MGA's motion is accordingly  
11 granted as to Mattel's third counter-claim to the extent predicated upon Contreras' conduct.

### 12 3. Jorge Castilla

13 Jorge Castilla ("Castilla") was Mattel's Planning Specialist for Operations, Planning &  
14 Finance, a position he ascended to over his seven years at the company. FAAC ¶¶ 68-69.  
15 Castilla worked on sales forecasting and inventory management. *Id.* ¶ 70. He helped develop  
16 the Electronic Data Warehouse, "a proprietary database containing highly confidential business  
17 information, such as sales, future/pending orders, product availability and sales forecasts at the  
18 stock keeping unit level." *Id.* Mattel alleges Castilla "created [by two days before his  
19 resignation] a folder on his Mattel network share[d] drive that he labeled 'To Take.'" *Id.* ¶ 74.  
20 This "To Take" folder allegedly included "documents [to] describe the function, method and  
21 manner of operation of Mattel's inventory management and forecasting processes, as well as a  
22 highly confidential document prepared by Mattel's senior executives that laid out Mattel's future  
23 international business strategies and marketing." *Id.* Castilla transferred the files to a personal  
24 email address and deleted the folder from his shared drive before leaving Mattel. *Id.* ¶ 75.  
25 Mattel discovered the activity through computer forensics and contacted the Federal Bureau of  
26 Investigation (FBI), which dispatched agents to visit Castilla at his home and retrieve a digital  
27 storage device that Castilla used to store the files. *Id.* ¶ 76; *see also* Proctor Dec., Ex. 281. All  
28 of this happened before Castilla's first day of work at MGA.

1 Mattel alleges that seven categories of trade secrets misappropriated by Castilla  
2 encompassed his knowledge about Mattel's proprietary processes. Such information may be  
3 considered a trade secret because "to afford protection to the employer, the information need not  
4 be in writing but may be in the employees' memory." *Greenly v. Cooper*, 77 Cal. App. 3d 382,  
5 392 (1978); *see also Klamath-Orleans Lumber, Inc. v. Miller*, 87 Cal. App. 3d 458, 465 (1978)  
6 ("[W]here, in order to do business the employer is forced to impart such select information to  
7 certain key employees, the information hardly becomes part of the employees' knowledge which  
8 they may freely use at some later time. Rather, it remains the exclusive property of the employer  
9 which must be appropriately protected."). The departing employee must "expend their own  
10 resources in uncovering the information" learned during their prior employment, instead of  
11 riding their prior employer's "coattails." *Id.* at 465 n. 3.

12 To prevent employers from using trade secret law as a weapon against employee  
13 mobility, California requires that "a party seeking to protect trade secrets [] 'describe the subject  
14 matter of the trade secret with sufficient particularity to separate it from matters of general  
15 knowledge in the trade or of special knowledge of those persons who are skilled in the trade, and  
16 to permit defendant to ascertain at least the boundaries within which the secret lies.'" *Whyte v.*  
17 *Schlage Lock Co.*, 101 Cal. App. 4th 1443, 1453 (2002) (quoting *Diodes, Inc. v. Franzen*, 260  
18 Cal. App. 2d 244, 253 (1968)). Though a plaintiff need not "spell out the details of the trade  
19 secret," it must minimally provide "reasonable notice of the issues which must be met at the time  
20 of trial and [] provide reasonable guidance in ascertaining the scope of appropriate discovery."  
21 *Id.* at 252-53. For example, a vague claim that a former employee misappropriated "business  
22 models and implementations" is insufficient to describe a trade secret with particularity. *See,*  
23 *e.g., Farhang v. Indian Institute of Tech., Kharagpur*, 2010 WL 2228936, at \*14 (N.D. Cal. June  
24 1, 2010). "A plaintiff must do more than just identify a kind of technology and then invite the  
25 court to hunt through the details in search of items meeting the statutory definition [of a trade  
26 secret]." *Imax Corp. v. Cinema Technologies, Inc.*, 152 F.3d 1161, 1163-64 (9th Cir. 1998).  
27 Mattel's vague and self-congratulatory descriptions of the first seven categories of trade secret  
28 information allegedly misappropriated by Castilla force the Court into exactly this sort of "hunt."

1 Mattel claims that Castilla made away with the information in his head about Mattel's  
2 forecasting process, which "ensure[s] the right product is in the right place at the right time, to  
3 ensure that inventory costs and supply and days of supply are kept at appropriate levels, and to  
4 ensure the right amounts of products are made to fill demand." See Declaration of Laura Owens  
5 in Support of Mattel's MSJ ¶¶ 5-39. Though Mattel concedes that its forecasting process has  
6 undergone tremendous evolution over the last several decades, it does not identify the specific  
7 systems misappropriated by Castilla. Mattel instead claims that Castilla misappropriated  
8 information about a process that consists of measuring the market viability of a particular  
9 product through customer focus groups, communicating that information to the company's  
10 marketing and pricing teams, and attempting to produce the optimal number of goods. *Id.* ¶¶ 7-  
11 15. This vague description of the process does not provide the Court with *any* basis on which to  
12 conclude that the information obtains value from secrecy or was the subject of reasonable efforts  
13 to maintain its secrecy. See *id.* ¶ 10 ("Mattel's forecasting process begins with planning and  
14 development of the product line."). As described, the concept of projecting sales through market  
15 research and communication within the company is general, intuitive, and without dispute  
16 derives no independent economic value from its secrecy. Cf. *Metro Traffic Control, Inc. v.*  
17 *Shadow Traffic Network*, 22 Cal. App. 4th 853, 862 (1994) ("[A] stable of trained and talented  
18 at-will employees does not constitute an employer's trade secret.").

19 The second category of trade secrets allegedly misappropriated by Castilla is even more  
20 nebulous. Mattel identifies this category as its "demand planning process," which entails, to use  
21 Mattel's words, "a series of inputs and outputs." Owens Dec. ¶ 18; see also *id.* ¶ 19 (same).  
22 Mattel does not identify these "inputs and outputs" or explain how this process gives "Mattel  
23 insights into how to most efficiently meet demand." See *id.* Mattel concedes that its demand  
24 planning has evolved over time, but does not explain Castilla's specific involvement in the  
25 process, or any specific knowledge that Castilla could have gained from the process. This  
26 category of trade secret fails for lack of particularity. And there is no genuine issue of material  
27 fact that this category of trade secret, as described by Mattel, does not derive economic value  
28 from not being generally known, for using "inputs and outputs" to project demand for a

1 manufacturers' products isn't valuable. *Cf. Western Medical Consultants*, 835 F. Supp. 554, 557  
2 (D. Or. 1993) ("An employee may use [knowledge from general know-how, skill and  
3 experience] in later competition with a former employer.").

4 The third category of secrets allegedly misappropriated by Castilla is information  
5 concerning "Mattel's Enhanced Sales Forecasting Process." Owens Dec. ¶¶ 22-26. Mattel's  
6 witness claims that Mattel enhanced its forecasting process between 2005 and 2006 by  
7 "identif[ying] [] elements" like "[p]ast quotas, historical marketing, promotional and sales  
8 information . . . , marketing strategy, distribution information, financial target information,  
9 availability information, media promotion, feedback from customers, product profiles and  
10 history, and historical level of customer support" that helped Mattel meet "the projected demand  
11 for its products . . ." *Id.* ¶¶ 23-24. It is unclear whether Mattel alleges that the mere use of these  
12 elements is a trade secret, or whether the company developed some unique process to synthesize  
13 these otherwise common elements. Assuming the latter, the Court finds genuine issues of  
14 material fact as to whether the information about Mattel's Enhanced Sales Forecasting Process  
15 derived economic value from not being generally known, was the subject of reasonable efforts to  
16 maintain its secrecy, and was misappropriated by MGA and/or Castilla.

17 The fourth category of secrets allegedly misappropriated by Castilla encompasses  
18 "Demand Planning and Sales Planning Modules of Mattel's ISIS Computer System," which is  
19 defined as "a customized computer system, made up of both software and hardware" that  
20 processes "demand signals, sales forecasts, availability and other outputs of the forecasting  
21 system" using "mathematical templates, but not algorithms." Owens Dec. ¶¶ 27-28. The Court  
22 finds genuine issues of material fact as to whether this category derived independent economic  
23 value from not being generally known, was the subject of reasonable efforts to maintain its  
24 secrecy, and was misappropriated by MGA and/or Castilla.

25 The fifth category of secrets allegedly misappropriated by Castilla concerns "Mattel's  
26 Manugistics Pilot Program." Owens Dec. ¶¶ 32-33. In 2003, Mattel began testing an off-the-  
27 shelf product called Manugistics and "concluded that the new approach was not a good fit"  
28 because the algorithm both required data not compiled by Mattel and failed to incorporate data

1 that Mattel considered important. *Id.* ¶ 33 (listing other concerns). Mattel did not conclude that  
2 the product was an objective failure; instead, it believed that the Manugistics software “did not  
3 work for Mattel.” *See id.* ¶ 34. Castilla allegedly disclosed to MGA “the elements of  
4 [Manugistics] that worked and did not work for Mattel” as well as the “the learnings [sic] that  
5 came out of that project.” *Id.* There is, however, a distinction between disclosing the *fact* that  
6 certain elements of Manugistics did or did not work for Mattel, and merely disclosing elements  
7 of the program that did or did not work for Mattel. Manugistics is a commercially available  
8 program and the elements it measures easy to determine. *Cf. IKON Office Solutions v. Am.*  
9 *Office Prods., Inc.*, 178 F. Supp. 2d 1154, 1168 (D. Or. 2001) (“Bradley could have gone  
10 through the fiction of calling each company to request the names anew, but that exercise would  
11 yield no tangible benefit for Ikon”). Mattel argues that it prefers for its former employees to  
12 engage in “costly exploration” to software features of which they are already aware. Even if this  
13 were cognizable, there is no genuine issue of material fact that identifying Manugistics’ features  
14 requires neither exploration nor much cost.

15       The sixth category of trade secret information allegedly misappropriated by Castilla is  
16 “Mattel’s International Data Warehouse,” used to “store and calculate data relating to the  
17 business of Mattel’s international subsidiaries” and later expanded to include “sales numbers,  
18 future and pending orders for product, availability information, SKU-level and other sales  
19 forecasts.” Owens Dec. ¶ 37. This is nothing more than a data processing mechanism, that  
20 Castilla is not alleged to have misappropriated, since the data warehouse itself continues to  
21 reside at Mattel. Mattel instead claims that Castilla disclosed trade secrets by enriching MGA’s  
22 ability to configure and manage sales data in a more efficient way. *See id.* ¶ 38. Mattel’s claim  
23 fails to raise a genuine issue of material fact as to whether Castilla misappropriated information  
24 about the International Data Warehouse. Nor is there a genuine issue of material fact as to  
25 whether the storage and calculation of common sales-related variables, like “sales numbers [and]  
26 future and pending orders for a product” belong to the catalogue of general knowledge that an  
27 employee is allowed to take with him after leaving his employer. *See Metro Traffic Control, Inc.*  
28 *v. Shadow Traffic Network*, 22 Cal. App. 4th 853, 862 (1994). Mattel’s claim as to the

1 International Data Warehouse is impermissibly vague and based upon an inflated approximation  
2 of the value obtained from storing and processing common sales-related variables.

3 The seventh category of trade secret information allegedly misappropriated by Castilla is  
4 information concerning the “OMNI [] order management system” purchased and customized by  
5 Mattel to assist with “processing, allocating and executing orders.” *See* Mattel’s Corrected  
6 Responses to MGA’s Second Set of Interrogatories, dated October 26, 2010 (Webster Dec., Ex.  
7 305) at 19. Mattel makes no effort to describe the “trade secret” elements of this commercially  
8 available product, other than to summarily claim that the system was customizable and  
9 customized by Mattel. The fact that Mattel’s vague description precludes the Court from  
10 effectively determining whether information about the OMNI system derives independent  
11 economic value from not being generally known is precisely why California requires that a trade  
12 secret be alleged with particularity. Mattel’s allegations as to this product fail.

13 The remaining trade secrets allegedly misappropriated by Castilla and MGA are the  
14 documents found on a thumb drive he returned to federal authorities after resigning from Mattel  
15 but before joining MGA.<sup>20</sup> The documents summarize Mattel’s sales planning, map Mattel’s  
16 efforts to test its forecasting, describe alterations to sales inputs, sketch promotional and  
17 marketing plans, coordinate the interface between Mattel’s global operations, and discuss retailer  
18 account management (*e.g.*, Toys ‘R Us versus Wal-Mart). *See* Owens Dec., Exs. 1-70.

19 There is a genuine issue of material fact as to whether the documents derived independent  
20 economic value from not being generally known to the public. For instance, Mattel’s 30(b)(6)

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21  
22 <sup>20</sup> The Court denies Mattel’s request for an adverse inference from Castilla’s  
23 invocation of his Fifth Amendment right against self-incrimination during his deposition.  
24 Castilla is not a party to Mattel’s third counter-claim and Mattel suffered no prejudice as  
25 a result of Castilla’s failure to substantively respond to questions about whether and to  
26 what extent he downloaded Mattel’s information prior to his departure. *See SEC v.*  
27 *Collelo*, 139 F.3d 674, 677-78 (9th Cir. 1998) (collecting cases). Mattel independently  
28 discovered and tracked Castilla’s wrongdoing through its forensic hardware analysis, and  
then petitioned federal authorities to get involved. In all events, Castilla’s invocations of  
his right against self-incrimination were only in response to questions about his conduct  
prior to starting work at MGA, which is irrelevant to disclosure and use.

1 designee testified at deposition that “[he] wouldn’t consider the fact that Mattel does sale  
2 forecasts to be a trade secret.” Deposition of Mattel 30(b)(6) Designee, dated December 16,  
3 2009, at 106. However, that very witness continued that “the way in which Mattel does those  
4 forecasts may be a trade secret.” *Id.* Mattel’s particular method (as found in the documents)  
5 may have had some value, due to intense competition between manufacturers for retailer shelf  
6 space, as well as retailers’ willingness to abandon a manufacturer with deficient forecasting for  
7 one with a more accurate ability to deliver the right number of goods at the right time.

8         There is a genuine issue of material fact as to whether Mattel efforts to maintain the  
9 secrecy of the documents were reasonable under the circumstances. Three days before Castilla  
10 resigned, Mattel learned that Castilla had created a “To Take” folder on his shared network  
11 drive. Deposition of Mattel 30(b)(6) Designee, Vol. IV, November 19, 2009 at 772. It took no  
12 action against him and did not restrict access to his files, even though it knew that he was  
13 interviewing with MGA at the time. *Id.* On the other hand, Castilla likely did not download any  
14 information to his “To Take” folder until Sunday, March 12, a fact that Mattel did not learn  
15 about until after his resignation. *Id.* at 774:3. A reasonable fact-finder could conclude that  
16 Mattel’s failure to restrict or sanction Castilla, despite knowledge of his access and his overtures  
17 towards MGA, shows that the company failed to take reasonable efforts to maintain the secrecy  
18 of the documents.<sup>21</sup> But it could also reasonably conclude that the mere creation of a “To Take”  
19 folder should not have triggered alarm bells at Mattel, since Castilla could have been preparing  
20 to transfer personal files saved to his work hard drive. Indeed, Mattel inundated Castilla—like  
21 all Mattel employees—with reminders of his obligations to keep confidential Mattel’s business  
22 materials, and Castilla acknowledged receiving these reminders. *See, e.g.,* Proctor Dec., Ex.  
23 362; Webster Dec., Ex. 357.

24         There are also genuine issues of material fact as to whether Castilla disclosed the  
25 documents to MGA and/or MGA improperly acquired or used the documents on the thumb  
26

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27         <sup>21</sup> For example, Mattel failed to modify generic language in a post-resignation form  
28 letter to Castilla. *See* Ex. 8340 to MGA MSJ.

1 drive. On the one hand, Castilla returned the thumb drive to federal authorities and claims he  
2 had no plan to share the files with MGA. *See* Declaration of Warrington Parker, Ex. 61. On the  
3 other hand, MGA re-hauled its forecasting systems almost immediately after Castilla's arrival,  
4 and in significantly less time than it took Mattel, with its greater human resources, to accomplish  
5 the same task. The fact-finder should also be allowed to evaluate the credibility of Castilla's  
6 claim that he made no other electronic copies of the documents initially taken from Mattel; a  
7 representation whose veracity can be called into question by evidence that Castilla obfuscated  
8 his initial efforts to download documents from Mattel's servers.

#### 9 **4. Dan Cooney**

10 Dan Cooney ("Cooney") started serving as Mattel's Director of National Accounts for the  
11 Toys 'R Us account soon after he was hired for his second stint of employment at the company  
12 in January 2004. 4AAC ¶ 82. He accepted a position as MGA's Vice President of Sales,  
13 National Accounts (Ex. 2157 to MGA MSJ), and announced his resignation on April 28, 2006.  
14 4AAC ¶ 83. In response, Mattel dispatched a member of its "Global Security" force to pay a  
15 visit to Cooney's home and require him to surrender "one large box of files, some loose binders  
16 and computer equipment." *Id.* Unlike Brawer and Contreras, Mattel allowed Cooney to stay on  
17 for two weeks after he tendered his resignation, though he was not allowed to perform any work  
18 during this period of time. *See* Deposition of Dan Cooney, dated January 28, 2008, at 183:23-  
19 25. Cooney started work at MGA on May 15, 2006. *Id.* at 184.

20 Before leaving Mattel, Cooney downloaded some of Mattel's files to a folder called  
21 "Dan's Files" located on a personal compact disc owned by Cooney. *See id.* at 311. He did not  
22 transfer the files from the personal compact disc to his MGA-issued computer until a few days  
23 after he started working at MGA. *Id.* Mattel identifies only two of those files as trade secrets.  
24 Both files contained some portion of a formula embedded in a "Merchant Model Optimization  
25 Tool" spread sheet shared by Toys 'R Us with the manufacturers of products sold in its stores.  
26 Though Toys 'R Us did not reveal the embedded formula to manufacturers, Cooney and two  
27 Mattel employees reverse engineered the formula in order to "identify thresholds for certain  
28 financial metrics employed by Toys 'R Us in making purchasing decisions and to determine



1 whether products to be offered for sale to Toys ‘R Us meet those thresholds.” Webster Dec., Ex.  
2 305 at 60. Cooney testified that the purpose of reverse engineering the spread sheet was to  
3 determine “how [Toys ‘R Us] was looking at [its] business, so that [Mattel] could proactively  
4 plan [Toys ‘R Us’s] business in a similar format.” Cooney Depo. at 60.

5 There is a genuine issue of material fact as to whether the formula derived by Cooney  
6 derived independent economic value from not being generally known. Independent economic  
7 value can be evidenced by “circumstantial evidence of the resources invested in producing the  
8 information.” *Religious Tech Ctr. v. Netcom On-Line Commc’n Servs., Inc.*, 923 F. Supp. 1231,  
9 1253 (N.D. Cal. 1995). Contrary to MGA’s argument, “if reverse engineering is lengthy and  
10 expensive, a person who discovers the trade secret through reverse engineering can have a trade  
11 secret in the information obtained from reverse engineering.” Legis.Com. com. to Civ.Code, §  
12 3426.1; *see also Hoffman-LaRouche Inc. v. Yoder*, 950 F. Supp. 1348, 1358 (S.D. Ohio 1997)  
13 (same under Ohio law). Cooney emailed his Mattel colleagues lamenting the difficulty of  
14 cracking the formula. *See* Compendium of Trade Secrets in Support of MGA MSJ, Ex. 182  
15 (“my brain hurts . . . Dave, we may need your brainiac math mind!”). However, the formula  
16 may have been derived within three and one half weeks, which may not evidence a lengthy and  
17 expensive reverse engineering process. *See* Cooney Depo. at 79-80 (document was updated  
18 between April 4, 2006 and Cooney’s departure).

19 MGA also argues that the formula embedded in the optimization tool lacked economic  
20 value because it was flawed. Information about customers’ preferences can aid in “securing and  
21 retaining their business.” *Aetna Bldg. Maintenance Co. v. West*, 39 Cal.2d 198, 205 (1952) (pre-  
22 UTSA case). MGA argues that the partial formula derived by Mattel was worthless because  
23 Toys ‘R Us was in the process of modifying the overarching Merchant Model Optimization  
24 Tool. Mattel’s former general manager for the Toys ‘R Us account, who supervised Cooney,  
25 testified at deposition that Toys ‘R Us “kept on grooming the tool” because the tool erred by  
26 undervaluing “high-margin products with high turnover but high cubes.” *See* Deposition of  
27 Eugene Murtha, dated February 25, 2010, at 157-159. However, he also testified that the  
28 evolution of the tool used by Toys ‘R Us may have rendered the underlying formula even more

1 | valuable since (1) the formula used by Toys ‘R Us remained constant through the various  
2 | iterations of the tool; and/or (2) the formula allowed Mattel to manipulate Toys ‘R Us’s metrics.  
3 | *See id.*

4 |         There is also a genuine issue of material fact as to whether MGA acquired the formula  
5 | using improper means. MGA instructed Cooney not to bring Mattel’s confidential information  
6 | with him to MGA (Ex. 2157 to MGA MSJ) and Cooney testified at deposition that he never  
7 | discussed the formula with anyone at MGA (Cooney Depo. at 83). However, Cooney testified  
8 | (somewhat ambiguously) that he may have used the Merchant Model Optimization Tool (and  
9 | potentially the underlying formula) immediately after starting at MGA. (Cooney Depo. at 36);  
10 | *but see id.* (testifying he used separate modeling tool supplied by MGA). And there is evidence  
11 | that MGA’s relationship with Toys ‘R Us was suffering soon before Cooney joined MGA,  
12 | causing Larian to become personally involved in the operation and management of MGA’s  
13 | relationship with the retailer. Webster Dec., Ex. 193. A reasonable fact-finder could therefore  
14 | find Cooney’s representation not credible, in light of the possibility that he used the Merchant  
15 | Model Optimization Tool’s formula for the benefit of a retailer relationship in which Larian and  
16 | other MGA executives were deeply involved.

