

(ENDORSED)
FILED
MAR 11 2005

KIRI TORRE
Chief Executive Officer/Clerk
Superior Court, Santa Clara County of Santa Clara
BY ANITA BASTIAN DEPUTY

SUPERIOR COURT, STATE OF CALIFORNIA
COUNTY OF SANTA CLARA

APPLE COMPUTER, INC.)
Plaintiff,)
vs.)
DOE 1, an unknown individual, and Does 2-)
25, inclusive,)
Defendants)

Case No.: 1-04-CV-032178
ORDER AFTER HEARING

The motion of non-parties Monish Bhatia, Kasper Jade, and Jason O'Grady ("movants") for a protective order blocking a subpoena issued by Plaintiff Apple Computer ("Apple") came on regularly for hearing on March 4, 2005. The matter was heard on the civil discovery calendar in Department 14, Hon. James P. Kleinberg, presiding. George Riley, Esq. and David Eberhart, Esq. of O'Melveny & Myers represented Plaintiff Apple. Thomas E. Moore III, Esq. of

1 Tomlinson & Zisko, Richard R. Wiebe, Esq., Terry Gross, Esq. of Gross & Belski,¹ and Kurt B.
2 Opsahl, Esq., of Electronic Frontier Foundation represented the movants.²

3 Although not required to issue opinions or statements of decision when deciding cases on
4 the motion calendar, Code of Civil Procedure §632, 4 Witkin, *California Procedure* (4th ed.
5 1997) Trial, §306, p.461, the Court is doing so here because it believes it may be helpful to
6 counsel and the parties to do so.

7 I. LIMITS OF THIS RULING

8 This motion is about discovery; namely, a single subpoena served by Apple on Nfox.
9 The order of this Court does not go beyond the questions necessary to determine this motion
10 seeking a protective order against that single subpoena, and it cannot and should not be read or
11 interpreted more broadly. The Court makes no finding as to the ultimate merits of Apple's
12 claims, or any defenses to those claims. Those issues remain for another day.

14 II. BACKGROUND

15 A. The Litigation

16 Apple filed its complaint on December 13, 2004 alleging that unnamed individuals or
17 entities ("Does 1 through 25") had leaked specific, trade secret information about new Apple
18 products to several online websites, including AppleInsider and PowerPage. That information
19 was published by these sites and regarded a FireWire audio interface for GarageBand,
20 codenamed "Asteroid" or "Q7." On December 14, 2004 Judge William Elfving of this Court
21 granted Apple's application to take expedited document discovery. On February 4, 2005 the
22

23 ¹ Mr. Gross is not counsel of record in this case, but at his request the Court allowed him to participate in the hearing
24 by telephone; counsel for Apple did not object. Mr. Gross is counsel of record in another, recently filed action by
Apple which may raise similar issues.

25 ² On March 3, 2005 Department 14 of the Court which is assigned the civil discovery calendar, posted its telephonic
26 tentative ruling in this case, which denied moving parties' motion for a protective order. In accordance with the
Court's usual practice in this Department, a reasoned opinion was not included with the tentative ruling. By timely
notifying Apple and the Court of their opposition to the tentative ruling all parties properly appeared for hearing the
next morning.

1 Court granted Apple's request to permit specific discovery directed at Nfox, the email service
2 provider for PowerPage. Apple is seeking the identities of the source or sources for this
3 information, and has subpoenaed Nfox.com for e-mail messages that may identify the
4 confidential source. Specifically Apple has sought the following information:

5 All documents relating to the identity of any person or entity who supplied information
6 regarding an unreleased Apple product code-named "Asteroid" or "Q97" (the "Product"),
7 including postings that appeared on PowerPage.com (the "Website") on November 19,
8 November 22, November 23, and November 26, 2004. These documents include:

9 (a) all documents identifying any individual or individuals who provided information
10 relating to the Product ("Disclosing Person(s)"), including true name(s), address(es), internet
11 protocol("IP") address(es), and e-mail address(es);

12 (b) all communications from or to any Disclosing Person(s) relating to the Product;

13 (c) all documents received from or sent to any Disclosing Person(s) relating to the
14 Product; and

15 (d) all images, including photographs, sketches, schematics and renderings of the Product
16 received from or sent to any Disclosing person(s).

17 **To date, Nfox has not objected to the subpoenas on any grounds and, other than the
18 Nfox subpoena, no discovery is currently outstanding.**

19 The movants brought the instant motion seeking a protective order blocking the
20 subpoena.³ Movants claim to be "journalists."⁴ On that basis they claim a privilege from
21 disclosing their sources as well as the benefits of California's "shield law."