17 |         There is also a genuine issue of material fact as to whether MGA had knowledge that the  
18 | acquisition of the formula was improper. Since the credibility of the evidence probative of  
19 | MGA’s knowledge is at issue, summary judgment is not proper on this element of Mattel’s  
20 | counter-claim. For example, Cooney testified that Brawer “was clear that [MGA] didn’t want”  
21 | Cooney to bring Mattel’s confidential materials with him. Cooney Depo. at 334:6-7.<sup>22</sup> MGA  
22 | also sent Cooney a letter confirming his employment and instructing him not to bring Mattel’s  
23 | confidential materials with him. Ex. 2157 to MGA MSJ. On the other hand, these sterile  
24 | accounts of MGA’s message discipline are not consistent with the more freewheeling style  
25 | MGA exhibited in dozens of communications concerning the recruitment of Mattel employees.

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27 |         <sup>22</sup> MGA’s heavy reliance on Cooney’s deposition testimony is an independent  
28 | grounds on which to deny summary judgment. Not only does Cooney still work for  
MGA but his conduct is at issue.

1 *See, e.g.*, Webster Dec., Ex. 546 (referring to “double agent” Mattel employee who continued to  
2 work for MGA’s benefit); Webster Dec., Ex. 446 (discussing targeted recruitment of Mattel  
3 employees). Mattel is wrong that MGA engaged in “bad acts” by hiring Mattel employees.  
4 However, a fact-finder should be permitted to evaluate the tenor of MGA’s internal  
5 communications to determine whether MGA informally encouraged the misappropriation of  
6 potential trade secret information despite its formal letters to the contrary.

7       There are also genuine issues of material fact as to whether Mattel suffered harm and/or  
8 MGA benefitted as a result of the formula’s alleged misappropriation. Cooney’s former  
9 supervisor at Mattel testified that the formula in the Merchant Model Optimization Tool was  
10 very valuable to Mattel. Murtha Depo. at 157. Communications between MGA and Toys ‘R Us  
11 during the relevant time frame suggest the zero-sum nature of Toys ‘R Us’s relationships with  
12 toy manufacturers. *See, e.g.*, Webster Dec., Ex. 193 (“I am not going to give TRU special  
13 pricing, exclusives, etc, etc. and have you stick My Scene right in the middle of Bratz”).  
14 Viewing this evidence, a reasonable fact-finder could easily conclude that MGA benefitted at  
15 Mattel’s expense by effectively marshaling the formula embedded in the Merchant Model  
16 Optimization Tool. *See Stuhlberg Int’l Sales Co. v. John D. Brush and Co., Inc.*, 240 F.3d 832,  
17 841 (9th Cir. 2001) (“Evidence of threatened loss of prospective customers or goodwill . . .  
18 supports a finding of the possibility of irreparable harm.”). However, a reasonable fact-finder  
19 could also conclude that MGA could not meaningfully benefit from a formula derived from a  
20 tool that may have been specific to Mattel’s business and therefore inapplicable to Mattel’s  
21 competitors.

## 22                                   **5. Machado, Vargas, and Trueba<sup>23</sup>**

23       In late 2003, MGA sought to develop an independent footprint in the Mexican market.  
24 Such an expansion would allow MGA to “do direct business” with Mexican retailers, a more  
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26       <sup>23</sup> Mattel’s motion for summary judgment on the issues of whether Machado,  
27 Vargas, and Trueba stole information, and whether MGA is chargeable for those thefts, is  
28 denied. UTSA applies to trade secrets; the misappropriation of other information is  
irrelevant to stating a claim under UTSA.

1 profitable arrangement than distributing MGA products through licensees like Hasbro. *See*  
2 Proctor Decl., Ex. 69. Recognizing that MGA would “need to go after Mattel people in Mexico”  
3 to build its founding subsidiary, Proctor Decl., Ex. 70, Larian delegated the task to an individual  
4 named Susana Kuemmerle (“Kuemmerle”). Kuemmerle recruited Machado, who served as  
5 Mattel Servicios, S.A.’s (“Mattel Servicios”) Senior Marketing Manager, Boys Division.<sup>24</sup>  
6 Mattel Servicios is, and was at all relevant times, Mattel Mexico’s subsidiary.

7 Kuemmerle facilitated a meeting between Machado and Larian at the February 2004 New  
8 York Toy Fair. Deposition of Susana Kuemmerle, dated December 8, 2009, at 339. One month  
9 later, Larian, Kuemmerle, and MGA Chief Operating Officer Tom Park traveled to Mexico to  
10 interview candidates for the contemplated office in Mexico, almost all of whom had been  
11 directed to MGA by a professional recruiter that Kuemmerle met through Machado. *Id.* at 350-  
12 51. Larian, Kuemmerle and Park also met with Machado, as well as his Mattel Servicios  
13 colleagues Mariana Trueba-Almada (“Trueba”) and Pablo Vargas-San Jose (“Vargas”) who  
14 Machado encouraged to attend the meeting with him. *Id.* at 349; *see also* Declaration of Pablo  
15 Vargas at 65 (Proctor Dec., Ex. 1). Machado, Trueba, and Vargas corresponded with  
16 Kuemmerle in the weeks leading up to their meeting with Larian and Park in Mexico City. *Id.*

17 Machado and Vargas prepared a power point presentation to show Larian, Park and  
18 Kuemmerle at the meeting in Mexico City. Machado Depo. at 1033. The presentation borrowed  
19 images and language from a report prepared for Mattel Mexico’s president by another Mattel  
20 executive. *Compare* Isais Dec., Ex. 34 *with* Isais Dec., Ex. 33. The report was located on a  
21 shared Mattel Mexico server to which Machado had access on his work computer; Machado  
22 burned the report to a personal compact disc and/or copied the report to a personal thumb drive.  
23 Machado Depo. at 1033-1037. The presentation prepared for MGA by Machado and Vargas

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26 <sup>24</sup> Mattel purports to dispute this fact in its Statement of Genuine Issues in Support  
27 of its Opposition to MGA’s Motion. Mattel’s Statement of Genuine Issues ¶ 269.  
28 However, at oral argument, Mattel’s counsel acknowledged that Machado was an  
employee of Mattel Servicios. Nevertheless, there is no genuine issue of material fact  
that Machado was a Mattel Servicios employee.

1 also incorporated data about the Mexican market prepared by outside vendors with whom Mattel  
2 had subscriptions. *See* Isais Dec., Ex. 33. Machado and Vargas failed to omit the vendors'  
3 names, which were located on the bottom left of several of the presentation's slides. *Id.* Larian  
4 watched the presentation and then interviewed the three Mattel Servicios employees at the  
5 March 2004 meeting in Mexico City.

6 On March 19, 2004, Larian sent an email to an email address jointly used by Machado,  
7 Vargas, and Trueba with the name [plot04@yahoo.com.mx](mailto:plot04@yahoo.com.mx). *See* Proctor Dec., Ex. 22. Larian's  
8 email directed the three individuals to see offer letters for employment (dated March 18, 2004)  
9 attached to the email. *Id.* All three Mattel Servicios employees were offered employment with  
10 MGA Mexico at a salary of 8,910 U.S. Dollars per month. *Id.* Both Machado and Vargas were  
11 offered positions as Directors of Marketing and Trueba was offered a position as Director of  
12 Marketing, Girls Division. *Id.* On April 16, 2004, an attorney representing Machado, Vargas,  
13 and Trueba sent an email attaching acceptance of employment letters executed by the three  
14 individuals. *See* Ex. 6436 to MGA MSJ.

15 Prior to leaving Mattel Servicios for MGA Mexico, Machado, Trueba, and Vargas copied  
16 some files from the company's shared servers to personal storage devices. Deposition of  
17 Mariana Trueba, dated May 20, 2010, at 230 (stating that she thought the files she downloaded  
18 from shared servers would "at some point be useful"); *see also* Vargas Dec. at 7. Machado  
19 collected the storage devices after Trueba and Vargas downloaded and copied files, downloaded  
20 the files from the storage devices to his computer, deleted the files from the storage devices, and  
21 returned the storage devices to Trueba and Vargas so that they could download more files from  
22 the shared servers to which they had access. Machado Depo. at 218-219. Trueba separately  
23 emailed Machado files that she received from other Mattel Servicios employees in the weeks  
24 leading up to her resignation. *See, e.g.,* Webster Dec., Ex. 287.

25 All three employees formally resigned from Mattel Servicios on April 19, 2004. *See*  
26 Proctor Dec., Exs. 8-10. The next day Machado emailed Larian from the "plot04" email address  
27 stating that "we resigned yesterday and let me tell you 'Rome is on fire'. We left the office at  
28 1:30 PM yesterday and since then they have already made 10 changes in the staff, we are driving

1 | them crazy!!!,” (Proctor Dec., Ex. 11), to which Larian responded “I am in Ny. What is your  
2 | cell?” *Id.* On April 23, 2004, Mattel Servicios sent all three employees a post-termination letter  
3 | in which they would acknowledge receiving a salary from Mattel Servicios and, in relevant part,  
4 | acknowledge that they “undertook not to [] reveal, exploit, reproduce or publish or otherwise  
5 | disclose confidential information of which I became aware during my work in service of [Mattel  
6 | Servicios].” *See* Proctor Dec., Ex. 141. None of the three employees signed and returned the  
7 | letter to Mattel Servicios. *Id.*

8 | (a) Choice of Law

9 | Machado and MGA argue that Mexican law governs Mattel and Mattel Mexico’s counter-  
10 | claim for trade secret misappropriation to the extent it arises out of the conduct of Machado,  
11 | Vargas, and Trueba. Mattel and Mattel Mexico disagree. In cases such as this one, where the  
12 | Court exercises supplemental jurisdiction over state law claims, the choice of law rules of the  
13 | forum state apply to those state claims. *Paracor Fin., Inc. v. Gen. Elec. Capital Corp.*, 96 F.3d  
14 | 1151, 1164 (9th Cir. 1996). The Court accordingly considers California’s choice of law  
15 | framework in determining whether the laws of Mexico or California apply.

16 | California applies a three part “governmental interest” test to choice of law disputes:

17 | First, the court examines the substantive law of each jurisdiction to  
18 | determine whether the laws differ as applied to the relevant  
19 | transaction. Second, if the laws do differ, the court must determine  
20 | whether a “true conflict” exists in that each of the relevant  
21 | jurisdictions has an interest in having its law applied. If only one  
22 | jurisdiction has a legitimate interest in the application of its  
23 | rule of decision, there is a “false conflict” and the law of the  
24 | interested jurisdiction is applied. On the other hand, if more than  
25 | one jurisdiction has a legitimate interest, the court must move to the  
26 | third stage of the analysis, which focuses on the “comparative  
27 | impairment” of the interested jurisdictions. At this stage, the court  
28 | seeks to identify and apply the law of the state whose interest would

1 be the more impaired if its law were not applied.

2 *Abogados v. AT & T, Inc.*, 223 F.3d 932, 934 (9th Cir. 2000) (citations and internal quotation  
3 marks omitted).

4 “If distinct claims for relief implicate different alignments of interests among the relevant  
5 jurisdictions, separate applications of the governmental interest analysis are required.” *McGhee*  
6 *v. Arabian American Oil Co.*, 871 F.2d 1412, 1422 (9th Cir. 1989). It follows, naturally, that  
7 “[u]nder both California and New York conflicts rules, a different determination properly is  
8 made for each defendant and each claim.” *Lombard v. Economic Development Admin. of Puerto*  
9 *Rico*, 1995 WL 447651, at \*4 (S.D.N.Y. July 27, 1995); *see also Boxer v. Gottlieb*, 652 F. Supp.  
10 1056, 1062 (S.D.N.Y. 1987) (“The issue of which law governs liability must be determined  
11 separately for each defendant, since the competing interests involved may differ . . .”). Since  
12 the only conduct alleged to give rise to MGA Mexico and Machado’s liability involved the  
13 actions of the Mattel Servicios employees, the choice of law analysis for Machado and MGA  
14 Mexico is materially different from the choice of law analysis for Larian and MGAE.

15 Choice of Law Analysis as to Machado and MGA Mexico

16 The laws of California and Mexico differ as to the liability of both Machado and MGA  
17 Mexico for the conduct alleged in Mattel’s third counter-claim. Contrary to both counter-  
18 defendants’ arguments, Mexico recognizes a civil action for trade secret misappropriation. *See*  
19 *Damon L. Boyd, Trade Secret Doctrines of the NAFTA Countries*, 14 *Az. J. Int’l & Comp. L.*  
20 879, 883-884 (1997). That cause of action proscribes disclosure of trade secrets without the  
21 consent of the “person keeping said secret or the authorized user thereof.” Declaration of Hector  
22 Calatayud ¶ 9. The Mexican statute does not appear to recognize a claim based on acquisition or  
23 use of the wrongfully disclosed trade secret. *See id.* MGA Mexico is therefore immune from  
24 liability under Mexican law, but not California law.

25 Like any other civil claim not arising out of a breach of contract, Mexico’s general statute  
26 of limitations requires that a claim for trade secret misappropriation must be brought within two  
27 years of the “date in which damages caused by the conduct giving rise to the claim occurred.”  
28 Dkt. 7869-1 ¶ 5. California, by contrast, requires that a claim for trade secret misappropriation

1 be brought “within three years after the misappropriation is discovered or by the exercise of  
2 reasonable diligence should have been discovered.” Cal. Civ. Code § 3426.6. Mattel sought  
3 leave to file its counter-claim against Machado and MGA Mexico in November 2006, nineteen  
4 months after Machado, Trueba and Vargas left Mattel Servicios for MGA Mexico, and Mattel’s  
5 claim against Machado is therefore untimely under Mexican law. *See* Dkt. 7869-1  
6 ¶ 5 (conceding “[i]t would be unlikely that Mattel could assert a claim for generic liability in  
7 Mexico if the United States case is dismissed”).

8         There is a genuine issue of material fact as to whether a “true conflict” exists between  
9 California and Mexico. All of the documents stolen by the three employees were accessed on  
10 Mattel Servicios computers. Mattel argues that “possession, not ownership, is the *sine qua non*  
11 of trade secret standing,” but, even assuming this is the case, there is a genuine issue of material  
12 fact as to whether the documents resided on Mattel’s California servers. It’s doubtful that the  
13 three Mattel Servicios employees had wide-ranging access to Mattel (the parent)’s documents,  
14 because all three individuals were tasked with managing the *Mexican* market, *see* 4AAC ¶¶ 37,  
15 41, 42, and Mattel alleges elsewhere that its subsidiaries’ employees “had access rights to only  
16 those areas of Mattel’s network system . . . needed to do [their] job[s].” Statement of  
17 Uncontroverted Facts in Support of Mattel MSJ ¶ 164; *see* Declaration of Richard DeAnda ¶ 6.  
18 However, Mattel also alleges that some of the documents misappropriated by the three  
19 employees resided on Mattel’s California servers and concerned the U.S. market. *See* 4AAC  
20 ¶¶ 48-50. California may have some interest in the application of its laws to this dispute if that  
21 were the case. Given the foundational dispute about the scope of Mattel’s allegations, this is an  
22 issue the parties can take up with the fact-finder. *See Marra v. Bushee*, 447 F.2d 1282, 1284-85  
23 (2d Cir. 1971).<sup>25</sup>

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26         <sup>25</sup> The Circuits appear to be in dispute as to whether the court should resolve  
27 factual issues relevant to the choice of law. *See Nautilus Ins. Co. v. Router*, 537 F.3d 733,  
28 742 (7th Cir. 2008) (comparing cases). This Court simply notes that, in this case, the  
factual dispute runs to the heart of Mattel’s claim against Machado and its resolution  
would require the examination of evidence not cited by the parties’ submissions.



1 Assuming, *arguendo*, that both California and Mexico have an genuine interest in the  
2 application of their laws, the Court would proceed to determine which forum would be more  
3 impaired if its laws were not applied. Several factors are relevant to this determination,  
4 including (1) each forum's present commitment to the application of its laws; (2) whether one  
5 forum's law is more prevalent; (3) whether each forum's law is the exclusive means of achieving  
6 a particular policy goal; and (4) the situs of the injury. *Van Winkle v. Allstate Ins. Co.*, 290 F.  
7 Supp. 2d 1158, 1166-1167 (C.D. Cal. 2003) (collecting cases). There is empirical proof that  
8 Mexico is committed to enforcing its trade secrets laws. After discovering the alleged theft of its  
9 trade secret materials, Mattel contacted Mexican law enforcement authorities, who have  
10 investigated MGA Mexico and Machado. None of the parties have discussed the international  
11 prevalence of (1) a statute of limitations that incorporates a discovery rule; and/or (2) liability for  
12 acquisition and use of improperly disclosed trade secrets. Neither Mexico nor California appear  
13 to have any other laws that relate directly to trade secret misappropriation (indeed, California's  
14 statute purports to provide an exclusive remedy for such wrongdoing). And there is a genuine  
15 issue of material fact as to the situs of the injury, since the parties do not agree about (1) which  
16 Mattel entity owned the documents; (2) whether MGA Mexico or MGA used the documents;  
17 and (3) whether the three employees accessed Mattel's El Segundo servers. These are also  
18 issues the parties can take up with the fact-finder.

19 Choice of Law Analysis as to MGAE and Larian

20 MGA argues that "the Mexico-based trade secret claim fails on choice of law grounds,"  
21 (Mot. at 70:19-20). However, there is no "Mexico-based trade secret claim"; there is only one  
22 counter-claim for trade secret misappropriation. Mattel claims that the acts of former employees  
23 located in the U.S., Canada, and Mexico give rise to MGAE and Larian's liability under this  
24 counter-claim. Though choice of law determinations may be made on a claim-by-claim basis,  
25 *McGhee*, 871 F.2d at 1422, the Court knows of no California authority for the proposition that  
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27  
28

1 different states' laws may apply to different factual predicates of the same claim.<sup>26</sup> The Court  
2 therefore proceeds to a choice of law analysis as to MGAE and Larian with a view to *all* conduct  
3 alleged in Mattel's third counter-claim and not just the conduct of Machado, Trueba, and  
4 Vargas.

5 As explained earlier, the laws of California and Mexico are in conflict with respect to the  
6 liability of Larian and MGAE for trade secret misappropriation since (1) Mexico does not attach  
7 liability to acquisition or use; and (2) Mexico applies a more restrictive statute of limitations.  
8 Both Mexico and California have an interest in the application of their laws to this dispute, as  
9 Mexico may seek to shield from liability corporations who had no relationship with the  
10 possessor of the trade secret information and California has an interest in protecting its residents  
11 from non-consensual acquisition and use of their valuable proprietary information. However,  
12 California would be more impaired if its laws were not applied to the alleged acts of Larian and  
13 MGAE because (1) both are residents of California; (2) most of the alleged thefts and associated  
14 correspondence took place in California; and (3) most of the harm alleged in the third counter-  
15 claim (which includes the harm felt by the alleged misappropriation of the Bratz concept) was  
16 also felt in California. MGAE and Larian offer no argument on any one of these points, as is  
17 their burden. *See CRS Recovery, Inc. v. Laxton*, 600 F.3d 1138, 1142 (9th Cir. 2001). The Court  
18 accordingly concludes that California law must apply to Mattel's *entire* third counter-claim  
19 against MGAE and Larian.

20 (b) Genuine Issues of Material Fact<sup>27</sup>

21 The documents downloaded by Machado, Trueba, and Vargas included a pricing matrix  
22 for large dolls, (MGA's Compendium of Trade Secrets, Exs. 201, 202), a pricing comparison for  
23

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24 <sup>26</sup> Different *issues* may be analyzed under different states' laws. *See Wash. Mutual*  
25 *Bank, FA v. Superior Court*, 24 Cal.4th 906 (2001). MGA, however, does not seek to  
26 apply the laws of different fora to each element of the third counter-claim for  
misappropriation of trade secrets.

27 <sup>27</sup> Mattel's claim would be time-barred under Mexican law. The Court examines  
28 the third counter-claim under only the UTSA.

1 products across years, (*id.*, Ex. 203), plans for Mattel’s relationships with retailers in Mexico,  
2 (*id.*, Exs. 204, 268, 269), sales and pricing data, (*id.*, Exs. 205, 220, 232, 234, 235, 236, 238,  
3 239, 241, 248, 251, 252, 254, 255, 256, 258, 260, 263, 265, 267, 270), projections for pricing,  
4 demand and sales (*id.*, Exs. 206, 257, 259), shipment and sell-through data, (*id.*, Exs. 207-18,  
5 223, 224, 225, 226, 227, 231, 242, 245, 246, 261), reports about the Mexican market that tracked  
6 inflation, wages, purchasing patterns, market share, and the number of stores per region, (*id.*, Ex.  
7 219, 233, 237, 240, 243, 249, 264, 266), pictures of Mattel Mexico’s products in various  
8 Mexican stores, (*id.*, Ex. 221), lists of promotions, (*id.*, Exs. 222, 247, 253), a preliminary “line  
9 list” that arranges data on projected volume and quota for a variety of doll products, (*id.*, Ex.  
10 228), sales data sorted by media, (*id.*, Exs. 229, 230), a blank spreadsheet, (*id.*, Ex. 244), and  
11 allocations for marketing, (*id.*, Ex. 250, 262). Of these documents, Mattel claims that all but a  
12 few were trade secrets.

13         There is a genuine issue of material fact as to whether Mattel or Mattel Mexico have  
14 standing to bring their claims against Machado, Trueba, and Vargas. Assuming without  
15 deciding that possession is all that is required to bring a claim for trade secret misappropriation,  
16 Mattel doesn’t establish possession of all of the alleged trade secrets misappropriated by  
17 Machado, Vargas, and Trueba. It relies on circumstantial evidence that the three employees had  
18 access to Mattel and Mattel Mexico servers as evidence that Mattel Servicios’ documents — and  
19 specifically the documents allegedly stolen by the three employees — were also located on those  
20 servers. That argument is belied by the fact that at least some of the documents allegedly  
21 misappropriated by the three employees were attached to email communications and may not  
22 have resided on Mattel’s servers.

23         There are genuine issues of material fact as to whether any of the documents claimed to  
24 be trade secrets derived economic value from not being generally known. The pricing  
25 information in the documents may have been shared with retailers by Mattel. However, Mattel  
26 claims that some elements of these alleged trade secrets were not made available to individuals  
27 and entities outside Mattel. *See* Declaration of Isaias ¶¶ 6, 8. MGA also argues that documents  
28 lose value three to four months after their creation. *See* Kuemmerle Depo. at 66-67. However,

1 as Mattel points out, Kuemmerle’s description is over-generalized and inapposite: many of the  
2 documents did not describe Mattel Mexico’s *prior* sales, but projected marketing and sales  
3 expenditures in advance.