22 Apple's position is the acquisition and dissemination of the alleged trade secrets are
23 violations of California law, neither the federal privilege nor the California shield law bar the
24 subpoena, and the moving parties have no right to anonymous speech.

25 It is apparent that this discovery, limited as it is, calls into question issues and competing
26 values of great significance. On the one hand there is the movants' claim to "free speech" which,
as even a casual student of that issue knows, is rife with complexities and restrictions. On the

³ Although asked to make an "advisory ruling" on other, unserved subpoenas, the Court declines to do so.

⁴ Some might refer to the moving parties as "bloggers." The site www.dictionary.reference.com defines blog as "on line diary; a personal chronological log of thoughts published on a web page; also called Weblog, Web log."

1 other hand, there is the undisputed right to protect intellectual property as expressed in California
2 civil and criminal law. Before analyzing and deciding these issues the Court reiterates:

3 This is a discovery issue. The discovery statute provides, in part, that:

4 (a) Unless otherwise limited by order of the court in accordance with this article, any
5 party may obtain discovery regarding any matter, not privileged, that is relevant to the subject
6 matter involved in the pending action or to the determination of any motion made in that action,
7 if the matter either is itself admissible in evidence or appears reasonably calculated to lead to the
8 discovery of admissible evidence. Discovery may relate to the claim or defense of the party
9 seeking discovery or of any other party to the action. Discovery may be obtained of the identity
10 and location of persons having knowledge of any discoverable matter, as well as of the existence,
11 description, nature, custody, condition, and location of any document, tangible thing, or land or
12 other property. Code of Civil Procedure § 2017(a)

13 Discovery is given a broad reach in California courts; at the same time the courts have
14 frequently balanced competing interests in this regard, for example, individual privacy rights.
15 See Witkin, *Summary of California Law*, (9th ed. 1988) Constitutional Law §§ 456-473, pages
16 642-660. But, as discussed *infra*, the Court does find that Apple has made out a *prima facie* case
17 that the information at issue constituted proprietary trade secrets and that it has taken adequate
18 steps by way of internal investigations to justify further, external discovery as it seeks here. See,
19 e.g., Declarations of Robin Zonic, ¶¶ 4-8, Al Ortiz, Jr., ¶¶ 2-3.

20 B. Trade Secrets

21 Apple has maintained that the information published by the moving parties qualifies as
22 trade secrets under California law. That law is found primarily in two statutes: the Uniform
23 Trade Secrets Act, Civil Code §§ 3426 et. seq., (the "UTSA") adopted in 1985,⁵ and Penal Code
24 §499c. Those statutes provide, in pertinent part:

25 Civil Code § 3426.1. Definitions:

26 * * *

⁵ As with other laws titled "Uniform," there are differences between California's version of this law and the original version, but those differences are not of consequence here. The UTSA supplanted California's common law of trade secrets derived from the Restatement of Torts 2d.

1 (b) "Misappropriation" means:

2 (1) Acquisition of a trade secret of another by a person who knows or has reason to know
3 that the trade secret was acquired by improper means; or

4 (2) Disclosure or use of a trade secret of another without express or implied consent by a
5 person who:

6 (A) Used improper means to acquire knowledge of the trade secret; or

7 (B) At the time of disclosure or use, knew or had reason to know that his or her
8 knowledge of the trade secret was:

9 (i) Derived from or through a person who had utilized improper means to acquire
10 it;

11 (ii) Acquired under circumstances giving rise to a duty to maintain its secrecy or
12 limit its use; or

13 (iii) Derived from or through a person who owed a duty to the person seeking
14 relief to maintain its secrecy or limit its use; or

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

17 ***

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

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

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

25 Penal Code § 499c:

26 ***

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

29 (A) Derives independent economic value, actual or potential, from not
30 being generally known to the public or to other persons who can obtain economic value from its
31 disclosure or use; and

32 (B) Is the subject of efforts that are reasonable under the circumstances to
33 maintain its secrecy.

34 (b) Every person is guilty of theft who, with intent to deprive or withhold the control of a
35 trade secret from its owner, or with an intent to appropriate a trade secret to his or her own use or
36 to the use of another, does any of the following:

(1) Steals, takes, carries away, or uses without authorization, a trade secret.

(2) Fraudulently appropriates any article representing a trade secret entrusted to
him or her.

(3) Having unlawfully obtained access to the article, without authority makes or
causes to be made a copy of any article representing a trade secret.