4       There are also genuine issues of material fact as to whether any of the documents claimed  
5 to be trade secrets were the subject of reasonable efforts to maintain secrecy. MGA argues that  
6 Mattel did not impose a consistent policy of stamping documents as “confidential.” *See*  
7 Deposition of Richard Ibarra at 139. MGA, however, concedes that pricing information was  
8 consistently marked confidential, per company policy. *See id.* Moreover, when deposed, Mattel  
9 executives testified that each Mattel subsidiary’s employees received specific instruction about  
10 the non-disclosure of confidential information. *See* Graham Decl. ¶ 3. Whether this message  
11 was clearly conveyed to Machado, Trueba and Vargas turns on the credibility of those  
12 individuals’ recollection about the extent of their training, as well as the direct guidance they  
13 received about maintaining the confidentiality of documents.

14       There are also genuine issues of material fact as to whether MGA acquired the documents  
15 misappropriated by Machado, Trueba, and Vargas with knowledge that the three departing  
16 Mattel Servicios employees had improperly acquired the documents. On the one hand, MGA  
17 has disclaimed knowledge of the three employees’ thefts; Machado testified that Larian  
18 instructed him to not bring documents to MGA Mexico. *See* Machado Depo. at 363-364.<sup>28</sup>  
19 However, Machado could not recall why Larian spontaneously offered that direction at the  
20 meeting between the two individuals in Mexico City. *See id.* at 364. Moreover, even if Larian  
21 initially directed Machado not to misappropriate Mattel’s documents, there is evidence that the  
22 documents were later found in MGA Mexico’s offices, which helps establish acquisition. The  
23 fact-finder must determine whether MGA Mexico was aware that the alleged trade secret  
24 documents had found their way into its offices.

25       There are likewise genuine issues of material fact as to whether MGA used the documents

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27       <sup>28</sup> Mattel’s objection is overruled. Larian’s statements to Machado are not being  
28 offered for their truth.

1 misappropriated by Machado, Trueba, and Vargas. MGA cites the deposition testimony of a  
2 Mattel Mexico employee who testified that MGA Mexico's promotions were similar to those  
3 used within the toy industry as a whole. *See* Isaias Depo. at 254. However, the documents at  
4 issue did more than merely list Mattel Mexico's promotions; they also identified pricing  
5 schemes, retailer discounts, shipping quotas, and marketing budgets. MGA has cited to no  
6 evidence that MGA Mexico's organizational schemes were created independent of the  
7 documents taken by Machado, Vargas, and Trueba. On the other hand, Ms. Kuemmerle testified  
8 that MGA Mexico did not use the misappropriated documents, though the credibility of her  
9 testimony should be evaluated by a fact-finder. For instance, a fact-finder may balance Ms.  
10 Kuemmerle's statements against the fact that a digital copy of the documents was found in MGA  
11 Mexico's offices well after Machado, Vargas, and Trueba left Mattel Servicios.

12 Finally, there is a genuine issue of material fact as to whether Mattel suffered harm and/or  
13 MGA benefitted as a result of Machado, Vargas, and Trueba's alleged misappropriation of trade  
14 secret documents. MGA cites to the testimony of two Mattel witnesses who admitted a lack of  
15 awareness of any evidence that Mattel suffered harm or MGA benefitted as a result of the  
16 alleged misappropriation of trade secret documents. For example, one Mattel witness could not  
17 name any customer relationships harmed by the loss of the documents at issue. *See* Zalzman  
18 Depo. at 315-316. The same witness, however, expressed confusion at the question posed by  
19 MGA's counsel, which asked the witness to distinguish the harm suffered merely because of  
20 MGA Mexico's new ability to sell directly to retailers in the Mexican market from the harm  
21 suffered as a result of the alleged theft of Mattel's documents. *Id.* Though counsel's question is  
22 certainly pertinent, a reasonable fact-finder may conclude that MGA Mexico's "direct  
23 relationships" with Mexican retailers were developed using the information found in the  
24 documents stolen by Machado, Trueba, and Vargas.

25 MGA raises identical challenges to the misappropriation allegations as to each of the  
26 documents downloaded by Machado, Vargas, and Trueba. Mattel similarly relies upon generic  
27 assertions about its efforts to maintain the secrecy of its documents. Because the parties'  
28 arguments do not specifically address the alleged trade secrets on a document-by-document

1 basis, and the credibility of the scant evidence offered by the parties is at issue, the Court finds  
2 summary judgment inappropriate on all grounds.

3 **6. Janine Brisbois**

4 Janine Brisbois (“Brisbois”) worked for Mattel Canada, Inc. (“Mattel Canada”) in  
5 Mississauga, Canada between 1999 and September 2005. *See* Deposition of Janine Brisbois,  
6 Vol. I, dated December 9, 2009, at 36:16-19. On September 23, 2005, Brisbois received a  
7 written offer of employment from MGA Canada, with whom she had been corresponding for at  
8 least a few weeks. *See* Brisbois Depo. at 109-110; *see also* Ex. 6908 to MGA MSJ. Brisbois  
9 resigned from Mattel Canada on September 26, 2005 and was immediately escorted from the  
10 premises. *See* Deposition of Steve Totzke at 231:10-232:18. She retained a thumb drive  
11 containing files relating to Mattel Canada’s business, as well as Brisbois’ line of work for Mattel  
12 Canada. *See* Brisbois Depo. at 225:11 to 226:5. When deposed in connection with this lawsuit,  
13 she testified that at least some (if not most) of the files on the thumb drive were “work that I was  
14 involved with, that you know, that I was proud of, that I put effort into, and I was simply  
15 keeping a copy for [] my own personal file of work done.” *Id.* at 242.

16 Mattel identifies twenty one categories of trade secrets that Brisbois and MGA allegedly  
17 misappropriated. Mattel’s alleged trade secrets include a power point presentation evaluating  
18 advertising for Mattel’s doll brands during the 2004 and 2005 calendar years, (Compendium of  
19 Trade Secrets, Ex. 3), market analysis that compares Mattel products’ market share with shelf  
20 space at various retailers, (*id.*, Ex. 4), a chart that visually depicts Mattel’s shelf space at one  
21 Toys ‘R Us store and compares pricing for Mattel’s products against pricing for MGA’s  
22 products at that store, (*id.*, Ex. 5), a comparison of sales in 2005 with projected sales in 2006,  
23 (*id.*, Ex. 6), a chart that identifies sales, receipts, margins, and profits with regard to Mattel’s  
24 relationship with Wal-Mart in 2003 and 2004, (*id.*, Ex. 7), a promotional spread sheet for 2005  
25 and 2006 that includes a number of blank or invalid fields, (*id.*, Ex. 8), a September 22, 2005  
26 interoffice memorandum from Janine Brisbois and Mattel Canada colleague to members of  
27 Mattel Canada’s “Girl’s [sic] Business Unit” discussing price reductions for various Mattel  
28 products, (*id.*, Ex. 11), a March 28, 2003 Canadian Leadership Plan for Mattel’s Girls Division

1 that focuses on market threats like Bratz and purports to identify pricing and marketing strategies  
2 to improve Mattel sales in the second half of 2003, (*id.*, Ex. 14), a standardized Mattel form that  
3 retailers must complete before “marking down” the retail price of a particular Mattel product  
4 (the form contains proposed mark down prices), (*id.*, Ex. 20), spread sheets containing data  
5 about Mattel’s 2003 performance and contemplated performance for 2004 on a retailer-by-  
6 retailer basis, (*id.*, Exs. 23-25, 57), a “handbill” spread sheet that lists the retail prices for  
7 Mattel’s products sold at Wal-Mart stores, (*id.*, Ex. 30), business plans that discuss Mattel’s  
8 management of its retailer accounts and, for example, concludes that “all things being equal, a  
9 consumer will purchase an item connected to a charity over an item that is not,” (*id.*, Exs. 42,  
10 60), a spread sheet that tracks Mattel’s product sales at Wal-Mart by month and product category  
11 (*e.g.*, Girls products), (*id.*, Ex. 58), an internal project management form completed by Brisbois  
12 that tracked her team’s success in achieving particular goals, (*id.*, Ex. 58), a Mattel Canada sales  
13 team organization chart attached to an email from Brisbois to her MGA Canada supervisor that  
14 identifies the size of Mattel Canada’s business and discusses the size of an average team meeting  
15 at Mattel, (*id.*, Ex. 63), and a Mattel Canada organization chart attached to an email from  
16 Brisbois to her MGA Canada supervisor and in response to an email from the supervisor asking  
17 Brisbois to “sketch that org chart . . . I want to take it to Ohio with me on Wednesday to show  
18 Ron,” (*id.*, Ex. 64).

19 Finally, Mattel alleges that Brisbois disclosed Mattel’s mechanism to distribute its  
20 products to retailers throughout Canada. After Brisbois joined MGA Canada, the company  
21 received an email from a retailer seeking to purchase MGA Canada’s product. (*Id.*, Ex. 66). In  
22 an email concerning the retailer’s request, Brisbois’ supervisor asked her to identify a distributor  
23 who “would be the best to direct the toy store below to.” *Id.* The email to Brisbois also stated  
24 “Janine, I know that Mattel does a much better job at covering the small retailers. What are your  
25 thoughts?” *Id.* Brisbois responded that Mattel

26 invested some money into a B2B site which generates a good amount  
27 of the independent business. They also set up the customer service  
28 folks who manage the Key accounts as contacts for the independent[]

1 [retailers] and create monthly specials that get posted on the site.

2 Finally, there is one NAM that manages all of this along with some  
3 of the smaller accounts.

4 *Id.*

5 Both parties discuss the documents and information with some generality and with few  
6 citations to evidence whose credibility is not at issue.<sup>29</sup> There is a genuine issue of material fact  
7 as to whether the documents and information allegedly misappropriated by Brisbois derived  
8 independent economic value from not being generally known. The majority of documents  
9 allegedly misappropriated by Brisbois shared Mattel Canada's actual and projected pricing  
10 schemes, calibrated to retailers' space constraints and tailored to maximize profits, categories of  
11 information commonly understood to hold value within an industry. *Cf. Morlife, Inc. v. Perry*,  
12 56 Cal. App. 4th 1514, 1521 (1997). Brisbois herself acknowledged the great amount of time  
13 involved in crafting the pricing schemes used to maximize the profit realized by Mattel Canada's  
14 products for particular retailers. *See, e.g.,* Brisbois Depo. at 524-525; *see Morlife*, 56 Cal. App.  
15 4th at 1521-1522 ("As a general principle, the more difficult information is to obtain, and the  
16 more time and resources expended by an employer in gathering it, the more likely a court will  
17 find such information constitutes a trade secret."). On the other hand, at least some of the  
18 pricing information contained in the spread sheets prepared by Brisbois may have been well  
19 known throughout the industry, including among Mattel Canada's competitors.

20 Another category of documents allegedly misappropriated by Brisbois described Mattel  
21 Canada's marketing schemes, including scheduled promotions for Mattel Canada's products.  
22 MGA appears to argue that marketing plans are not trade secrets as a matter of law because the  
23 marketing strategies were inevitably revealed to the public. However, a reasonable fact-finder  
24 could conclude that a particular marketing strategy not generally known to the public gave  
25 Mattel Canada a competitive advantage over other retailers who, for example, may not have

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26  
27 <sup>29</sup> Indeed, MGA offers little argument about the documents and information in its  
28 Uncontroverted Facts in support of its motion.



1 known of the relative profitability of a marketing campaign that tied product sales to charitable  
2 efforts. *See Ruckelshaus*, 467 U.S. at 1011 n. 15 (“[T]he value of a trade secret lies in the  
3 competitive advantage it gives its owner over competitors.”). For instance, Brisbois testified at  
4 deposition that she retained one of the promotional plans presented to Wal-Mart because “[t]his  
5 document represents a lot of my work and effort.” Brisbois Depo. at 527. Her “work and effort”  
6 wasn’t just expended planning the promotion, in which case MGA could plausibly argue that the  
7 document was no longer a trade secret at the time Brisbois left Mattel Canada. Instead, as  
8 Mattel’s witness points out, the promotional documents included “Mattel’s confidential analysis  
9 of and recommendations for continuing [one promotional] program and confidential POS,  
10 shipping, sell-thru and promotional information for specific products.” Totzke Dec. ¶ 30. It is  
11 for a fact-finder to determine whether the promotional materials had continuing value to Mattel  
12 Canada at the time Brisbois left for MGA.

13 A third category of documents and information allegedly misappropriated by Brisbois  
14 concerned Mattel Canada’s *internal* processes, including its organizational structure, its progress  
15 reviews, and its distribution network. The economic value derived from the secrecy of Mattel  
16 Canada’s organizational structure appears to be limited, since Mattel Canada was a public  
17 company at the time of Brisbois’ departure and its corporate structure was probably well known.  
18 However, Mattel has cited evidence to suggest that (1) its Canadian subsidiary’s organizational  
19 structure wasn’t well known; (2) MGA placed a premium on determining Mattel Canada’s  
20 organizational structure; and (3) a properly structured organization had the potential to help  
21 MGA become profitable. For example, Brisbois’ email disclosing Mattel Canada’s  
22 organizational structure to her supervisor at MGA stated “[t]his should help out with  
23 understanding the type of structure we are up against. This structure supports a business worth  
24 about \$250MM in CDN in shipments.” Compendium of Trade Secrets, Ex. 63. Brisbois also  
25 stated, in a separate email to her supervisor at MGA, that “[i]f you do some quick math on a \$\$  
26 volume per total head count basis, you may fall off your chair!” *Id.*, Ex. 64. Brisbois further  
27 disclosed not just Mattel Canada’s organizational structure, but also the manner in which Mattel  
28 Canada allocated its human resources towards particular projects:

1 The Girls business alone which includes Barbie, Polly, Pixel Chix,  
2 etc . . . is about \$75MM. There are a total of 14 cross functional  
3 people that compose the Girls Team plus the third party partners  
4 from Ryan Partnership (Mktg & Promotions), and Mosaic (in store  
5 execution). A typical team meeting would have 15-20 people in  
6 attendance. The WM Team includes 9 cross functional people plus  
7 the same third party partners mentioned above. A typical team  
8 meeting would have 10 people in attendance supporting a business  
9 that peaked out at \$95MM CDN in shipments.

10 *Id.*, Ex. 63.

11 A reasonable fact-finder could likewise conclude that information about Mattel's retailer  
12 network derived value from not being generally known. The email exchange preceding  
13 Brisbois' disclosure of that information reveals its potential value — when MGA Canada was  
14 approached by a retailer interested in purchasing its products, the company found itself caught  
15 badly off guard. When asked about Mattel Canada's solution to the same problem, Brisbois  
16 revealed her former employer's approach in some detail and with specific reference to the  
17 retailers serviced by Mattel Canada's network.

18 There is also a genuine issue of material fact as to whether Mattel took reasonable efforts  
19 to maintain the secrecy of documents and information allegedly misappropriated by Brisbois.  
20 MGA argues that Mattel Canada did not uniformly and consistently enforce a policy requiring its  
21 employees to mark documents as "confidential." Mattel's witness testified at deposition that  
22 Mattel only directed, but did not require, that proprietary information be marked "confidential."  
23 *See* Deposition of Keith Storie, Vol. I, dated December 16, 2009, at 63-64. He also, however,  
24 testified that Mattel reminded its employees of their obligation to maintain documents'  
25 confidentiality through periodic presentations and circulars. *See id.* at 64-65. MGA also points  
26 to the testimony of a Mattel witness who admitted that some of Mattel's retailers, including Wal-  
27 Mart, were "reluctant to sign" nondisclosure agreements. *See* Deposition of Steve Totzke, Vol.  
28 I, dated January 18, 2010, at 94-95. But that testimony concerned the nondisclosure of

1 information about products before their release, while the documents allegedly misappropriated  
2 by Brisbois included information (including pricing and marketing schemes and expenditures)  
3 that may not have been shared with Mattel Canada's retailers in the first place. Finally, MGA  
4 argues that Mattel did not require its employees to encrypt emails that attached trade secret  
5 information. *See* Storie Depo. at 59-60. However, MGA provides no evidence about the  
6 "reasonableness" of widespread email encryption; there is no evidence in the record that any of  
7 the corporations at issue in this lawsuit used email encryption, a process that would appear to  
8 undermine the very purpose of email communication.

9       There is a genuine issue of material fact as to whether MGA acquired the documents and  
10 information allegedly misappropriated by Brisbois with the knowledge that the acquisition was  
11 improper. MGA instructed Brisbois to "not retain and [] not bring to MGA[] any of your former  
12 employers' or Current employer's property or confidential and proprietary information,  
13 including customer-related information." *See* Ex. 6909 to MGA MSJ. On the other hand,  
14 Brisbois' supervisor twice asked Brisbois to share information about Mattel in the months after  
15 Brisbois started working for MGA. *See, e.g.,* Compendium of Trade Secrets, Exs. 64, 65.

16       There is a genuine issue of material fact as to whether MGA used the documents and  
17 information allegedly misappropriated by Brisbois. Two Mattel witnesses testified that they  
18 lacked knowledge of any specific example of Brisbois disclosing Mattel Canada's information  
19 and documents to MGA. *See* Storie Depo. at 204; Totzke Depo. at 611. However, the email  
20 from Brisbois' supervisor requesting more information about Mattel Canada's organizational  
21 structure foreshadowed the use of such materials in a meeting with Ron Brawer. *See*  
22 Compendium of Trade Secrets, Ex. 64. And Brisbois admitted to using some of the documents  
23 on the thumb drive in connection with her employment at MGA. Brisbois Depo. at 241.

24       Finally, there are genuine issues of material fact as to whether MGA benefitted and/or  
25 Mattel suffered any injury as a result of the alleged misappropriation of documents and  
26 information by Brisbois. Mattel's witness was incapable of specifically identifying any injury  
27 suffered by the company as a result of Brisbois' alleged misappropriation, though the question  
28 posed to the witness was outside the scope of the topics on which he was designated. *See* Storie

1 Depo. at 200-201. However, another Mattel witness testified that he “observed what was  
2 happening with Toys ‘R Us and saw [MGA] move into [] some TV campaigns before the Barbie  
3 TV campaign” about which Brisbois gained knowledge while at Mattel. Totzke Depo. at 405.  
4 He testified further that “it certainly was an aggressive late move to tactically mute or block  
5 what was a very big initiative for Barbie internally.” *Id.* Neither MGA nor Mattel has cited to  
6 any evidence in the record about the extent to which Brisbois was involved in MGA’s  
7 preemptive TV campaign and/or whether the impetus for the campaign was wrongfully acquired  
8 information about Mattel’s own promotional strategy. The fact-finder can resolve these disputes  
9 on the basis of more specific testimony and an expanded factual record.

10 **C. Disposition as to Third Counter-Claim**

11 For the foregoing reasons, summary judgment is granted in favor of MGA as to those  
12 trade secrets abandoned by Mattel, as well as the Castilla and Contreras allegations discussed  
13 herein. MGA’s request for the application of Mexican law to MGAE and Larian is denied.  
14 Mattel, MGA, and Machado’s requests for summary judgment are otherwise denied.

15 **IV. Mattel’s Other State Law Counter-Claims**

16 Mattel also brings counter-claims for breach of fiduciary duty against Bryant and  
17 Machado, aiding and abetting breach of fiduciary duty against MGAE and Larian, breach of duty  
18 of loyalty against Bryant and Machado, aiding and abetting breach of duty of loyalty against  
19 MGAE and Larian, breach of contract against Bryant and Machado, intentional interference with  
20 contractual relations against MGA, conversion against MGA and Machado, and unfair  
21 competition against Bryant and MGA. Before proceeding to examine the arguments as to these  
22 counter-claims, the Court sets forth certain foundational principles about the supersessive scope  
23 of the California Uniform Trade Secret Act and the preemptive scope of the Copyright Act, since  
24 both issues are relevant to the vitality of the state law counter-claims.

25 **A. Supersession by the Uniform Trade Secrets Act<sup>30</sup>**

26  
27  
28 

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<sup>30</sup> Contrary to Mattel’s argument, MGA did not waive its right to raise a  
supersession argument by failing to assert the argument prior to the phase 1 trial, because

1 California’s Uniform Trade Secrets Act “occupies the field” of common law claims based  
2 on the misappropriation of a trade secret. *K.C. Multimedia, Inc. v. Bank of America Tech. &*  
3 *Operations, Inc.*, 171 Cal. App. 4th 939, 954 (2009). However, the Act does not supersede  
4 “(1) contractual remedies, whether or not based upon misappropriation of a trade secret, [and]  
5 (2) other civil remedies that are not based upon misappropriation of a trade secret.” Cal. Civ.  
6 Code § 3426.7(b). The Act’s language “implicitly preempts alternative civil remedies based on  
7 trade secret misappropriation.” *K.C. Multimedia*, 171 Cal. App. 4th at 954 (citation omitted). A  
8 claim cannot simply depend on a “different theory of liability” to survive the UTSA’s  
9 supersessive effect. *See id.* at 957-959 & n. 7 (distinguishing rule set forth in *Powell Prods., Inc.*  
10 *v. Marks*, 948 F. Supp. 1469, 1474 (D. Colo. 1996) (allowing a claim based on trade secret  
11 misappropriation to survive if the claim “requires an [element] [] which is not an element of a  
12 misappropriation claim”). The claim must be based on more than “the same nucleus of facts as  
13 the misappropriation of trade secrets claim for relief.” *K.C. Multimedia*, 171 Cal. App. 4th at  
14 958 (quoting *Digital Envoy, Inc. v. Google, Inc.*, 370 F. Supp. 2d 1025, 1035 (N.D. Cal. 2005)).

15 Before applying these principles to each of Mattel’s counter-claims, the Court must  
16 resolve whether California’s UTSA supersedes claims based upon the misappropriation of  
17 information that does not meet the statutory definition of a trade secret. Mattel argues that  
18 California UTSA’s savings clause, Cal. Civ. Code § 3426.7(b), expressly excepts from the  
19 statute’s supersessive ambit those claims *not* based upon misappropriation of a trade secret,  
20 including claims based upon the misappropriation of information that does not qualify as a trade  
21 secret. MGA responds that Mattel’s approach eviscerates the statute’s purpose to “sweep away  
22 the adopting states’ bewildering web of rules and rationales and replace it with a uniform set of  
23 principles for determining when one is—and is not—liable for acquiring, disclosing, or using  
24 ‘information . . . of value.’” *Silvaco*, 171 Cal. App. 4th at 239 n. 22. The Supreme Court of  
25 California has not addressed this issue. Decisions of the California Court of Appeal do not bind

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26  
27 (1) Mattel did not identify the Bratz concept as a trade secret during phase 1; (2) Mattel’s  
28 broad amendment opened the door to the assertion of new affirmative defenses; and  
(3) there is on-point intervening California authority.

1 this Court, though they may be instructive to applying the law as the California Supreme Court  
2 would if presented with these facts. *Wylar Summit P'ship v. Turner Broad. Sys., Inc.*, 135 F.3d  
3 658, 663 (9th Cir. 1988); *Guebara v. Allstate Ins. Co.*, 237 F.3d 987, 993 (9th Cir. 2001).

4 Courts in other states have reached divergent answers to the question of whether the  
5 UTSA supersedes common law claims based upon the misappropriation of information that does  
6 not meet the statutory definition of a trade secret. These decisions, though not binding, are  
7 instructive in interpreting the UTSA. *K.C. Multimedia.*, 171 Cal. App. 4th at 955. Two state  
8 supreme court cases capture the arguments made by courts on either side of this issue.

9 In *Burbank Grease Servs., LLC v. Sokolowski*, 717 N.W.2d 781, 788-94 (Wis. 2006), the  
10 court endorsed the argument that Mattel makes here. Interpreting a savings clause that  
11 materially differs from the one found in California's UTSA, the court concluded that the  
12 UTSA's unambiguous language "leaves available all other remaining civil remedies for the  
13 protection of confidential information," rendering the statute's purpose irrelevant. *Id.* at 788-90.

14 In *Mortgage Specialists, Inc. v. Davey*, a dispute between a mortgage brokerage and its  
15 former brokers, the court held that New Hampshire's UTSA superseded state common law  
16 claims based upon the misappropriation of information, "regardless of whether that information  
17 meets the statutory definition of a trade secret." 904 A.2d 652, 666-668 (N.H. 2006). The court  
18 acknowledged that the UTSA only superseded remedies for a "misappropriation of a trade  
19 secret" and thus could be read to leave alone remedies based on the misappropriation of other  
20 information. However, the court rejected this construction as ignorant of both "the overall  
21 legislative scheme" to make uniform the remedies available as a result of the theft of confidential  
22 information and the "purpose of making uniform the law among States that have adopted the  
23 UTSA." *Id.* at 664.

24 The approach taken by *Davey* is better aligned with the decisions reached by the two  
25 recent California Court of Appeals cases to discuss UTSA's supersessive effect. *K.C.*  
26 *Multimedia*, for instance, held that UTSA supersedes any claim "based on the same nucleus of  
27 facts as the misappropriation of trade secrets claim," even though the superseded claim may seek  
28 "something more." 171 Cal. App. 4th at 958. The court rejected *Powell Prods., Inc. v. Marks*,

1 in which the court stated that UTSA doesn't supersede a conspiracy claim based on the theft of  
2 trade secrets because such a claim "requires an agreement [] which is not an element of a  
3 misappropriation claim under the UTSA." 948 F. Supp. 1469, 1474 (D. Colo. 1996). It's no  
4 longer the case in California that a claim for breach of fiduciary or breach of duty of loyalty  
5 based upon the misappropriation of trade secrets would survive even though both claims require  
6 proof of "additional elements" like a relationship of trust or confidence. *See K.C. Multimedia*,  
7 171 Cal. App. 4th at 960. Allowing civil plaintiffs to nevertheless proceed with such claims on  
8 the basis of the theft of confidential information that doesn't meet the statutory definition of a  
9 trade secret undermines the California Court of Appeals by "alternatively plead[ing] claims with  
10 less burdensome requirements of proof." *Diamond Power Int'l, Inc. v. Davidson*, 504 F. Supp.  
11 2d 1322, 1345 (N.D. Ga. 2007). Along these lines, a recent California Court of Appeal opinion  
12 "emphatically rejected the [] suggestion that the uniform act was not intended to preempt  
13 'common law conversion claims based on the taking of information that, though not a trade  
14 secret, was nonetheless of value to the claimant.'" *Silvaco*, 171 Cal. App. 4th at 239 n. 22.

15 Like both *K.C. Multimedia* and *Silvaco*, and unlike *Sokolowski*, *Davey* eschewed a pure  
16 application of the statute for an approach that adhered to "the history, purpose, and interpretation  
17 of the statutory scheme." *Compare Davey*, 904 A.2d at 664, *K.C. Multimedia*, 171 Cal. App. 4th  
18 at 957, and *Silvaco*, 184 Cal. App. 4th at 239 n. 22, with *Sokolowki*, 717 N.W.2d at 791. In an  
19 effort to align with the California courts that have addressed this issue, the Court concludes that  
20 UTSA supersedes claims based on the misappropriation of confidential information, whether or  
21 not that information meets the statutory definition of a trade secret.

## 22 **B. Copyright Act Preemption**

23 The Copyright Act preempts "all legal or equitable rights that are equivalent to any of the  
24 exclusive rights within the general scope of copyright." 17 U.S.C. § 301(a). "The rights  
25 protected under the Copyright Act include the rights of reproduction, preparation of derivative  
26 works, distribution and display." *Altera Corp. v. Clear Logic, Inc.*, 424 F.3d 1079, 1089 (9th  
27 Cir. 2005) (citing 17 U.S.C. § 106). The Copyright Act's preemptive ambit does not extend to  
28 state law claims that include an "extra element" that makes the right asserted qualitatively

1 different from those protected under the Copyright Act.” *Id.* (citing *Summit Mach. Tool Mfg. v.*  
2 *Victor CNC Sys.*, 7 F.3d 1434, 1439-40 (9th Cir. 1993)).

3 For instance, the Copyright Act doesn’t preempt Mattel’s claim for misappropriation of  
4 the Bratz concept because trade secret law protects the secrecy of valuable confidential  
5 information “whether or not the material subject to the trade secret is itself copyrightable.”  
6 Nimmer on Copyright § 1.01[B][1][h] 1-53; *see also S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081,  
7 1090 n. 13 (9th Cir. 1989); *see also Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1130  
8 (N.D. Cal. 2001) (Copyright Act does not preempt UTSA claim for disclosure and exploitation  
9 of trade secrets because that claim “require[s] a status of secrecy, not required for copyright”).  
10 MGA complains that such a rule allows Mattel “to avoid limitations inherent in the copyright  
11 analysis,” but this argument is unconvincing. Mattel cannot copyright a work in the public  
12 domain and proceed to restrain others from copying the ideas and unprotectable expression in  
13 that work. Once the work is shared with the world, “it enters our minds and becomes ours as  
14 well.” Alex Kozinski & Christopher Newman, “What’s so Fair about Fair Use?,” 46 J.  
15 Copyright Soc. 529 (1999). But Mattel can still keep its creative works secret either temporarily  
16 or permanently in order to regulate their use. *See id.* And it is this right that trade secret law  
17 seeks to vindicate. *Gates Rubber Co. v. Bando Chem. Indus.*, 9 F.3d 823, 847-48 (10th  
18 Cir.1993) (finding a copyright claim for wrongful use of a computer program does not preempt  
19 trade secret claim for misappropriation where defendant gained access to the program through  
20 plaintiff’s employee who breached his duty to maintain secrecy).<sup>31</sup>

21 **C. Breach of Fiduciary Duty and Aiding and Abetting Breach of Fiduciary**  
22 **Duty**

23 Mattel alleges that MGA and Larian aided and abetted breaches of fiduciary duty  
24 committed by Bryant, Machado, Brawer, Trueba, Vargas, Castilla, Contreras, and Cooney.  
25 Mattel’s separate counter-claim for breach of fiduciary duty only names Machado and Bryant as

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26  
27 <sup>31</sup> MGA argues that a trade secret allegation based upon Bryant’s disclosure and  
28 MGA’s acquisition of the Bratz trade secrets is likewise preempted by Section 106 of the  
Copyright Act. But these allegations also depend upon the “extra element” of secrecy.



1 counter-defendants. To prevail on this counter-claim, Mattel must establish (1) a breach of  
2 fiduciary duty by a Mattel employee; and (2) knowledge of the breach and substantial  
3 encouragement or assistance by one or both counter-defendants. *Casey v. U.S. Bank Nat'l Ass'n*,  
4 127 Cal. App. 4th 1138, 1144 (2005). A breach of fiduciary duty requires (1) the existence of a  
5 fiduciary duty; (2) its breach; and (3) resulting damages. *Pellegrini v. Weiss*, 165 Cal. App. 4th  
6 515, 524 (2008).

7 UTSA supersedes both the breach of fiduciary duty and aiding and abetting breach of  
8 fiduciary duty claims in their entirety. Both counter-claims also lack merit to the extent they are  
9 based upon the conduct of Machado, Vargas, and Trueba, none of whom owed a fiduciary duty  
10 to either Mattel, Inc. or Mattel Mexico.

11 **1. Bryant, Castilla, Contreras, Cooney**

12 “[B]efore a person can be charged with a fiduciary obligation, he must either knowingly  
13 undertake to act on behalf and for the benefit of another, or must enter into a relationship which  
14 imposes that undertaking as a matter of law.” *Committee on Children’s Television, Inc. v.*  
15 *General Foods Corp.*, 35 Cal.3d 197, 221 (1983). Mattel concedes that Castilla, Contreras,  
16 Cooney, and Bryant did not enter into relationships which imposed fiduciary relationships as a  
17 matter of law. Mattel instead argues that its four former employees undertook fiduciary  
18 obligations when they signed Confidential Information and Inventions Agreements, which  
19 imposed “duties of confidentiality” and required the employees to “accept [] position[s] of trust”  
20 with Mattel. *See* Proctor Dec., Ex. 96 (Castilla Inventions Agreement unsigned by Mattel); *id.*,  
21 Ex. 97 (Cooney Inventions Agreement); *id.*, Ex. 124 (Bryant Inventions Agreement); *id.*, Ex.  
22 174 (Contreras Inventions Agreement). These duties of confidentiality and positions of trust  
23 were imposed by identical sub-sections of the employment agreements:

24 1. *Provisions Related to Trade Secrets*

25 (a) I acknowledge that the Company possesses and will continue to develop  
26 and acquire valuable Proprietary Information (as defined below), including  
27 information that I may develop or discover as a result of my employment  
28 with the Company. The value of that Proprietary Information depends on it

1 remaining confidential. The Company depends on me to maintain that  
2 confidentiality, and I accept that position of trust.

3 (b) As used in this Agreement, “Proprietary Information” means any  
4 information (including any formula, pattern, compilation, device, method,  
5 technique or process) that derives independent economic value, actual or  
6 potential, from not being generally known to the public or to other persons  
7 who can obtain economic value from its disclosure or use, and includes  
8 information of the Company, its customers, suppliers, joint venturers,  
9 licensors, licensees, distributors and other entities with whom the Company  
10 does business.

11 (c) I will not disclose or use at any time, either during or after my employment  
12 with the Company, any Proprietary Information except for the exclusive  
13 benefit of the Company as required by my duties for the Company, or as the  
14 Company expressly may consent to in writing. I will cooperate with the  
15 Company and use my best efforts to prevent the unauthorized disclosure,  
16 use or reproduction of all Proprietary Information.

17 (d) Upon leaving employment with the Company for any reason, I immediately  
18 will deliver to the Company all tangible, written, graphical, machine  
19 readable and other materials (including all copies) in my possession or  
20 under my control containing or disclosing Proprietary Information.

21 *See* Proctor Dec., Ex. 96 (Castilla Inventions Agreement unsigned by Mattel); *id.*, Ex. 97  
22 (Cooney Inventions Agreement); *id.*, Ex. 124 (Bryant Inventions Agreement); *id.*, Ex. 174  
23 (Contreras Inventions Agreement).

24 Any fiduciary duty imposed by the agreement was limited to the employees’ obligation to  
25 maintain the confidentiality of “proprietary information,” the definition of which is identical to  
26 the definition of a “trade secret” under the UTSA. *Compare id.* ¶ 1(b) with Cal. Civ. Code  
27 § 3426.1(d); *cf. Van de Kamp v. Bank of America*, 204 Cal. App. 3d 819, 860 (1988) (scope of  
28 trust relationship defined by the parties’ agreement); *Chipser v. Kohlmeyer & Co.*, 600 F.2d

1 1061, 1066-67 (5th Cir. 1979); *Grynberg v. Dome Petroleum Corp.*, 599 N.W.2d 261, 267 (N.D.  
2 1999) (“The existence and scope of a fiduciary duty depends upon the language of the parties’  
3 agreement.”). Mattel’s counter-claims for breach of fiduciary duty and aiding and abetting  
4 breach of fiduciary duty — to the extent predicated upon the conduct of Bryant, Castilla,  
5 Contreras, and Cooney — are by necessity based upon nothing more than the misappropriation  
6 of trade secret information. For MGAE and Larian to aid and abet this conduct, the two counter-  
7 defendants would have had to provide “substantial assistance or encouragement” to the departing  
8 employees’ misappropriation of trade secrets, which Mattel elsewhere argues is a basis for  
9 holding MGAE and Larian liable for trade secret misappropriation. Mattel’s Opp’n to MGA  
10 MSJ at 70 (arguing that principles of ratification and agency give rise to MGA’s liability for  
11 trade secret misappropriation committed by departing Mattel employees). As a result, Mattel’s  
12 counter-claims for breach of fiduciary duty and aiding and abetting breach of fiduciary duty are  
13 superseded to the extent predicated upon the conduct of Bryant, Castilla, Contreras, and Cooney.

## 14 **2. Remaining Employees**

15 UTSA also supersedes the fiduciary duty counter-claims to the extent predicated upon the  
16 conduct of Machado, Vargas, Trueba, and Brawer. There is no genuine issue of material fact as  
17 to whether Brawer, Machado, Vargas, and Trueba engaged in any misconduct other than the  
18 misappropriation of Mattel’s confidential information and Mattel does not allege otherwise. *See*  
19 4AAC ¶ 67. Mattel attempts to re-characterize the thefts as “working for a competitor” and  
20 “acting with disloyalty” but these allegations attach new labels to the same nucleus of facts upon  
21 which Mattel’s third counter-claim is based. *See K.C. Multimedia*, 171 Cal. App. 4th at 960.  
22 The UTSA supersedes claims based on the misappropriation of information. Mattel cannot  
23 separately recover for breach of fiduciary duty or aiding and abetting breach of fiduciary duty.

24 Even if UTSA did not supersede claims based on the misappropriation of information that  
25 does not meet the statutory definition of a trade secret, Mattel has pled away the ability to bring  
26 such a claim. Mattel identifies its trade secrets as “*the* documents, materials, designs, names,  
27 and other information stolen by Machado, Trueba, Vargas, Brisbois, Castilla, Cooney, Contreras,  
28 Brawer . . . including but not limited to . . . the confidential information stolen in the United

1 States, Mexico and Canada.” 4AAC ¶ 134 (emphasis added). Mattel’s definition of “trade  
2 secrets” does not except any of the documents or information allegedly stolen by the departing  
3 employees. Though Mattel has since conceded that much of the allegedly misappropriated  
4 information did not meet the statutory definition of a trade secret, California courts look at the  
5 allegations as “reflected in the pleading,” when determining whether a claim is subject to  
6 supersession. *K.C. Multimedia*, 171 Cal. App. 4th at 960. The continued designation and de-  
7 designation of trade secrets over the course of a litigation undermines its judicial administration.

8 Nor could Mattel predicate its fiduciary duty counter-claims on any conduct unrelated to  
9 the misappropriation of information, at least as to Machado, Trueba, and Vargas.<sup>32</sup> Mattel  
10 argues that the three Mattel Servicios employees owed fiduciary obligations to Mattel, Mattel  
11 Mexico, and Mattel Servicios by virtue of both their positions and their employment agreements.

12 Machado, Vargas, and Trueba were employed by Mattel Servicios, a Mexican company.  
13 Webster Dec., Ex. 421 (company name is “Mattel Mexico Services”); Webster Dec., Ex. 321  
14 (organizational chart for “Mexico”). Unlike California, Mexico does not recognize common law  
15 claims for breach of fiduciary duty or aiding and abetting breach of fiduciary duty, though such  
16 obligations may be assumed by contract and enforced through a claim for breach of contract.  
17 Calatayud Dec. ¶¶ 16-17. However, this is not a “true conflict” of law because only Mexico has  
18 an interest in the application of its laws to the obligations that flow between a Mexican  
19 corporation and its Mexican-resident employees. None of the three employees owed a fiduciary  
20 duty to Mattel Servicios or Mattel Mexico by operation of law. Moreover, even if either  
21 California law applied or Mexico recognized common law fiduciary obligations arising through  
22 employment, all three employees worked for Mattel Servicios, which is not a party to this  
23 lawsuit, and whose rights neither Mattel nor Mattel Mexico may enforce. Fed. R. Civ. P. 17(a).

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24  
25  
26 <sup>32</sup> It is undisputed that Brawer owed a fiduciary duty to Mattel by virtue of his  
27 position as an officer of the company. The scope of that duty was much broader than the  
28 fiduciary obligations, if any, assumed by Mattel’s other employees. *Daniel Orifice  
Fitting Co. v. Whalen*, 198 Cal. App. 2d 791, 800 (1962). But Mattel does not allege that  
Brawer engaged in any misconduct other than the misappropriation of its information.

1 Mattel nevertheless argues that Machado, Vargas, and Trueba assumed fiduciary  
2 obligations to Mattel and Mattel Mexico through agreement. One undertakes a fiduciary  
3 obligation when he voluntarily accepts another party's trust and confidence. *Mass. Eye and Ear*  
4 *Infirmiry v. QLT Phototherapeutics, Inc.*, 412 F.3d 215, 241 (1st Cir. 2005). However, since (as  
5 Mattel concedes) any fiduciary obligation assumed by the three Mattel Servicios employees  
6 related to their "access and exposure to Mattel's confidential information," Mattel's fiduciary  
7 duty counter-claims are necessarily based upon the misappropriation of Mattel's confidential  
8 information, whether through unauthorized acquisition, disclosure, or use.

9 The first agreement cited by Mattel is entitled "Individual Employment Contract" and  
10 purports to memorialize an employment relationship with Mattel Servicios—the "employer"  
11 under the agreement. Webster Dec., Ex. 99 (Machado); Proctor Dec., Ex. 233 (Trueba); and  
12 Proctor Dec., Ex. 98 (Vargas). Machado, Vargas, and Trueba agreed to "not [] disclose any of  
13 the aspects of [Mattel Servicios'] business and not to provide any information on the systems or  
14 activities of any kind to third parties." *Id.* at 2316. The second agreement is a Mattel "Conflict  
15 of Interest Questionnaire" that only Machado and Trueba signed. 4AAC, Ex. C at 103  
16 (Machado); Proctor Dec., Ex. 237 (Trueba). The second sentence of the final paragraph of the  
17 agreement states "I agree not to divulge any company information to unauthorized recipients."  
18 *Id.* at 106. The third agreement is a Mattel Servicios technology use manual that only Machado  
19 signed. 4AAC, Ex. D. Mattel does not identify any particular clause in the agreement that  
20 creates this fiduciary duty, though the Court presumes that Mattel relies upon two clauses  
21 prohibiting access and misuse of the company's intellectual property. The fourth agreement is a  
22 Code of Conduct distributed by Mattel to "employees worldwide" in 2003. 4AAC, Ex. E at 160.  
23 There is no evidence that Machado received or signed this document. *See id.*

24 Any fiduciary obligations imposed by these agreements was an obligation not to disclose  
25 the Mattel's confidential information. Mattel's counter-claim for breach of fiduciary duty  
26 against Machado as well as its allegation that MGAE and Larian aided and abetted the Mattel  
27 Servicios' employees' breaches of fiduciary duty, is necessarily based upon the disclosure of  
28 Mattel's confidential information. 4AAC ¶ 169 ("Machado breached his fiduciary duty [] by []

1 misappropriating Mattel trade secret and proprietary information.”). The fiduciary duty counter-  
2 claims are accordingly superseded.

3 Moreover, none of the agreements signed by Machado, Vargas, and Trueba imposed  
4 fiduciary obligations. An employer’s *trust and confidence* in its employee must precede the  
5 acceptance of a fiduciary obligation. 26 Richard A. Lord, *Williston on Contracts*, § 69:23 (4th  
6 ed. 2004). Mattel and its subsidiaries neither trusted nor confided in their employees. For  
7 example, Mattel and its subsidiaries “reserve[d] the right to inspect and search *at any time and*  
8 *without prior notice* . . . personal property brought into the workplace (such as bags, portfolios,  
9 cars) and monitor electronic communications (for example, voicemail).” 4AAC, Ex. D at 152  
10 (emphasis added). Mattel and its subsidiaries also required employees to receive prior  
11 permission from a supervisor before sending electronic messages to friends and family on blogs,  
12 internet chats, or discussion groups. *Id.* at 150. Employees were told to surrender “any right of  
13 privacy in respect to any of the messages or information created or kept by Mattel’s  
14 Technological Resources, including information or messages that the employee thinks of or  
15 regards as personal.” *Id.* Considered alongside Mattel’s efforts to monitor employees both  
16 before and after their terms of employment through computer forensic analysis and personal  
17 surveillance, the evidence shows relationships based on neither trust nor confidence.

18 Mattel’s counter-claim for breach of fiduciary duty against Bryant is necessarily based  
19 upon the same nucleus of conduct as its trade secret misappropriation counter-claim, since any  
20 fiduciary obligation assumed by Bryant was limited to the non-disclosure of Mattel’s trade secret  
21 information. Mattel’s counter-claim for aiding and abetting Bryant’s breach of fiduciary duty  
22 against MGAE and Larian is likewise based upon the same nucleus of inducement conduct that  
23 forms the basis for Mattel’s counter-claim for trade secret misappropriation.

24 Mattel’s counter-claim for breach of fiduciary duty against Machado fails because  
25 Mexico doesn’t recognize a common law claim for breach of fiduciary duty. It also fails because  
26 Machado owed fiduciary obligations to his employer, Mattel Servicios, which is not a party to  
27 this lawsuit. Machado did not assume any fiduciary obligations to Mattel and Mattel Mexico  
28 because neither party reposed a trust or confidence in him. Even if Machado assumed a

1 fiduciary obligation to one or more of these entities, this obligation was limited to the non-  
2 disclosure of Mattel's confidential information. Mattel's counter-claim for aiding and abetting  
3 Machado's breach of fiduciary duty (if any) is necessarily based upon the same nucleus of facts  
4 that supports Mattel's trade secret misappropriation counter-claim.

5 Mattel's counter-claim for aiding and abetting Castilla, Contreras, Cooney, Vargas, and  
6 Trueba's breaches of fiduciary duty is necessarily based upon the same nucleus of facts as its  
7 trade secret misappropriation counter-claim, because any fiduciary obligation accepted by these  
8 employees was limited to the non-disclosure of secrets. Its counter-claim for aiding abetting all  
9 non-Bryant employees breaches of fiduciary duty is also expressly based upon nothing more  
10 than the misappropriation of information. Moreover, Mattel's counter-claim for aiding and  
11 abetting Vargas and Trueba's breaches of fiduciary duty fails because the two Mattel Servicios  
12 employees owed no fiduciary duty to either Mattel or Mattel Mexico.

13 **2. Breach of Contract and Intentional Interference with**  
14 **Contractual Relations**

15 Mattel claims that Machado and Bryant breached their employment agreements. Mattel  
16 also claims that MGAE and Larian "induced [Mattel employees] to steal . . . Mattel trade secrets  
17 and other proprietary and confidential information and . . . bribed or induced [Mattel employees]  
18 to work or assist MGA" while those individuals were still employed by Mattel. Mattel claims  
19 that MGAE and Larian interfered with Mattel's contractual relations with the following  
20 employees: "Bryant, Brawer, Machado, Trueba, Vargas, Castilla, Contreras, Cooney, Cabrera,  
21 Morales, Salazar, and other former Mattel employees," who are not named in the 4AAC.

22 It is undisputed that UTSA does not supersede Mattel's counter-claim for breach of  
23 contract against Bryant and Machado. UTSA "does not affect [] contractual remedies, whether  
24 or not based upon misappropriation of a trade secret." Cal. Civ. Code § 3426.7(b).

25 Intentional interference with contractual relations is a tort. *See* 5 Witkin, *Summary of*  
26 *California Law* § 731. It does not count as a contractual remedy and is subject to supersession.  
27 *See K.C. Multimedia*, 171 Cal. App. 4th at 960-61. Mattel's intentional interference with  
28 contractual relations counter-claim is in significant part based upon MGAE and Larian's alleged

1 inducement of Mattel employees' theft of "Mattel trade secrets and other proprietary  
2 information," which is also a basis for Mattel's counter-claim for trade secret misappropriation  
3 against MGAE and Larian. *See id.* (helping and encouraging employee's trade secret theft "falls  
4 within the statutory definition of 'improper means' of acquiring a trade secret, which 'includes . .  
5 . breach or inducement of a breach of duty to maintain secrecy . . .'" (quoting Cal. Civ. Code  
6 § 3426.1(a)). UTSA supersedes Mattel's counter-claim to the extent it is based upon such  
7 conduct. *See id.*

8         However, UTSA **does not** supersede the intentional interference with contractual relations  
9 counter-claim to the extent it arises out of conduct unrelated to the misappropriation of Mattel's  
10 information. Mattel alleges that MGAE and Larian induced Mattel's employees, including  
11 Bryant, to "work for [and] assist a[] competitor of Mattel" while still employed by Mattel.  
12 4AAC ¶ 161. The record reveals a genuine issue of material fact as to whether such conduct  
13 occurred. MGA independent contractor Veronica Marlow directed MGA's funds to Mattel  
14 employees Cabrera, Morales, and Salazar to create fashions for the Bratz dolls. MGA argues  
15 that Larian and MGAE lacked knowledge of such conduct, but there is circumstantial evidence  
16 to the contrary. For example, when Marlow declined MGA's offer of full-time employment, she  
17 and her husband sent MGA a letter explaining that the decision flowed from Marlow's desire to  
18 continue her close working relationship with Cabrera, Morales, and Salazar. In other email  
19 communications, MGAE and Larian accepted and encouraged a Mattel employee to work for  
20 MGA's benefit on his nights and weekends, which suggests a corporation-wide willingness to  
21 engage the services of Mattel employees, even while those individuals continued to be employed  
22 by Mattel. On the other hand, certain email communications evidence a lack of knowledge  
23 about the fact that Cabrera, Morales, and Salazar were performing work for MGA's benefit  
24 while still employed by Mattel. In one email, Larian lamented the high salary being paid to  
25 Marlow, which may suggest a lack of knowledge about Marlow's subsequent payments to  
26 Mattel's employees.

27         There is also evidence that MGA involved Bryant in the Bratz doll design project  
28 between September 1, 2000 and October 4, 2000, on which date Bryant signed his employment



1 contract with MGA. Bryant's non-disclosure of his inventions to Mattel may have violated the  
2 section of his Inventions Agreement requiring him to "communicate to the Company as  
3 promptly and fully as practicable all inventions." TX 25. Bryant's work on behalf of MGA may  
4 have violated paragraph 3 of the Inventions Agreement that states "[m]y employment with the  
5 Company requires my undivided attention and effort . . . I shall not, without the Company's  
6 express written consent, engage in any employment or business other than for the Company, or  
7 invest in or assist (in any manner) any business competitive with the business or future business  
8 plans of the Company." *Id.* There are genuine issues of material fact as to whether MGA  
9 suborned the breach of either of these provisions, the performance of which has no relation to  
10 the non-disclosure of trade secret information or the reproduction of copyrighted matter.

11 Mattel moves for summary judgment on some elements of the intentional interference  
12 with contractual relations counter-claim, which requires: "(1) a valid contract between plaintiff  
13 and a third party; (2) defendant's knowledge of the contract; (3) defendant's intentional acts  
14 designed to induce a breach or disruption of the contractual relationship; (4) actual breach or  
15 disruption of the contractual relationship; and (5) resulting damage." *Quelimane Co., Inc. v.*  
16 *Stewart Title Guaranty Co.*, 19 Cal.4th 26, 55 (1988) (quoting *Pacific Gas & Electric Co. v.*  
17 *Bear Stearns & Co.*, 50 Cal.3d 1118, 1126 (1990)).

18 Mattel argues that the undisputed facts establish that it had valid and enforceable  
19 contracts with Castilla, Cooney, Brawer, Cabrera, Morales, Salazar, Tumaliuan, and Bryant.  
20 MGA does not oppose Mattel's argument that it had valid and enforceable contracts with  
21 Cooney, Castilla, Cabrera, Morales, Salazar, and Tumaliuan. There are genuine issues of  
22 material fact as to whether Brawer was bound by Mattel's Code of Conduct, a document that  
23 does not contain his signature or other identifying information, and as to which he professed no  
24 knowledge during his deposition. *See* Proctor Dec., Ex. 358; Brawer Depo., Vol. I, at 91-95.

25 Mattel also argues that the undisputed evidence establishes that its former employees  
26 breached their contracts. However, there is a genuine issue of material fact on this issue.

27 First, Mattel argues that Cooney and Castilla failed to comply with a common provision  
28 in their Inventions Agreements requiring them to "deliver to the Company all tangible, written,

1 graphical, machine readable, and other materials (including all copies) in my possession or under  
2 my control containing or disclosing Proprietary Information.” The term “Proprietary  
3 Information” tracked UTSA’s definition of a trade secret. In light of the genuine issues of  
4 material fact as to whether any of the materials taken by Castilla and Cooney constituted trade  
5 secrets, Mattel’s motion is denied as to this issue.

6 Second, Mattel argues that Cabrera, Morales, and Salazar worked for MGA’s benefit  
7 while at Mattel. These employees, according to Mattel, breached their contractual duty to not  
8 “without the Company’s express written consent, engage in any employment or business other  
9 than for the Company, or invest in or assist (in any manner) any business competitive with the  
10 business or the future business of the Company.” Cabrera, Morales, and Salazar were not  
11 employed by *anybody* other than Mattel; they received payments from an independent contractor  
12 named Veronica Marlow. Mattel may argue that these individuals engaged in “business”  
13 competitive with Mattel, but the term “business” is ambiguous. It could refer to any activity that  
14 generates revenue for the individual, but it could also be read more restrictively to refer to a  
15 competitive enterprise, in which Cabrera, Morales, and Salazar were certainly not engaged.  
16 Neither party has presented extrinsic evidence capable of resolving the ambiguity, leaving this  
17 issue for the fact-finder to resolve.

18 Third, Mattel argues that its former intern, Tumaliuan, breached his contract with Mattel  
19 by working for MGA. Tumaliuan’s internship at Mattel commenced on May 19, 2003.  
20 However, Tumaliuan did not disclose to Mattel the fact that he had signed an employment  
21 agreement with MGA eleven months earlier, on June 10, 2002, and that his term of employment  
22 at MGA was ongoing; there had been no termination. Mattel argues that Tumaliuan’s conduct  
23 violated the Inventions Agreement’s requirement that he not “engage in any employment or  
24 business other than for the Company, or invest in or assist (in any manner) any business  
25 competitive with the business” of Mattel, without first obtaining Mattel’s written consent. The  
26 term “engage” is ambiguous. It could refer to the mere fact of an ongoing employment  
27 relationship, actively working for another company, or commencing a new employment  
28 relationship. Tumaliuan did not initiate a new employment relationship with MGA after he

1 started his internship with Mattel, and there is a genuine issue of material fact as to whether he  
2 actually worked for MGA while interning at Mattel. The parties have provided the Court with  
3 no extrinsic evidence to resolve the ambiguity, leaving this issue for the fact-finder to resolve.

4 There is a genuine issue of material fact as to whether MGA intentionally interfered with  
5 the Mattel employees' contracts. As discussed earlier, the evidence is ambiguous as to the  
6 alleged misappropriation of Mattel confidential information and MGA's role in such conduct.  
7 Moreover, MGA argues that it lacked knowledge about the contracts that bound Mattel  
8 employees, including Bryant, but the fact that MGA used contracts that contained similar forced  
9 disclosure, non-disclosure, and loyalty clauses may suggest MGA's recognition that the  
10 employees' alleged conduct was wrongful.

### 11 3. Conversion

12 Mattel's counter-claim for conversion alleges that MGA and Machado "wrongfully  
13 converted Mattel property and resources by appropriating and using them for their own benefit  
14 and gain and for the benefit and gain of others, without the permission of Mattel." 4AAC ¶ 193.  
15 The "property" allegedly converted included "such proper [sic] and materials that were created  
16 by Bryant while he was a Mattel product designer," other tangible "Bratz inventory," and finally  
17 "the [trade secret] documents, materials, designs, names, and other information" allegedly  
18 misappropriated by the departing Mattel employees. *Id.* ¶¶ 194-96.

19 UTSA supersedes this counter-claim to the extent it is based upon the misappropriation of  
20 Mattel's confidential information, whether or not that information rises to the level of a trade  
21 secret. First, as discussed above, allowing Mattel to claim that MGA and Machado converted  
22 non-trade secret confidential information undermines the California Court of Appeals' interest in  
23 redeeming UTSA's purpose of "provid[ing] 'unitary definitions of trade secret and trade secret  
24 misappropriation.'" *K.C. Multimedia*, 171 Cal. App. 4th at 957; *see also Silvaco*, 184 Cal. App.  
25 4th at 239 n. 22 ("We emphatically reject the [] suggestion that the uniform act was not intended  
26 to preempt 'common law conversion claims based on the taking of information that, though not a  
27 trade secret, was nonetheless of value to the claimant.'") (quoting *Cenveo v. Slater*, 2007 WL  
28 527720, at \*4 (E.D. Pa. 2007)). Second, a claim for conversion requires the existence of a

1 property right, and “information is not property unless some law makes it so.” *Silvaco*, 184 Cal.  
2 App. 4th at 239. Mattel cannot “identif[y] any property right” in its confidential information  
3 “outside of trade secrets law,” because no such property right exists under California law. *Id.*

4 MGA concedes that the counter-claim is not superseded to the extent it is based on the  
5 misappropriation of “tangible documents and things.” MGA MSJ at 31:2-3. The value of the  
6 documents, stripped of the information they contained, is probably *de minimis* depending on the  
7 quality of the paper stock used by Mattel. The Bratz sketches and sculpt may have more value.<sup>33</sup>

8 **4. Breach of Duty of Loyalty and Aiding and Abetting Breach of**  
9 **Duty of Loyalty**

10 Mattel alleges that Bryant and Machado breached their duties of loyalty to Mattel by  
11 “entering into agreements with a Mattel competitor [and] using Mattel property and resources for  
12 the benefit of, and to aid and assist, themselves personally and the competitor of Mattel” while  
13 still employed by Mattel. 4AAC ¶ 181. Mattel also alleges that MGAE and Larian aided and  
14 abetted Bryant’s breach of his duty of loyalty by enabling Bryant to breach his “obligation . . .  
15 not to compete with Mattel or assist a competitor of Mattel during the term of his employment  
16 [and] give preference to Mattel’s business over his own, similar interests or those of Mattel’s  
17 competitors during the course of his employment with Mattel.” *Id.* ¶ 187. Mattel alleges that  
18 MGAE and Larian enabled Mattel employees, including Brawer, Machado, Trueba, Vargas,  
19 Castilla, Contreras, Cooney, Cabrera, Morales, and Salazar, to breach their duties of loyalty,  
20 which required that they “not [] compete with Mattel or assist a competitor of Mattel during their  
21 Mattel employment.” *Id.* ¶ 188. The counter-claims for breach of duty of loyalty against Bryant  
22 and Machado, and aiding and abetting breach of duty of loyalty against MGAE and Larian, are  
23 based upon these allegations of misconduct.

24 For reasons discussed above, UTSA supersedes these counter-claims to the extent they  
25 are based upon Machado, Vargas, and Trueba’s misappropriation of Mattel’s information,

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26  
27 <sup>33</sup> MGA’s Copyright Act preemption argument is accordingly moot. A claim for  
28 conversion cannot recover the intellectual property (copyrights), only the underlying  
property.

1 whether or not that information qualifies as a trade secret. Mattel alleges the factual predicate  
2 for its counter-claim against Machado with generality, stating that he “aided, assisted and  
3 worked for a competitor of Mattel” while still employed by Mattel. 4AAC ¶ 181. Mattel  
4 elsewhere argues that Machado committed the following acts of wrongdoing:

5 stealing trade secrets, stealing other documents and property,  
6 misappropriating documents and information used for a presentation  
7 made to Larian, Park and Kuemmerle which disclosed confidential  
8 information, inducing a Mattel employee [Vargas] to assist him in  
9 preparing that presentation, inducing fellow employees [Vargas and  
10 Trueba] to joint [sic] him in stealing trade secrets and disclosing  
11 confidential information to a competitor of Mattel.

12 Mattel Opp’n to Machado MSJ at 31:14:20.

13 Excluding the improper acquisition, disclosure, or use of Mattel’s information from that  
14 list leaves behind a counter-claim based upon an allegation that Machado, Vargas, and Trueba  
15 misappropriated Mattel’s office supplies. Machado’s alleged inducement of Vargas to assist in  
16 preparing a presentation, as well as his alleged inducement of Vargas and Trueba to  
17 misappropriate Mattel’s information, form the basis for Mattel’s counter-claim for trade secret  
18 misappropriation against Machado. *See K.C. Multimedia*, 171 Cal. App. 4th at 961 (trade secret  
19 misappropriation includes “breach or inducement of a breach of a duty to maintain secrecy”).  
20 MGAE and Larian’s acts of aiding and abetting the misappropriation of Machado, as well as  
21 Vargas and Trueba whether independently or indirectly through Machado, forms the basis of  
22 Mattel’s trade secret misappropriation counter-claim against MGA. *Id.* UTSA supersedes the  
23 counter-claims for breach of duty of loyalty and aiding and abetting breach of duty of loyalty to  
24 the extent they are predicated upon the misappropriation of Mattel information.

25 The counter-claim for aiding and abetting breach of duty of loyalty is also superseded to  
26 the extent based upon the conduct of Brawer, Castilla, Contreras, and Cooney. There is no  
27 allegation, nor any evidence in the record, that these employees engaged in wrongdoing  
28 unrelated to the misappropriation of Mattel’s information. *See* 4AAC ¶¶ 64-85. MGAE and

1 Larian’s inducement of the employees’ disloyalty thus forms the basis for Mattel’s trade secret  
2 misappropriation counter-claim. *See K.C. Multimedia*, 171 Cal. App. 4th at 961.

3 UTSA’s supersessive effect on both counter-claims is minimal to the extent that the  
4 counter-claims concern Bryant’s conduct. Although Bryant’s disclosure of the Bratz fashion  
5 doll concept to MGA forms the basis of Mattel’s counter-claim for trade secret misappropriation,  
6 Mattel alleges that Bryant engaged in other misconduct, including, for example, directing the  
7 production of the first generation Bratz dolls while still employed by Mattel, engaging other  
8 Mattel employees to unknowingly work on the Bratz dolls, using Mattel’s physical resources to  
9 create a dummy doll for MGA, and working on other side projects for MGA. *See Mattel’s*  
10 *Statement of Genuine Issues in Response to MGA’s Statement of Uncontroverted Facts* ¶ 17.

11 Mattel moves for summary judgment on its breach of duty of loyalty counter-claim. Any  
12 Mattel employee “who has business to transact on his own account, similar to that intrusted to  
13 him by [Mattel], shall always give the preference to the business of the employer.” Cal. Labor  
14 Code § 2863. California courts refer to the obligation owed by an agent to its principal, or an  
15 employee to the employer, as one that requires the employee’s “undivided loyalty.” *Fowler v.*  
16 *Verizon Associates, Inc.*, 196 Cal. App. 3d 34, 41 (1987). The evidence concerning Castilla,  
17 Cooney, Contreras, Machado, Trueba, and Vargas is limited to the misappropriation of Mattel  
18 confidential information, so this counter-claim is superseded by UTSA to the extent predicated  
19 upon the conduct of these employees. Moreover, it is undisputed that Machado, Vargas, and  
20 Trueba were not employees of Mattel and Mattel Mexico, as Mattel’s counsel seemed to  
21 recognize at the hearing on these motions. These individuals owed no section 2863 duties to  
22 either of the counter-claimants.

23 There is a genuine issue of material fact as to whether Tumaliuan was a Mattel employee,  
24 since the orientation form he completed identified him as an “intern” making \$10 per hour. And  
25 there are genuine issues of material fact as to whether the remaining employees identified by  
26 Mattel — Bryant, Salazar, Cabrera, and Morales — breached these duties to Mattel. MGA is  
27 correct that none of these individuals were barred from seeking secondary employment,  
28 however, “California law does not authorize an employee to transfer his loyalty to a competitor.”

1 *Huong Que, Inc. v. Luu*, 150 Cal. App. 4th 400, 414 (2007). Not only are there genuine factual  
2 disputes about the timing of the employees' work, the extent of their knowledge about their  
3 conduct, and the import of their work to the Bratz product released by MGA.

4 There is a genuine issue of material fact as to whether MGA aided and abetted the alleged  
5 breaches of the employees' duties of loyalty. Larian's email to other MGA employees  
6 complaining about the amounts paid to Marlow suggests a lack of knowledge about the conduct  
7 of Cabrera, Morales, and Salazar. On the other hand, Marlow's letter to MGA declining to  
8 accept a permanent position of employment with the company suggests a shared and long-  
9 standing understanding that Cabrera, Morales, and Salazar contributed to the designs of the  
10 Bratz fashions. Moreover, and as to the alleged theft of trade secrets, MGA consistently  
11 instructed its incoming employees to honor their commitments to Mattel (and all other former  
12 employers), but the frequency of the thefts, Larian's close involvement in the affairs of MGA,  
13 and the very targeted recruitment of Mattel employees could lead a reasonable fact-finder to  
14 conclude otherwise. Finally, as to Tumalian, MGA notes that it did not use his resources during  
15 his internship at Mattel, however, internal MGA emails recognize his dual loyalties to MGA and  
16 Mattel.

## 17

### 18 **5. Unfair Competition**

19 Mattel alleges MGA and Bryant engaged in unfair competition in violation of Cal. Bus. &  
20 Prof. Code § 17200, *et seq.*, by committing "commercial bribery of Bryant . . . and  
21 misappropriation of trade secrets," though the counter-claim incorporates by reference all earlier  
22 allegations. 4AAC ¶¶ 201-204. The counter-claim is superseded to the extent it is based upon  
23 the misappropriation of Mattel's information. *See K.C. Multimedia*, 171 Cal. App. 4th at 961.  
24 MGA does not argue that the UTSA otherwise supersedes this counter-claim.

### 25 **V. Statutes of Limitations**

26 Both parties move for summary judgment on the timeliness of Mattel's counter-claims.  
27 For the purposes of measuring the statute of limitations, two dates are important: (1) the date on  
28 which the statute of limitations for each counter-claim began to run; and (2) the pleading to

1 which Mattel's counter-claims relate back.

2 **A. Relation Back and Date of Filing**

3 Mattel filed its original pleading against Bryant on April 27, 2004, and moved for leave to  
4 file an amended pleading substituting MGAE, Larian, and MGA HK for the Doe defendants on  
5 November 20, 2006. The district court denied Mattel's request, but directed Mattel to file its  
6 claims as counter-claims to MGA's complaint, holding that Mattel's counter-claims against  
7 MGAE, Larian, and MGA HK related back to the date of its complaint against Bryant. Though  
8 this ruling was erroneous, it caused no prejudice to MGA, since it is clear that Mattel's request  
9 for leave to amend its complaint against Bryant would have been granted if the district court had  
10 been aware of the general rule that Rule 15(c) "by its terms, only applies to the amended  
11 pleadings in the same action as the original, timely, pleading." *Bailey v. Northern Ind. Pub.*  
12 *Serv. Co.*, 910 F.2d 406, 413 (7th Cir. 1990); *cf. Marcoux v. Shell Oil Prods. Co. LLC*, 524 F.3d  
13 33, 38 (1st Cir. 2008) (holding that district court did not commit *prejudicial* error by allowing  
14 relation back to pleading in separate action), *aff'd in part and rev'd in part on other grounds*,  
15 *Mac's Shell Service, Inc. v. Shell Oil Prods. Co. LLC*, 130 S.Ct. 1251 (2010). The law of the  
16 case doctrine demands that the district court's decision be left undisturbed. *Moore v. James H.*  
17 *Matthews & Co.*, 682 F.2d 830, 833-34 (9th Cir. 1982). Mattel's identification of the Bratz  
18 concept as a trade secret must as a matter of basic equity relate back to the original complaint  
19 against Bryant as well, since it "arose out of the conduct, transaction, or occurrence," — *i.e.*,  
20 Bryant's disclosure of the Bratz concept to MGA — "set out [] in the original pleading." Fed. R.  
21 Civ. P. 15(c). To the extent Mattel's surviving counter-claims for copyright infringement,  
22 breach of contract, intentional interference with contractual relations, misappropriation of trade  
23 secrets, breach of duty of loyalty, and aiding and abetting breach of duty of loyalty, concern the  
24 Bratz works and Bryant's work for MGA, those counter-claims are deemed to have been filed on  
25 April 27, 2004 pursuant to the law of the case doctrine.

26 Neither MGA nor Mattel make any arguments about the filing date of Mattel's allegations  
27 concerning the conduct of other employees like Brawer, Cooney, Contreras, Castilla, Machado,  
28 Vargas, Trueba, Cabrera, Morales, and Salazar.



1                   **B.     Applicable Statutes of Limitations**

2                   Mattel’s counter-claim for trade secret misappropriation must have been brought “within  
3 three years after the misappropriation is discovered or by exercise of reasonable diligence should  
4 have been discovered.” Cal. Civ. Code § 3426.6. “[A] continuing misappropriation constitutes  
5 a single claim.” *Id.* However, contrary to MGA’s argument, subsequent acts of trade secret  
6 misappropriation by *other* Mattel employees aren’t the type of “continuing misappropriation”  
7 contemplated by the statute:

8                   The underlying principle appears to be that once plaintiff knows or  
9 should know that a defendant who once was trusted has shown, by  
10 any act of misappropriation, that he cannot be trusted, plaintiff  
11 should know that there is a risk that defendant will commit  
12 additional acts of misappropriation, whether they involve repeated  
13 misappropriations of one trade secret or initial misappropriations of  
14 other confidences.

15 *Intermedics, Inc. v. Ventritex, Inc.*, 822 F. Supp. 634, 653-54 (N.D. Cal. 1993).

16                   “A plaintiff is under a duty to reasonably investigate, and a suspicion of wrongdoing,  
17 coupled with a knowledge of the harm and its causes, commences the limitations period.” *Snapp*  
18 *& Associates Insurance Services, Inc. v. Malcolm Bruce Burlingame Robertson*, 96 Cal. App.  
19 4th 884, 891 (2002).

20                   Mattel’s counter-claim for copyright infringement must have been brought “within three  
21 years after the claim accrued.” 17 U.S.C. § 507. A claim for copyright infringement accrues  
22 “when one has knowledge of a violation or is chargeable with such knowledge.” *Roley v. New*  
23 *World Pictures, Ltd.*, 19 F.3d 479, 481 (9th Cir. 1994).

24                   Mattel’s counter-claim for conversion must have been brought within three years of the  
25 theft, though the statute of limitations period is tolled “only for that period during which the  
26 claim is undiscovered by plaintiff or until such time as plaintiff, by the exercise of reasonable  
27 diligence, should have discovered it.” *Jolly v. Eli Lilly & Co.*, 44 Cal.3d 1103, 1111 (1988).

28 “So long as a suspicion exists, it is clear that the plaintiff must go find the facts; she cannot wait

1 for the facts to find her.” *Id.*

2 Mattel’s counter-claim for a violations of Cal. Bus. & Prof. Code § 17200 must have been  
3 brought “within four years after the cause of action accrued.” Cal. Bus. & Prof. Code § 17208.

4 Mattel’s state law counter-claims grounded in tort, including its counter-claims for breach  
5 of duty of loyalty, aiding and abetting breach of duty of loyalty, and intentional interference with  
6 contractual relations must have been brought within two years of the alleged wrongdoing. Cal.  
7 Code Civ. Proc. § 339(1). Mattel’s counter-claim for breach of contract must have been brought  
8 within four years of the alleged breach. Cal. Code Civ. Proc. § 337.

9 Mattel’s counter-claim for a violation of the Racketeer Influenced and Corrupt  
10 Organizations Act must have been brought within four years. *Pincay v. Andrews*, 238 F.3d  
11 1106, 1108 (9th Cir. 2001). This limitations period restarts with the commission of “[1] a new  
12 and independent act that is not merely a reaffirmation of a previous act” that [2] inflicts “new  
13 and accumulating injury on the plaintiff.” *Grimmett v. Brown*, 75 F.3d 506, 513 (9th Cir. 1996)  
14 (emphasis removed).

15 **D. Date of Accrual**

16 **1. Background Facts**

17 Before there was Bratz, there was Diva Starz, a line of big-headed dolls released by  
18 Mattel in early 2000, nearly nine months before Bryant left Mattel for MGA. Mattel considered,  
19 but ultimately decided against, the name “Brats” for a miniature version of the Diva Starz doll  
20 line, though there is a genuine issue of material fact as to whether Bryant was exposed to the  
21 word “Brats.” *See* Deposition of Kislap Ongchanco, dated April 24, 2007, at 232.

22 Before he discussed Bratz with MGA on September 1, 2000, Bryant solicited other Mattel  
23 employees to help create the concept Bratz sketches and sculpts. Bryant continued to use other  
24 Mattel employees’ resources between the September meeting and his October 19, 2000  
25 resignation. On the date he resigned, Bryant declined to identify his next destination and his exit  
26 interview form cryptically stated that an “opportunity arose [and he] had to take it.” MGA UF  
27 811. Mattel’s former Marketing Director, with whom Bryant worked, recalls that she didn’t  
28 believe that Bryant was telling her the full story about the reasons for his resignation from

1 Mattel. Deposition of Mattel 30(b)(6) Jill Nordquist, dated July 31, 2007, at 133. She also  
2 recalled that “[a]round the time that Bratz launched in [] the summer of 2001” some Mattel  
3 employees who worked in the company’s Design Center discussed Bryant’s “work[] at MGA on  
4 Bratz.” *Id.* at 186:3-14. There is no evidence that any of these employees discussed or even  
5 suspected that Bryant either conceived Bratz, or created the Bratz concept works, during or  
6 before his employment with Mattel.

7 Mattel was initially concerned that MGA’s Bratz dolls infringed its line of Diva Starz  
8 dolls or another unreleased product line named Toon Teens. Declaration of Warrington Parker,  
9 Ex. 47 (Mattel internal report stating that Bratz “bear[] significant resemblance to Diva Starz in  
10 both appearance and attitude”). Mattel never attempted to litigate these claims, though in early  
11 2002, the company’s legal department opened an official investigation file on the basis of  
12 “[i]nformation received from Design Center staff, Evelyn Viohl and Ivy Ross that MGA  
13 Entertainment, headed by a person known as Isaac Larian has recently hired a number of former  
14 Matel [sic] employees and is manufacturing products that appear to be Mattel designs.” TX  
15 1195RS-002. The opening of the investigation file followed a telephone conference call  
16 between the head of Mattel’s security department and two Mattel employees, in which he  
17 essentially learned that “Bryant while at MGA created Bratz and in doing so infringed on the  
18 copyright of . . . Tune [sic] Teens to create Bratz.” Deposition of Richard DeAnda, dated  
19 December 19, 2007, at 173. Mattel looked into the extent of Bryant’s exposure to the Toon  
20 Teens line during his time as a Mattel employee.

21 On August 5, 2002, Mattel’s Chief Executive Officer Robert Eckert received an  
22 anonymous letter that stated: “In 2000 a Mattel employee by the name of Carter Bryant was  
23 working with Mattel to design dolls. One of the dolls that he was working on creating was the  
24 Bratz dolls. MGA Entertainment found out about his creation and approached him . . .” Ex.  
25 6302 to MGA MSJ. The letter found its way to the head of Mattel’s security department, who  
26 discussed its contents in a subsequent communication to Mattel’s Vice President of Human  
27 Resources: “I’m aware of this situation and have been working on it for several months. My  
28 frustration in this matter was the genesis of [REDACTED] that is now in the hands of Robert

1 Normile. The truth of the matter is that Carter Bryant did work for Mattel . . .” Ex. 6302 to  
2 MGA MSJ. Nearly seven months later, on July 18, 2003, Eckert read a Wall Street Journal  
3 article that identified Bryant as the creator of the Bratz line of dolls. At least once prior to that  
4 date, Larian had publicly identified himself, and not Bryant, as “the inspiration behind the Bratz  
5 dolls.” Proctor Dec., Ex. 127.

## 6 **2. Prior Rulings**

7 Before the phase 1 trial, the district court issued several rulings concerning the timeliness  
8 of Mattel’s claims and counter-claims. Following a consideration of some, though not all, of the  
9 evidence discussed above, the district court ruled that (1) Mattel’s claims against MGA related  
10 to Bryant and the theft of the Bratz dolls accrued on July 18, 2003, the date on which the Wall  
11 Street Journal article identifying Bryant as the creator of Bratz was published; and (2) Mattel’s  
12 copyright infringement claim did not accrue prior to November 20, 2003, on which date “Mattel  
13 [first] receive[d] copies of the Bratz drawings.” Dkts. 3826 & 3902.

## 14 **3. Disposition**

15 Though MGA raises specific challenges to the timeliness of Mattel’s counter-claims to  
16 the extent that those counter-claims relate to Bryant’s conduct and the disclosure of the Bratz  
17 concept to MGA, it makes no specific argument arguments about the timeliness of Mattel’s  
18 allegations about its *other* former employees. MGA instead generally argues that (1) counter-  
19 claims related to Mattel’s other employees are superseded by the UTSA; and (2) Mattel’s  
20 counter-claim for trade secret misappropriation describes a “continuing misappropriation”  
21 subject to a statute of limitations that accrued when Mattel should have known about Bryant’s  
22 disclosure of the Bratz trade secret. This argument is both erroneous because, as discussed  
23 above, “continuing misappropriation” refers to multiple acts by *one* individual and not, as here,  
24 many other employees. For example, there’s no reason that Bryant’s alleged misappropriation of  
25 the Bratz trade secret would have allowed Mattel to envision Castilla’s future conduct. Mattel’s  
26 motion for summary judgment as to the timeliness of its non-Bratz allegations is granted.

27 The law of the case doctrine ordinarily requires adherence to the district court’s earlier  
28 rulings about the timeliness of Mattel’s Bratz-related counter-claims. However, there is no

1 reason why a fact-finder should not be able to evaluate whether new evidence produced after the  
2 phase 1 proceedings points to a contrary conclusion. *See Minidoka Irrigation Dist. v. Dep't of*  
3 *Interior of U.S.*, 406 F.3d 567, 573 (9th Cir. 2005) (recognizing exception to law of the case  
4 doctrine where “substantially different evidence was adduced at a subsequent trial”). For  
5 example, since the phase 1 proceedings, Mattel has produced a redacted version of an outside  
6 consultant’s report that may suggest Mattel’s suspicions about the timing of Bryant’s creation of  
7 the Bratz sketches and sculpt. Mattel’s selective redaction gives greater context to DeAnda’s  
8 communication with Kaye, to which the prior district court granted minimal weight. Moreover,  
9 Mattel has left for phase 2 its counter-claim for trade secret misappropriation based on the  
10 alleged misappropriation of the Bratz concept. There is no reason that the prior district court’s  
11 rulings should bind the fact-finder in this case from evaluating the timeliness of an allegation,  
12 especially when the timeliness of that allegation *was not before the prior district court*.

## 13 VI. Trade Dress Infringement and Trade Dress Dilution

14 MGA claims that Mattel’s sale of three doll products in a type of trapezoidal packaging  
15 already used by MGA, as well as Mattel’s sale of the Wee 3 Friends doll in a heart shaped  
16 packaging used by MGA’s 4-Ever Best Friends doll, constituted trade dress infringement in  
17 violation of 15 U.S.C. § 1125(a); and trade dress dilution in violation of 15 U.S.C. § 1125(c) and  
18 Cal. Bus. & Prof. Code § 14330. MGA is the owner of registered trademarks in (1) a transparent  
19 trapezoidal box; and (2) “a three-dimensional configuration of an isosceles trapezoid cardboard  
20 box with the top and bottom being parallel to each other and the non-parallel sides being of  
21 equal length.” Exs. 10 & 11 to MGA’s Request for Judicial Notice. MGA withstood the  
22 USPTO’s initial rejection of its trademark applications by arguing that (1) the trade dress was  
23 non-functional because it used more surface area; and (2) the trade dress was non-distinctive as  
24 it was “a unique innovation in the toy industry in general and the fashion doll category in  
25 particular” at the time of its introduction. *Id.* Since the evidence contradicts MGA’s statements  
26 to the USPTO, MGA’s registrations are not entitled to the Court’s deference. *Wells Fargo &*  
27 *Co. v. Stagecoach Properties, Inc.*, 685 F.2d 302, 306 (9th Cir. 1982).

### 28 A. Trade Dress Infringement

1 To prevail on its claim for trade dress infringement MGA must show that “(1) the trade  
2 dress is inherently distinctive or has acquired distinctiveness through secondary meaning;  
3 (2) there is a likelihood that the public will be confused by the infringing use; and (3) the trade  
4 dress is non-functional.” *Stephen W. Boney, Inc. v. Boney Servs., Inc.*, 127 F.3d 821, 828 (9th  
5 Cir. 1997).

### 6 1. Distinctiveness

7 MGA’s asserted trade dress is not inherently distinctive and has not acquired  
8 distinctiveness through secondary meaning. “If a mark is inherently distinctive it need not be  
9 shown to also have a secondary meaning.” *Int’l Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d  
10 819, 824 (9th Cir. 1993). The predominant test for inherent distinctiveness asks whether “(1) the  
11 design or shape is a common, basic shape or design; (2) it was unique or unusual in a particular  
12 field; and (3) it was a mere refinement of a commonly-adopted and well-known form of  
13 ornamentation for a particular class of goods which consumers view as mere ornamentation.” 1  
14 McCarthy on Trademarks and Unfair Competition § 8:13 (4th ed. 2010) (citing *Seabrook Foods,*  
15 *Inc. v. Bar-Well Foods, Ltd.*, 568 F.2d 1342 (C.C.P.A. 1977)). In other words, if “the trade dress  
16 is of such an unusual design that a buyer will immediately rely on it to differentiate the source of  
17 the product,” then it is inherently distinctive. *Id.* “[A] product’s trademark or trade dress  
18 acquires a secondary meaning when the purchasing public associates the mark or dress with a  
19 single producer rather than with the product itself.” *Int’l Jensen, Inc.*, 4 F.3d at 823. Unlike  
20 inherent distinctiveness, “secondary meaning is a learned association” between the producer and  
21 the packaging, or “an ‘acquired distinctiveness.’” *Id.* (quoting *Two Pesos, Inc. v. Taco Cabana,*  
22 *Inc.*, 505 U.S. 763, 769, 112 S.Ct. 2753 (1992)). “While evidence of a manufacturer’s sales,  
23 advertising and promotional activities may be relevant in determining secondary meaning, the  
24 true test of secondary meaning is the effectiveness of this effort to create it.” *Id.*

#### 25 (a) Trapezoidal Packaging

26 It cannot be disputed that toys, and even dolls, have been sold in trapezoids for decades.  
27 *See, e.g., Ideal Toy Corp. v. Kenner Prods. Div. of General Mills Food Group, Inc.*, 443 F. Supp.  
28 291, 297 (S.D.N.Y. 1977) (analyzing “action figures . . . sold in virtually identical . . .

1 trapezoidal box contain[ing] an arch-like opening through which the full figure may be  
2 viewed”). A trapezoid is the sort of intuitive, “ordinary geometric shape” that courts generally  
3 “regard[] as non-distinctive and protectable only upon proof of secondary meaning.” *Wiley v.*  
4 *Am. Greetings Corp.*, 762 F.2d 139, 142 (1st Cir. 1985). MGA quotes an internal Mattel  
5 document that lauds the “unique” and “innovative” “pyramid shape packaging” in which the  
6 Bratz dolls are sold, but conveniently omits the rest of the quoted section of the document, which  
7 makes clear that the words “unique” and “innovative” do not refer to the “pyramid” shape, but to  
8 other aspects of the packaging; specifically: “[1] consistent line look with illustrations [2]  
9 embellish collector packaging with soft goods [and 3] color focus: raspberry and dark blue.” Ex.  
10 1812A to MGA MSJ. MGA does not limit its asserted trade dress to a trapezoidal package with  
11 any of the features listed in Mattel’s document, or even to a specific color. Trapezoidal  
12 packaging standing alone is not an unusual design and is not inherently distinctive.

13 Nor has the trapezoidal packaging used to house MGA’s Bratz dolls acquired  
14 distinctiveness through secondary meaning. Other than its trademark registrations, which were  
15 obtained after it made the representation to the USPTO that trapezoidal packaging was unique in  
16 the fashion doll segment of the toy industry, as well as the toy industry in general, MGA cites to  
17 a 62 page assortment of advertisements and articles about the Bratz doll, many of which depict  
18 the dolls in trapezoidal packaging. *See* Declaration of Ninette Pembleton, Exs. A-K. None of  
19 these articles or advertisements refer to the dolls’ trapezoidal packaging. *Cf. International*  
20 *Jensen, Inc.*, 4 F.3d at 823 (“Prestone, for instance, perhaps could have created meaning by  
21 urging consumers to look for the ‘familiar yellow jug.’”); *First Brands Corp. v. Fred Meyer,*  
22 *Inc.*, 809 F.2d 1378, 1383 (9th Cir. 1987) (“Carbide did not attempt to engender consumer  
23 identification with the yellow, F-style jug. It did not, for example, urge consumers to look for  
24 the ‘familiar yellow jug.’”). In the dozens of articles discussing the innovative qualities of Bratz,  
25 not a word appears about the trade dress itself. One of the article’s authors claimed that a 7 year  
26 old girl, one of the members of the product’s target market, remarked that “Bratz are cool. I am  
27 into fashion.” Pembleton Dec., Ex. A at 7. Moreover, many of the Bratz dolls sold by MGA  
28 were not housed in trapezoidal packaging. *See, e.g., id.* at 5 (displaying rectangular packaging).

1 MGA responds by citing the success of its Bratz line as evidence that the trapezoidal packaging  
2 that housed the dolls must have acquired secondary meaning, but this argument “cannot stand  
3 alone. To find otherwise would provide trade dress protection for any successful product or for  
4 the packaging of any successful product.” *Yankee Candle Co., Inc. v. Bridgewater Candle Co.*,  
5 259 F.3d 25, 44 (1st Cir. 2001). McDonalds can’t stop other fast food manufacturers from  
6 selling food in paper bags and Scotch can’t stop other manufacturers of office products from  
7 using circular tape dispensers. MGA has failed to provide any evidence that its trapezoidal  
8 packaging acquired distinctiveness through secondary meaning.

9 (b) 4-Ever Best Friends

10 MGA’s 4-Ever Best Friends packaging, which consists of a window through which  
11 multiple dolls can be viewed, the brand name displayed halfway down the middle of the  
12 packaging, and a decorative handle, is not inherently distinctive either. The heart is a “common,  
13 basic shape, similar to a geometrical design.” *Wiley v. Am. Greetings Corp.*, 762 F.2d 139, 142  
14 (1st Cir. 1985) (quotation marks and citation omitted). The product’s use of a handle is  
15 unremarkable as well as obviously functional (for reasons discussed below). MGA responds that  
16 its trade dress includes a product name composed of a numeral and the word “friends,” citing to  
17 a Mattel report that characterized MGA’s packaging as a “unique structure that accentuates the  
18 two dolls and unique positioning.” TX 15737-001. It’s difficult to know of which elements, or  
19 combination of elements, of MGA’s trade dress this statement refers, and its relevance to the  
20 present inquiry is therefore highly limited. Moreover, as explained below, the document’s  
21 reference to the functionality of the packaging evidences the infirmity of MGA’s trade dress  
22 claim.

23 Nor did MGA’s 4-Ever Best Friends packaging acquire distinctiveness through secondary  
24 meaning, because it hadn’t even been released to market at the time Mattel allegedly began  
25 planning the Wee 3 Friends line of dolls. MGA notes that its advertising of 4-Ever Best Friends  
26 started in early to mid 2004, when the product was marketed as a direct alternative to Mattel’s  
27 line of Barbie dolls. Ex. 11244 to MGA MSJ. There is no evidence that MGA was able to build  
28 an association in the minds of consumers between any of the elements of its asserted trade dress



1 — heart shaped packaging, a handle, the use of a number and the word “friends,” and “themed  
2 accessories and mix-and-match outfits” — through its limited advertising campaign *before the*  
3 *product was even launched. Cf. Citizens Banking Corp. v. Citizens Fin. Group, Inc.*, 2008 WL  
4 1995104, at \*4 (E.D. Mich. May 6, 2008) (“To establish secondary meaning, the duration of a  
5 mark’s use must be more than ‘a relatively short period.’ . . . Plaintiff’s presence in some of the  
6 nine county area is much more recent and of much shorter duration than its general presence in  
7 Michigan.”) (citing *Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc.*, 871 F.2d  
8 590, 596 (6th Cir. 1989)). MGA’s heart shaped packaging for dolls with names composed of a  
9 number and the word friends did not acquire secondary meaning because it didn’t even exist  
10 when Mattel started selling its allegedly infringing products.

## 11 2. Functionality

12 “A trademark or trade dress is functional if it is essential to the product’s use or purpose  
13 or if it affects the cost or quality of the article.” *Int’l Jensen, Inc.*, 4 F.3d at 823. There is a two  
14 step test for functionality. The court must first determine whether the alleged trade dress is  
15 “essential to the use or purpose of the article [or] affects [its] cost or quality.” *Au-Tomotive*  
16 *Gold, Inc. v. Volkswagen of America, Inc.*, 457 F.3d 1062, 1072 (9th Cir. 2006) (quoting *TrafFix*  
17 *Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 32-33, 121 S.Ct. 1255 (2001)). The court  
18 must alternatively inquire into the “aesthetic functionality” of the alleged trade dress: “whether  
19 protection of the feature as a trademark would impose a significant non-reputation-related  
20 competitive disadvantage.” *Id.*

### 21 (a) Trapezoidal Packaging

22 MGA adopted its trapezoidal packaging for an expressly functional purpose. MGA’s  
23 30(b)(6) designee explained that:

24 The concept for the trapezoidal packaging started with the idea that,  
25 if you’ve got a doll product, you want to – you want to feature that in  
26 some way when it’s on the store shelf. And – one way that you can  
27 highlight or – or spotlight something is by putting a light on it. And,  
28 unfortunately, it was explained to me, putting a light in a box that

1 shines down on the product, is rather expensive. But what does that  
2 light really create? The light shines down, if you imagine a  
3 spotlight, just a point of light shining down, it creates that  
4 trapezoidal, triangular shape. And it's that shape that was the  
5 inspiration to create a spotlight or a unique way to feature the  
6 product that ultimately evolved into the final packaging.

7 Deposition of MGA Entertainment, Inc. (Samir Khare) at 500-503.

8 Larian also admitted that MGA chose its trapezoidal packaging because it, *inter alia*,  
9 “had light to show the product, which was inside, which we thought was beautiful, the fashions,  
10 the hair, et cetera.” Deposition of Isaac Larian, dated April 12, 2010, Vol. VIII, at 2216-2219.  
11 MGA now attempts to disavow its corporate designee and Chief Executive Officer's testimony  
12 with self-serving declarations about instances in which the trapezoidal packaging may  
13 “typically” fail to achieve its intended purpose of maximizing light flow to the product contained  
14 within the package. *See* Declaration of Paula Garcia in Support of MGA's Opp'n to Mattel MSJ  
15 ¶ 11. Even though the illuminating benefits of a trapezoidal package may not be realized when,  
16 for example, the package is located between two shelves, that doesn't reduce the potential  
17 functional value of the package. *Au-Tomotive*, 457 F.3d at 1072 (holding that key question in  
18 functionality analysis is whether asserted trade dress “add[s] to the quality of the products”).  
19 The package's sloped sides allow light to flow outwards and downwards in the direction of the  
20 product, and MGA has offered no evidence to rebut its own prior admissions on this point.

21 MGA points to certain disadvantages of trapezoidal packaging, including the fact that it  
22 requires “more surface area than a rectangular package,” and “creates a larger footprint on store  
23 shelves,” resting both illogical arguments on its employee's declaration. No reasonable fact-  
24 finder could conclude that MGA would have needed to use *less* packaging material if it sold its  
25 products in rectangular boxes: the trapezoidal boxes used by MGA were filled to capacity in  
26 order to fit the product and its accessories into the same package. *See* Pembleton Dec., Ex. A.  
27 More importantly, a product feature need not have a “superior utilitarian advantage” in order to  
28 be functional. *Disc Golf Ass'n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002, 1007 (9th Cir.

1 1998). Toy manufacturers may ultimately conclude that the illuminating functions of the  
2 trapezoidal package are outweighed by the disadvantages cited by MGA, but the trade dress still  
3 has functional qualities.

4 Trapezoidal packaging is also aesthetically functional. As the Ninth Circuit has  
5 acknowledged, “a box shape or certain uses of color” constitutes a “true aesthetically functional  
6 feature.” *Au-Tomotive*, 457 F.3d at 1072. MGA argues that Mattel has cited to no evidence that  
7 consumers are attracted to the trapezoidal packages that house the Bratz dolls, but it is MGA’s  
8 burden to prove the non-functionality of its asserted trade dress. *See Sega Enters. Ltd. v.*  
9 *Accolade, Inc.*, 977 F.2d 1510, 1530 (9th Cir. 1993).

10 (b) 4-Ever Best Friends

11 The 4-Ever Best Friends packaging was functional because it allowed consumers to see  
12 multiple dolls through the same viewing window. One of MGA’s designers admitted that the 4-  
13 Ever Best Friends packaging was tailored to improve “storage and portability,” which she  
14 characterized as the packaging’s “dual *function* . . . it would act as a way to hold your dolls so  
15 that you could carry it with you if you went to your friend’s house.” Garcia Depo. at 1522.  
16 MGA’s witness further testified that the packaging accomplished these functional goals through  
17 a front panel that could be lowered to “expose the dolls. And when done, you would pull the  
18 front panel back up to close it.” *Id.* at 1523.

19 MGA’s packaging was also aesthetically functional. Heart shape was identified as a  
20 prototypical example of aesthetically functional packaging by the 1938 Restatement of Torts, to  
21 which the doctrine can be traced. *See Au-Tomotive Gold, Inc.*, 457 F.3d at 1068 (“Two  
22 examples of products with aesthetic functional features were offered with very little comment –  
23 a heart-shaped candy box and a distinctive printing typeface.”). The fact that the design  
24 attracted so much attention *even before the product was released to market* only evidences its  
25 aesthetic functionality. *See Wiley v. American Greetings Corp.*, 762 F.2d 139 (1st Cir. 1985)  
26 (heart shape of packaging enhanced value of product independent of its source-identifying  
27 function because it was aesthetically pleasing to children).

28 **3. Likelihood of Consumer Confusion**

1 The Ninth Circuit examines eight factors to determine the likelihood of confusion: (1) the  
2 strength of the trade dress; (2) the proximity or relatedness of the two goods; (3) the marks'  
3 similarity in appearance, sound, and meaning; (4) evidence of actual confusion; (5) the degree to  
4 which the parties' marketing channels converge; (6) the type of goods and the degree of care  
5 customers are likely to exercise in purchasing them; (7) evidence of defendants' intention in  
6 selecting and using the allegedly infringing mark; and (8) the likelihood that the parties will  
7 expand their product lines. *AMF Inc. v. Sleekcraft Boots*, 599 F.2d 341, 349 (9th Cir. 1979).

8 (a) Strength of the Marks

9 The strength of a mark rests on its distinctiveness, which is "related to the question of  
10 secondary meaning." *Aurora World, Inc. v. TY Inc.*, CV 09-08463 MMM (Ex), 2009 WL  
11 6617192, at \*30 (C.D. Cal. Dec. 15, 2009). MGA has pointed to no evidence that its trapezoidal  
12 packaging obtained any distinctiveness and that consumers built an association between MGA  
13 and trapezoidal packaging. Although advertisements for MGA's products featured the products'  
14 packaging, MGA did not independently advertise the shape of its packaging, and MGA sold its  
15 products in other types of packaging, which diminished any automatic association developed by  
16 consumers. MGA has also failed to point to any evidence that its 4-Ever Best Friends heart  
17 shaped packaging built an association in the minds of consumers, an inherently unbelievable  
18 proposition in light of the fact that MGA hadn't released its product to market at the time that  
19 Mattel allegedly infringed the trade dress.

20 (b) Proximity or Relatedness of Goods

21 The proximity or relatedness of goods is relevant to determine whether the products "are  
22 likely to be connected in the mind of a prospective purchaser." *Fleischmann Distilling Corp. v.*  
23 *Maier Brewing Co.*, 314 F.2d 149, 159 (9th Cir. 1963). The Bratz doll is a fashion doll and  
24 MGA alleges that Mattel sold its fashion dolls in the same type of packaging. The goods are  
25 often sold through the same major retailers, like Toys 'R Us and WalMart and, sometimes, even  
26 on the same shelves. It's possible that the Bratz dolls and Mattel's fashion dolls belong to  
27 different sub-categories of the fashion doll market, but neither party has identified any such sub-  
28 categories, nor does the evidence show this to be the case. The Court accordingly finds no

1 genuine issue of material fact as to whether the goods are related and proximate. *Cf. Aurora*  
2 *World, Inc.*, 2009 WL 6617192, at \*31 (“Both Ty and Aurora market small plush toys . . . It is  
3 likely, therefore, that this factor will weigh in favor of a finding of a likelihood of confusion.”).

4 (c) Similarity of the Marks

5 Mattel’s allegedly infringing packaging isn’t particularly trapezoidal; the bases are only  
6 barely wider than the top. Mattel’s packaging comes in different color schemes, uses different  
7 fonts, uses different display windows, and most critically, clearly display the product names in  
8 large, prominently placed letters all around the package, including on the front of the package.  
9 The presence of these names all over the package “goes far to eliminate confusion of origin.”  
10 *Bose Corp. v. Linear Design Labs, Inc.*, 467 F.2d 304, 309 (2d Cir. 1972).

11 MGA responds that consumers may still suffer from “initial interest confusion,” which  
12 occurs when an alleged infringer draws consumers to its products through the use of another’s  
13 trade dress, “even though no actual sale is finally completed,” *Brookfield Comm’ns, Inc. v. West*  
14 *Coast Entm’t Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999), as well as “reverse confusion,” which  
15 occurs when “consumers doing business with the senior user might mistakenly believe they are  
16 dealing with the junior user.” *Dreamwerks Production Group, Inc. v. SKG Studio*, 142 F.3d  
17 1127, 1130 (9th Cir. 1998). But the *Sleekcraft* test measures this sort of confusion, and the fact  
18 that Mattel’s product names appear in large, colored lettering that can be viewed from a distance  
19 leaves no issue of material fact as to whether the trade dress is similar. *See Sleekcraft*, 599 F.2d  
20 at 351 (“Similarity of the marks is tested on three levels; sight, sound, and meaning.”). MGA’s  
21 30(b)(6) designee in fact admitted “I would be surprised if someone who could read or had  
22 knowledge of what a Barbie looked like was holding [Mattel’s product] in their hands and  
23 mistook it for a Bratz doll.” Pembleton Depo. at 3282-3283.

24 The Wee 3 Friends product sold by Mattel doesn’t use a heart shaped package. The  
25 design of the doll name is different, the viewing window is different, the color schemes are  
26 different, and the words “Mattel” and “Barbie” appear on the package. Other than the fact that  
27 Mattel’s product may be a worse version of the MGA product — dolls sold together as “friends”  
28 — there is no genuine issue of material fact as to the similarity to any of the elements, and

1 especially not the combination, of MGA's trade dress.

2 (d) Actual Confusion

3 MGA has not cited to evidence of actual confusion as to either the trapezoidal packaging  
4 or heart shaped packaging used in connection with the sale of Wee 3 Friends. Its failure to do so  
5 doesn't weigh against a likelihood of confusion. *See Academy of Motion Picture Arts &*  
6 *Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1456 (9th Cir. 1991) (“[A]ctual  
7 confusion is not necessary to a finding of likelihood of confusion under the Lanham Act.”).

8 (e) Marketing Channels

9 It is undisputed that MGA and Mattel share the same marketing channels, though there  
10 may not be direct overlap between the marketing channels used by the two companies. This  
11 factor thus weighs in favor of a likelihood of confusion.

12 (f) Types of Goods and Consumers

13 “It is generally assumed that consumers with expertise or who are buying expensive  
14 products or services exercise a greater degree of care when doing so and are thus less easily  
15 confused.” *Edge Wireless, LLC v. U.S. Cellular Corp.*, 312 F. Supp. 2d 1325, 1333 (D. Or.  
16 2003) (citing *Brookfield Comm's*, 174 F.3d at 1060 (“What is expected of the reasonably prudent  
17 consumer depends on the circumstances. We expect him to be more discerning-and less easily  
18 confused-when he is purchasing expensive items”)).

19 Fashion dolls are remarkably expensive. For example, MGA's Bratz Funk 'N' Glow  
20 dolls with “fashion accessories and a poster” can sell for \$23.94 *even when on sale*. Pembleton  
21 Dec., Ex. B at 12. The accessories and play sets that accompany the Bratz dolls were advertised  
22 at a cost as high as \$249.99. *Id.*, Ex. A at 5 (discussing costs of “deluxe, three-story apartment  
23 [that] comes with real working lights and elevator, plus 60 accessories”). MGA characterizes  
24 these prices as “inexpensive,” which reveals a lack of perspective about the financial challenges  
25 faced by most families in this country.

26 More importantly, this is not a case involving the purchase of “lower cost items like wine  
27 and cheese,” in which consumers aren't likely to be careful about the products they buy.  
28 *Compare E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1293 (9th Cir. 1992). All the

1 evidence shows that the intended market for these products — young females — are remarkably  
2 aware of the differences between Bratz and Barbie. For example, at the hearing on these  
3 motions, counsel for MGA remarked that the Bratz dolls “meant a lot” to the girls who chose to  
4 purchase them. It even cites an internal Mattel memorandum that characterized the Bratz dolls  
5 as a product that was “relevant and resonated with older girls.” Ex. 1805 to MGA MSJ at 2, 4.  
6 This memorandum recognized that “consumer interest is fueled by [a] strong product” that could  
7 be characterized as “ha[ving] a unique tone and manner as bratty teenagers, with a ‘passion for  
8 fashion.’” *Id.* at 4. MGA contradicts literally six years of its representations when it now argues  
9 that “[c]onsumers of fashion doll products are not discriminating.” MGA Opp’n to Mattel MSJ  
10 at 30:13. The undisputed evidence is to the contrary.

11 (g) Mattel’s Intent

12 There is no genuine issue of material fact about Mattel’s intent in selecting the trapezoidal  
13 packaging. “When an alleged infringer knowingly adopts a mark similar to another’s, courts  
14 will presume an intent to deceive the public.” *Official Airline Guides*, 6 F.3d 1385, 1395 (9th  
15 Cir. 1993). MGA claims there is circumstantial evidence of Mattel’s bad intent, because Mattel  
16 has long been on notice of MGA’s interest in ensuring the exclusive use of trapezoidal  
17 packaging. However, Mattel copied no other elements of the trade dress other than the  
18 trapezoidal shape: it did not select the color schemes, configurations, package window, or  
19 lettering used by MGA. Moreover, Mattel has presented evidence that it used the trapezoidal  
20 packaging in compliance with the requirements of its licensor, to which MGA has offered no  
21 meaningful response.

22 Nor is there a genuine issue of material fact as to whether Mattel selected the Wee 3  
23 Friends packaging in an attempt to benefit from MGA’s goodwill. There is ample evidence that  
24 Mattel proceeded with the Wee 3 Friends product line in an attempt to cut MGA’s 4-Ever Best  
25 Friends product off at the pass, however. Some of Mattel’s internal communications reveal a  
26 paranoia about the competitive threat posed by MGA, whose management and product  
27 development efforts were surpassing Mattel’s at the time that Wee 3 Friends was released. For  
28 example, Mattel obtained “confidential information from a reliable source” about the 4-Ever

1 Best Friends dolls, which “came in a heart-shaped package with the dolls positioned on the left  
2 and right side of the package with chotzkas in the middle.” Ex. 2114 to MGA MSJ. Mattel  
3 rapidly developed the Wee 3 Friends product, Ex. 8754 to MGA MSJ, but failed anyway, when  
4 retailers recognized that its product simply “knocked off MGA.” Ex. 2105 to MGA MSJ. These  
5 emails may prove Mattel’s uninventive product development, but they do not show a likelihood  
6 of consumer confusion for a simple reason: Mattel’s wrongdoing was performed during a period  
7 of time in which MGA’s 4-Ever Best Friends product had not even been released to market.

8 (g) Likelihood of Product Expansion

9 Neither party discusses the likelihood of product line expansion.

10 **4. Disposition**

11 For the foregoing reasons, the Court GRANTS Mattel’s Motion as to MGA’s trade dress  
12 infringement claims related to trapezoidal packaging and the 4-Ever Best Friends product  
13 packaging. There is no genuine issue of material fact that neither type of trade dress was  
14 distinctive, non-functional, or that Mattel’s alleged use of the trade dress created a likelihood of  
15 consumer confusion.

16 **B. Dilution**

17 MGA also claims that Mattel’s use of its asserted trade dress constituted trade dress  
18 dilution in violation of 15 U.S.C. § 1125.<sup>34</sup> The statute “protects the holder of a trademark from  
19 dilution, which is different from, and broader than, infringement in that neither confusion nor  
20 competition is required and the protection is nationwide in scope.” *Nissan Motor Co. v. Nissan*  
21 *Computer Corp.*, 378 F.3d 1002, 1011 (9th Cir. 2004). Its purpose “is to protect famous

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22  
23 <sup>34</sup> Section 1125 provides that:

24 The owner of a famous mark shall be entitled, subject to the  
25 principles of equity and upon such terms as the court deems  
26 reasonable, to an injunction against another person’s  
27 commercial use in commerce of a mark or trade name, if such  
28 use begins after the mark has become famous and causes  
dilution of the distinctive quality of the mark, and to obtain  
such other relief as is provided in this subsection.

15 U.S.C. § 1125(c)(1).



1 trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage  
2 it.” *Id.* (quoting *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 431, 123 S.Ct. 1115 (2003)).  
3 The asserted mark must have “such powerful consumer associations that even non-competing  
4 uses can impinge on their value.” *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th  
5 Cir. 1999). “For example, Tylenol snowboards, Netscape sex shops and Harry Potter dry  
6 cleaners would all weaken the commercial magnetism of these marks and diminish their ability  
7 to evoke their original associations. These uses dilute the selling power of these trademarks by  
8 blurring their uniqueness and singularity, and/or by tarnishing them with negative associations.”  
9 *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir. 2002).

10 There is no genuine issue of material fact that trapezoidal packaging did not have a  
11 “powerful consumer association” with MGA. The Federal Trademark Dilution Act identifies  
12 four factors to consider when evaluating the famousness of a mark: “(1) [t]he duration, extent,  
13 and geographic reach of advertising and publicity of the mark, whether advertised or publicized  
14 by the owner or third parties; (2) [t]he amount, volume, and geographic extent of sales of goods  
15 or services offered under the mark; (3) [t]he extent of actual recognition of the mark; [and]  
16 (4) [w]hether the mark was registered under the Act of March 3, 1881, or the Act of February  
17 20, 1905, or on the principal register.” 15 U.S.C. § 1125(c)(2)(A).

18 Other than the fact that MGA registered its trade dress (the Court will not defer to the  
19 findings of the USPTO for the reasons discussed above), and the obvious volume of sales of the  
20 Bratz dolls, MGA has identified no evidence specific to the trapezoidal packaging itself. Dozens  
21 of Bratz advertisements attached to the Pembleton declaration make no mention of MGA’s  
22 trapezoidal packaging. Nor has MGA identified any consumer surveys that indicate an  
23 association between the trapezoidal packaging and MGA. MGA notes that its corporate  
24 designee summarily testified that the trapezoidal mark “became” famous, but he was unable to  
25 substantiate that assertion and provided no time frame for the fame of the trapezoidal packaging.  
26 Contrary to MGA’s unsubstantiated assertion, the mere shape of its trapezoidal packaging  
27 wasn’t inherently distinctive or distinctive by virtue of secondary meaning, let alone famous.

28 To prevail on its dilution claim, MGA would also need to establish that Mattel’s mark

1 was “identical, or nearly identical, to the protected mark.” *Nissan*, 378 F.3d at 1011. It’s true  
2 that Mattel also used trapezoidal packaging, but its trapezoids did not match the dimensions or  
3 color schemes of MGA’s trapezoids. In fact, Mattel’s trapezoidal packages *didn’t even resemble*  
4 *each other*. Compare Declaration of Helena Mills in Support of Mattel MSJ, Ex. 1 with  
5 Declaration of Jill Nordquist in Support of Mattel MSJ, Ex. 10 with *id.*, Ex. 14.

6 MGA also asserts a dilution claim pursuant to Cal. Bus. & Prof. Code § 14330, which  
7 was repealed during the pendency of this litigation. See *Penpower Tech. v. S.P.C. Tech.*, 627 F.  
8 Supp. 2d 1083, 1090 (N.D. Cal. 2008) (“The repeal of a statute creating a penalty, running either  
9 to an individual or the state, at any time before final judgment, extinguishes the right to recover  
10 the penalty.”). To the extent MGA seeks to have its claim evaluated under Cal. Bus. & Prof.  
11 Code § 14247, this claim also fails because the state statute, like its federal analogue, requires  
12 the existence of a famous mark. Cal. Bus. & Prof. Code § 14247(a) (“Subject to principles of  
13 equity, an owner of a mark that is *famous and distinctive* . . . shall be entitled to an injunction  
14 against another person’s commercial use of a mark or trade name, if such use begins after the  
15 mark has become famous and is likely to cause dilution of the famous mark.”) (emphasis added).

16 Mattel’s motion is granted as to MGA’s dilution claim.

## 17 **VII. MGA’s Unfair Competition Claim**

18 MGA alleges that Mattel engaged in common law unfair competition, as well as unfair  
19 competition in violation of Cal. Bus. & Prof. Code § 17200. MGA alleged a litany of  
20 wrongdoing in its original complaint, though many of those allegations have been abandoned.  
21 MGA’s operative allegations include: (1) Mattel’s use of trapezoidal packaging; (2) Mattel’s  
22 copying of the 4-Ever Best Friends trade dress; (3) Mattel’s delivery of letters to former  
23 employees reminding them of their obligation to keep secret Mattel’s confidential information;  
24 (4) Mattel’s threats against licensees, distributors, and retailers who did business with MGA;  
25 (5) Mattel’s attempts to buy up the supply of doll hair in order to crowd MGA out of the market;  
26 and (6) Mattel’s manipulation of industry research groups whose ratings are critical to  
27 establishing MGA’s (and any other manufacturer’s) credibility in the toy industry.

### 28 **A. Standing Under Business and Professions Code Section 17200**

1 Mattel argues MGA lacks standing to bring this claim. To have standing to bring this  
2 claim, MGA must establish that it suffered both “injury in fact” and “a loss of money or property  
3 caused by unfair competition.” *Peterson v. Cellco P’ship*, 164 Cal. App. 4th 1583, 1590 (2008).  
4 A loss of money is ordinarily demonstrated through proof that plaintiff “parted, deliberately or  
5 otherwise, with some identifiable sum formerly belonging to him or subject to his control.”  
6 *Silvaco Data Sys.*, 184 Cal. App. 4th at 244. A plaintiff suffers a loss of property when it “has  
7 parted with some particular item of property” that it “formerly owned or possessed.” *Id.*  
8 “Section 17200 does not require that a plaintiff prove that he or she was directly injured by the  
9 unfair practice or that the predicate law provides for a private right of action.” *Gregory v.*  
10 *Albertson’s, Inc.*, 104 Cal. App. 4th 845, 851 (2002).

11 There is a genuine issue of material fact as to whether MGA lost money as a result of  
12 Mattel’s obstruction of its relationships with licensees and distributors. MGA’s licenses with its  
13 retailers were themselves “property” of which Mattel’s alleged conduct deprived MGA. MGA  
14 also expended tremendous sums to generate new licenses, or paid premiums to other licensees,  
15 because of Mattel’s conduct, and specifically, the conduct of Mattel’s Chief Executive Officer  
16 Robert Eckert. *Cf. Clayworth v. Pfizer, Inc.*, 49 Cal.4th 758, 789 (2010) (“Pharmacies paid more  
17 than they otherwise would have because of a price-fixing conspiracy in violation of state law.”).  
18 These are not simply harm to goodwill, but actual monetary losses suffered as a result of  
19 Mattel’s alleged interference with MGA’s contractual relationships with its licensees and  
20 retailers, whose business is the backbone of a toy manufacturers’ success.

### 21 **B. Unfair Business Practices**

22 “The term unfair is not precisely defined in the statute, and the courts have struggled to  
23 come up with a workable definition.” *Gregory*, 104 Cal.4th at 851. California courts have  
24 eventually settled on a definition of unfair competition that is modeled on the federal antitrust  
25 laws; that is, “[w]hen a plaintiff who claims to have suffered injury from a direct competitor’s  
26 ‘unfair’ act or practice invokes section 17200, the word ‘unfair’ in that section means conduct  
27 that threatens an incipient violation of an antitrust law, or violates the policy or spirit of one of  
28 those laws because its effects are comparable to or the same as a violation of the law, or

1 otherwise significantly threatens or harms competition.” *Id.* at 853 (quotation marks and citation  
2 omitted).

3 MGA has easily raised a triable issue about Mattel’s anti-competitive practices. For  
4 example, Mattel may have routinely conditioned its contracts with retailers on the retailers not  
5 carrying MGA’s products — this is classic anti-competitive behavior that potentially deprived  
6 consumers of valuable products. Mattel’s Chief Executive Officer Robert Eckert also sent an  
7 email to fellow executives asking whether he should pressure Mattel’s relationship with one of  
8 its licensees who also did business with MGA. Though Eckert has claimed that Mattel’s conduct  
9 is explained by its unwillingness to be associated with MGA’s products, that explanation is  
10 dubious in light of Mattel’s efforts to produce a line of dolls like Bratz (MyScene) and otherwise  
11 alter its product line to be more like MGA’s. This conduct again may have harmed competition  
12 by potentially restricting the supply of MGA’s products to consumers. Mattel is simply wrong  
13 when it argues that “MGA has no admissible evidence supporting its allegations that Mattel  
14 ‘warned a number of companies’ not to license MGA products.”

### 15 3. Common Law Unfair Competition

16 Common law unfair competition extends beyond the mere passing off of one’s goods as  
17 another’s. *Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone Co.*, 20 Cal.4th  
18 163, 192 (1999). The cornerstone of a claim for common law unfair competition is “fraud . . .  
19 practiced by one in securing the trade of a rival dealer.” *Id.* at 193 (quoting *Weinstock, Lubin &*  
20 *Co. v. Marks*, 109 Cal. 529, 541 (1895)).

21 Other than its infirm trade dress allegations, MGA has failed to establish that Mattel  
22 engaged in fraud directed at securing MGA’s business. MGA notes that Mattel engaged in  
23 fraudulent conduct by using false means to obtain access to MGA’s advance viewing  
24 showrooms, but there has never been a suggestion that the *common law unfair competition* claim  
25 encompasses such conduct, which is the subject of MGA’s counterclaims-in-reply. Even if such  
26 conduct were part of this claim, it’s difficult to see how Mattel’s fraudulent conduct was  
27 practiced in “securing the trade” of MGA, rather than securing access to knowledge about  
28 MGA’s business. Although there is a genuine issue of material fact as to whether Mattel

1 engaged in other anti-competitive conduct, like using its largesse to pressure retailers and  
2 licensees to terminate their relationships with MGA, such conduct does not fall under the  
3 definition of fraud.

4 Mattel's motion is granted as to MGA's common law unfair competition claim and  
5 denied as to MGA's statutory unfair competition claim.

#### 6 **VIII. Unjust Enrichment**

7 MGA brings a claim for unjust enrichment. Contrary to Mattel's argument, there have  
8 been cases in which courts have allowed causes of action for unjust enrichment to proceed.  
9 *Western Pac. R. Corp. v. Western Pac. R. Co.*, 206 F.2d 495, 498 (9th Cir. 1953). However,  
10 California courts appear to be split on whether a stand alone cause of action for unjust  
11 enrichment is anything more than "a general principle, underlying various legal doctrines and  
12 remedies." *Herrington v. Johnson & Johnson Consumer Companies, Inc.*, 2010 WL 3448531, at  
13 \*13 (N.D. Cal. Sept. 1, 2010) (collecting cases). To the extent a claim for unjust enrichment is  
14 available, it generally requires proof of "receipt of a benefit and unjust retention of the benefit at  
15 the expense of another." *Id.* (citing *Lectrodryer v. SeoulBank*, 77 Cal. App. 4th 723, 726  
16 (2000)). The benefits must generally be "conferred by mistake, fraud, coercion, or request;  
17 otherwise, though there is enrichment, it is not unjust." *Nibbi Bros., Inc. v. Home Fed. Sav. &*  
18 *Loan Ass'n*, 205 Cal. App. 3d 1415, 1422 (1988) (citation omitted). The claim is, in essence,  
19 quasi-contractual. *See Digital Envoy, Inc. v. Google, Inc.*, 2005 WL 2999364, at \*5 (N.D. Cal.  
20 Nov. 8, 2005).

21 This Court is convinced by the view that stand alone claims for unjust enrichment are  
22 simply redundant of relief already available under other existing law, and that such claims have  
23 the potential to cause needless confusion to the fact-finder and the Court. Even assuming this  
24 claim were allowed to proceed, however, MGA has failed to show any of the "quasi-contractual"  
25 elements that courts traditionally look to when evaluating claims for unjust enrichment. MGA  
26 instead relies upon Mattel's alleged conduct towards licensees and retailers — conduct that did  
27 not result in MGA conferring a benefit upon Mattel that Mattel unjustly retained.

28 Mattel's motion is granted as to MGA's claim for unjust enrichment.

1           **IX. Personal Jurisdiction**

2           Both MGA Mexico and Mattel move for summary judgment on the issue of whether this  
3 Court has personal jurisdiction over MGA Mexico.

4           The district court may exercise jurisdiction to the extent allowed under the law of the  
5 state in which it sits. Fed. R. Civ. P. 4(k)(1). Under California’s long-arm statute, jurisdiction  
6 may be exercised in accordance with the Due Process Clause of the United States Constitution.  
7 Cal. Civ. Code § 410.10. Due process minimally requires that a Court exercise jurisdiction over  
8 a defendant that has “at least ‘minimum contacts’ with the relevant forum such that the exercise  
9 of jurisdiction ‘does not offend traditional notions of fair play and substantial justice.’”  
10 *Schwarzenegger v. Fred Martin Motor Co.*, 374 F.3d 797, 800-01 (9th Cir. 2004) (citing *Int’l*  
11 *Shoe Co. v. Washington*, 326 U.S. 310, 316, 66 S.Ct. 154 (1945)). The district court may  
12 exercise either general or specific jurisdiction over a non-resident defendant.

13                   **A. General Jurisdiction**

14           General jurisdiction exists over a non resident defendant when “the defendant engages in  
15 ‘continuous and systematic general business contacts’ that ‘approximate physical presence’ in  
16 the forum state.” *Schwarzenegger*, 374 F.3d at 801. A non resident defendant subject to general  
17 jurisdiction may be “haled into court in that state in any action, even if the action is unrelated to”  
18 his contacts with the forum state. *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S.  
19 408, 415, 104 S.Ct. 1868 (1984). “Factors to be taken into consideration are whether the  
20 defendant makes sales, solicits or engages in business in the state, serves the state’s markets,  
21 designates an agent for service of process, holds a license, or is incorporated there.” *Bancroft &*  
22 *Masters, Inc. v. Augusta Nat’l, Inc.*, 223 F.3d 1082, 1086 (9th Cir. 2000).

23           The Court may not exercise general jurisdiction over MGA Mexico, whose contacts with  
24 the California forum have been infrequent. Mattel cites the fact that MGA Mexico has made the  
25 following payments to vendors in California: (1) a \$7,193 payment to a law firm; (2) a  
26 \$4,639,483 payment to a shipping company; (3) a \$852,774 payment to a company named  
27 Buena Vista Internacional; (4) a \$323,612 payment to Summit Logistics International; (5) a  
28 \$58,165 payment to Walt Disney Internet Group; and (6) \$90,847 payment to a shipping agency.

1 These small payments over a five year period are insufficient to establish general jurisdiction.  
2 *Cf. Shute v. Carnival Cruise Lines*, 897 F.2d 377, 381 (9th Cir. 1990) (finding no general  
3 jurisdiction despite “advertising in the local media, the mailing of brochures and the payment of  
4 commissions to travel agents, the conducting of promotional seminars, and the sale of its  
5 vacation cruises to residents of Washington”); *Choice Healthcare, Inc. v. Kaiser Found. Health*  
6 *Plan*, 615 F.3d 364, (5th Cir. 2010) (holding that fifty-three payments over a three-year period  
7 were not continuous and systematic contact with forum state). Nor is general jurisdiction  
8 established by the fact that MGA Mexico ships its products through California. *See Emery v.*  
9 *Bioport Corp.*, 273 Fed. Appx. 694, 696 (9th Cir. 2008) (“Although the fact that a product  
10 manufactured by a corporation in State A is shipped to an independent contractor for transfer  
11 from bulk tanks into marketable containers in State B may mean that the corporation is ‘doing  
12 business *with*’ State B, it does not mean that the corporation is ‘doing business *in*’ State B for the  
13 purposes of establishing general jurisdiction.”).

14 Mattel argues that several MGA Mexico executives, including Larian, reside in California  
15 and also serve as MGAE’s executives. This argument alludes to the case of *Perkins v. Benguet*  
16 *Consolidated Mining Co.*, in which the Supreme Court affirmed the exercise of jurisdiction over  
17 a foreign corporation, whose chief executive had re-located to the forum during a time of war  
18 and thereafter “carr[ied] on . . . a continuous and systematic, but limited, part of its general  
19 business.” 342 U.S. 437, 438, 72 S.Ct. 413 (1952). Mattel has offered no evidence that MGA  
20 Mexico conducts any of its general business in California. It cites the deposition of Ms.  
21 Kuemmerle, who testified that MGA Mexico’s accounting is performed in California, but there  
22 is no evidence of whether this work is performed by an outside vendor, or even by MGAE. The  
23 abrupt testimony certainly does not reasonably suggest that MGA Mexico maintains any sort of  
24 business operation in California dedicated to the performance of an accounting. The fact that  
25 Larian and other MGAE executives reside in California is most relevant to whether the Court  
26 can exercise jurisdiction over *those individuals*; it is not dispositive to the propriety of personal  
27 jurisdiction over MGA Mexico.

28 **B. Specific Jurisdiction**

1 The Ninth Circuit applies a three part test to determine whether the exercise of specific  
2 personal jurisdiction is proper:

- 3 (1) The non-resident defendant must purposefully direct his activities  
4 or consummate some transaction with the forum or resident thereof;  
5 or perform some act by which he purposefully avails himself of the  
6 privilege of conducting activities in the forum, thereby invoking the  
7 benefits and protections of its laws;
- 8 (2) the claim must be one which arises out of or relates to the  
9 defendant's forum-related activities; and
- 10 (3) the exercise of jurisdiction must comport with fair play and  
11 substantial justice, *i.e.*, it must be reasonable.

12 *Schwarzenegger*, 374 F.3d at 802 (quoting *Lake v. Lake*, 817 F.2d 1416, 1421 (9th Cir. 1987)).

13 Either purposeful availment of the forum or the purposeful direction of activities towards  
14 the forum can satisfy the first prong. "A purposeful availment analysis is most often used in  
15 suits sounding in contract. A purposeful direction analysis, on the other hand, is most often used  
16 in suits sounding in tort." *Schwarzenegger*, 374 F.3d at 802 (internal citations omitted).

17 Purposeful availment can be shown by a defendant "doing business in a forum state . . . ,  
18 such as executing or performing a contract there." *Id.* at 802. By availing itself of the forum  
19 state's benefits, the non-resident defendant "must—as quid pro quo—'submit to the burdens of  
20 litigation in that forum.'" *Id.* (quoting *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476, 105  
21 S.Ct. 2174 (1985) and *Cote v. Wadel*, 796 F.2d 981, 984 (7th Cir. 1986)). The only evidenced  
22 face-to-face interactions between Machado, Vargas, Trueba, and any of MGA Mexico's  
23 executives occurred in New York and Mexico. The only employment relationship between the  
24 three defecting Mattel Servicios employees and MGA Mexico was based in Mexico. Mattel  
25 nevertheless argues that MGA Mexico purposefully availed itself of the California forum as a  
26 result of (1) Larian and Park's communications via email, phone, and letter with the three Mattel  
27 Servicios employees; (2) the three Mattel Servicios employees' attempt to simultaneously  
28 execute their MGA Mexico employment agreements over the phone with Park, while Park was



1 in California. There is no evidence that any of this conduct actually took place in California,  
2 however. For example, Larian communicated with Machado while Larian was in New York.  
3 Larian interviewed the three Mattel Servicios employees in Mexico City. And there is no  
4 evidence that Park was in California at the time the employment contracts were executed. Mattel  
5 has therefore failed to establish, as is its burden, the absence of a genuine issue of material fact  
6 as to whether MGA Mexico purposefully availed itself of the California forum.

7 Purposeful direction is established by evidence that the defendant “(1) committed an  
8 intentional act, (2) expressly aimed at the forum state, (3) causing harm that the defendant knows  
9 is likely to be suffered in the forum state.” *Dole Food Co., Inc. v. Watts*, 303 F.3d 1104, 1111  
10 (9th Cir. 2002). Both parties appear to acknowledge that this issue turns on whether (1) the three  
11 Mattel Servicios employees stole Mattel’s documents in California; and (2) MGA Mexico,  
12 through its agents, directed that conduct. The Court has already determined that there are  
13 genuine issues of material fact on both sub-issues. Since these issues of fact run to the heart of  
14 Mattel’s counter-claim for misappropriation of trade secrets, “it is preferable that this  
15 determination be made at trial.” *Data Disc, Inc. v. Sys. Tech. Assocs., Inc.*, 557 F.2d 1280, 1285  
16 n. 2 (9th Cir. 1977).

17 The other two prongs of the Ninth Circuit’s test have already been addressed by the  
18 Court’s order on the Motions to Dismiss.

19 Both MGA Mexico and Mattel’s motions for summary judgment are denied on this issue.

#### 20 **X. MGA’s Affirmative Defenses**

21 Mattel moves for summary judgment on MGA’s affirmative defenses. Contrary to  
22 Mattel’s argument, MGA is entitled to reassert previously waived affirmative defenses in  
23 response to Mattel’s amended pleading. *See Massey v. Helman*, 196 F.3d 727, 735 (7th Cir.  
24 1999) (“[W]hen a plaintiff files an amended complaint, the new complaint supersedes all  
25 previous complaints and controls the case from that point forward . . . the amended complaint  
26  
27  
28

1 opens the door for defendants to raise new and previously unmentioned affirmative defenses.”).<sup>35</sup>

2 MGA does not oppose Mattel’s motion for summary judgment as to the following  
3 affirmative defenses: (1) bad faith claim of misappropriation; (2) good faith; (3) lack of  
4 authority; (4) lack of standing; (5) spoliation; and (6) no direct infringement.

5 Mattel’s motion is granted as to MGA’s affirmative defense brought pursuant to 17  
6 U.S.C. § 205(d), which provides that “[a]s between two conflicting transfers . . . the later transfer  
7 prevails first if recorded first . . . and if taken in good faith for valuable consideration or on the  
8 basis of a binding promise to pay royalties, and without notice of the earlier transfer.” Mattel  
9 claims that Bryant assigned his copyrights to Mattel via his Inventions Agreement, a document  
10 Mattel recorded on August 4, 2008. MGA, on the other hand, has never recorded its  
11 employment agreement with Bryant.

12 Mattel’s motion is denied as to MGA’s defense of joint authorship. “[A] joint work is a  
13 work prepared by two or more authors with the intention that their contributions be merged into  
14 inseparable or interdependent parts of a unitary whole.” *Ashton-Tate Corp. v. Ross*, 916 F.2d  
15 516, 520 (9th Cir. 1990) (quoting 17 U.S.C. § 101). “A collaborator’s contribution will not  
16 produce a joint work, and a contributor will not obtain a co-ownership interest, unless the  
17 contribution represents original expression that could stand on its own as the subject matter of  
18 copyright.” *Id.* at 521 (quoting P. Goldstein, *Copyright: Principles, Law and Practice*, § 4.21 p.  
19 379 (1989)). Contrary to Mattel’s argument, MGA does not merely argue that it enhanced  
20 Bryant’s works. MGA argues — and there is a genuine issue of material fact as to whether —  
21 MGA contributed original expression (and perhaps the *only* original expression) to some of the  
22 works over which Mattel claims ownership.

23 For the reasons discussed in the portion of this order that addresses the counter-claim for  
24 trade secret misappropriation, Mattel’s motion is denied as to MGA’s defense that Mattel’s

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25  
26 <sup>35</sup> Contrary to Mattel’s argument, the principle discussed in *Massey* — that an  
27 amended pleading washes away prior pleadings — makes no sense if limited to new and  
28 unmentioned affirmative defenses, especially where, as here, the amended pleading  
significantly alters the scope of the case.

1 | alleged trade secrets were readily ascertainable.

2 |         Mattel's motion is denied as to MGA's affirmative defense that "Bryant made the  
3 | decision not to disclose Bratz to Mattel independent of MGA." Though this affirmative defense  
4 | appears to be somewhat redundant of MGA's arguments against Mattel's counter-claim for  
5 | intentional interference with contractual relations, Mattel does not challenge it on those grounds.  
6 | Mattel argues there is no evidence of MGA's defense, but the possibility that Bryant sat on the  
7 | Bratz concept for over a year after re-joining Mattel, and continued to market the concept to  
8 | other toy manufacturers, suggests that he never had any intention of disclosing it to Mattel.

9 |         Mattel's motion is granted in part and denied in part as to MGA's defenses of estoppel,  
10 | waiver, acquiescence, failure to mitigate, and abandonment. In its opposition brief, MGA  
11 | fittingly abandons its abandonment and waiver defenses. Nonetheless, MGA's claim that Mattel  
12 | is judicially estopped from claiming the Bryant works as works made for hire goes uncontested  
13 | in Mattel's reply brief.

14 |         Mattel's motion is denied as to MGA's laches defense for the reasons set forth in the  
15 | section of this Order discussing the statutes of limitations. Contrary to Mattel's argument, an  
16 | unreasonable delay in claiming ownership to the Bratz drawings and sculpt allowed MGA to  
17 | continue building the brand and enhancing its value through the investment of significant human  
18 | and material resources. The prejudice to MGA from Mattel's potential delay is obvious.

19 |         Mattel's motion is denied as to MGA's comparative fault and failure to mitigate  
20 | affirmative defenses. At least some Ninth Circuit courts have allowed this sort of contention to  
21 | be pled as an affirmative defense, and Mattel concedes their relevance to the fact-finder's  
22 | calculation of damages. *See, e.g., J & J Sports Productions, Inc. v. Enedina Soto*, 2010 WL  
23 | 3911467, at \*2 (S.D. Cal. Sept. 28, 2010).

24 |         Mattel's motion is granted as to MGA's unclean hands affirmative defense, but only as it  
25 | relates to Mattel's counter-claims arising out of Bryant's conduct. Contrary to MGA's  
26 | argument, Mattel's alleged theft of post-production Bratz advertising materials from MGA's  
27 | showrooms has nothing to do with the "matter for which [Mattel] seeks a remedy," which in this  
28 | case is the Bryant's alleged non-disclosure of the Bratz concept, Bryant's work for MGA while

1 employed by Mattel, and Bryant’s disclosure of the Bratz concept to MGA. *See Kendall-*  
2 *Jackson Winery, Ltd. v. Superior Court*, 76 Cal. App. 4th 970, 978 (1999). Mattel’s motion is  
3 otherwise denied as to this affirmative defense.

4 Mattel’s motion is denied as to MGA’s affirmative defense of justification. Mattel argues  
5 that its counter-claims are limited to MGA’s inducement of Mattel’s employees to “steal[] . . .  
6 confidential and trade secret information,” but misstates its own pleading in the process. In fact,  
7 the 4AAC dedicates extensive discussion to MGA’s recruitment of Mattel’s employees, and  
8 incorporates these factual allegations in support of the broad and vague counter-claims.

9 **XI. Declaratory Relief**

10 In light of the genuine issues of material fact identified above, MGA’s motion is denied  
11 as to Mattel’s counter-claim for declaratory relief.

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1 **XII. Disposition**

2 For the foregoing reasons, the Court ORDERS as follows:

- 3 1. MGA's motion is granted as to Mattel's counter-claims for aiding and abetting  
4 breach of fiduciary duty;
- 5 2. MGA's motion is granted in part and denied in part as to Mattel's counter-claims  
6 for copyright infringement, misappropriation of trade secrets, conversion, aiding  
7 and abetting breach of duty of loyalty, and intentional interference with contractual  
8 relations;
- 9 3. Machado's motion is granted as to Mattel's counter-claims for breach of fiduciary  
10 duty and breach of duty of loyalty;
- 11 4. Mattel's motion is granted as to MGA's claims for trade dress infringement, trade  
12 dress dilution, and common law unfair competition;
- 13 5. The motions are otherwise denied subject to paragraph 6;
- 14 6. Certain issues, including MGA and Machado's challenges to Mattel's counter-  
15 claims for violations of the Racketeer Influenced and Corrupt Organizations Act,  
16 as well as Machado's challenge to Mattel's counter-claim for breach of contract,  
17 will be addressed in a subsequent order.

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19 IT IS SO ORDERED.

20 DATED: December 27, 2010

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24 DAVID O. CARTER  
25 United States District Judge  
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