1 ***

2 (c) Every person who promises, offers or gives, or conspires to promise or offer to give,
3 to any present or former agent, employee or servant of another, a benefit as an inducement, bribe
4 or reward for conveying, delivering or otherwise making available an article representing a trade
5 secret owned by his or her present or former principal, employer or master, to any person not
6 authorized by the owner to receive or acquire the trade secret and every present or former agent,
7 employee, or servant, who solicits, accepts, receives or takes a benefit as an inducement, bribe or
8 reward for conveying, delivering or otherwise making available an article representing a trade
9 secret owned by his or her present or former principal, employer or master, to any person not
10 authorized by the owner to receive or acquire the trade secret, shall be punished by imprisonment
11 in the state prison, or in a county jail not exceeding one year, or by a fine not exceeding five
12 thousand dollars (\$ 5,000), or by both that fine and imprisonment.

13 (d) In a prosecution for a violation of this section, it shall be no defense that the person
14 returned or intended to return the article.

15 These statutes reflect this state's strong commitment to the protection of proprietary
16 business information. See *Integral Dev. Corp. v. Weissenbach* (2002) 99 Cal. App. 4th 576,
17 *Magnecomp Corp. v. Athene Co.* (1989) 209 Cal. App. 3d 526. The statutes also support the
18 compelling interest of disclosure which may, in the proper civil case, outweigh First Amendment
19 rights. As discussed *infra*, the United States and California Supreme Courts have underscored
20 that trade secret laws apply to everyone regardless of their status, title or chosen profession. The
21 California Legislature has not carved out any exception to these statutes for journalists, bloggers
22 or anyone else.

23 For these reasons the Court has carefully reviewed the showing made by Apple to date.
24 The posting by Mr. O'Grady contained an exact copy of a detailed drawing of "Asteroid" created
25 by Apple. The drawing was taken from a confidential set of slides clearly labeled "Apple Need-
26 to-Know Confidential." In addition, technical specifications were copied verbatim from the
confidential slide set and posted on the online site. These postings by Mr. O'Grady were spread
over three days, November 19, 22 and 23, 2004. The Court is convinced by Apple's
presentation, including the materials produced *in camera* that this action has passed the
thresholds necessary for discovery to proceed.

1 C. Journalists and privilege

2 Much of movants' papers and argument is a recitation of the obvious: the terms and
3 importance of the First Amendment and the value of free speech which this Court recognizes.

4 This principle was explored in *Ford vs. Lane*, (E.D. Mich., 1999) 67 F. Supp. 2d 745, 751:

5 "The First Amendment protects freedom of speech and freedom of the press by
6 providing, 'Congress shall make no law . . . abridging the freedom of speech, or of the press. . .
7 'The First Amendment applies to speech on the Internet. *Reno v. American Civil Liberties*
8 *Union*, (1997) 521 U.S. 844. The primary purpose of the guarantee of freedom of the press is to
9 prevent prior restraints on publication. *Near v. Minnesota*, (1931) 283 U.S. 697. Even a
10 temporary restraint on pure speech is improper absent the "most compelling circumstances." *In*
11 *the Matter of Providence Journal Co.*, (1st Cir. 1986) 820 F.2d 1342, 1351. The First
12 Amendment applies to the States via the Fourteenth Amendment. *Near* at 707".

13 The broad parameters of the prior restraint doctrine were further explained in the
14 Pentagon Papers case, *New York Times Co. v. United States*, (1971) 403 U.S. 713. There, the
15 federal government sought to enjoin The New York Times and The Washington Post from
16 publishing a classified study on U.S. policy-making in Vietnam. The Vietnam conflict was
17 ongoing, and the government argued that the publication of the classified information might
18 damage the national interest. The Court observed that, because any prior restraint on speech is
19 presumptively invalid under the First Amendment, the government bore a heavy burden of
20 showing a justification for the restraint. Finding that the government had not met its burden, the
21 Court denied the injunction. *Id.* at 714.

22 But the pending motion is not for injunctive relief against anyone and the Pentagon
23 Papers case and similar authorities are not on point.

24 First, the issue of prior restraint is not before the Court. The California Supreme Court's
25 analysis in *DVD Copy Control Association v. Bunner*, (2003) 31 Cal. 4th 864 is of particular
26 value. In that case, in which defendant was represented by some of the same counsel

1 representing movants, the Supreme Court observed that “[T]he First Amendment does not
2 prohibit courts from incidentally enjoining speech in order to protect a legitimate property right.”
3 *Id.*, at 881. The Court went on to note that “It is something of a mystery as to how free and open
4 debate is frustrated by offering property protection to trade secrets.” *Id.*, at 883. And, further,
5 “The mere fact that DVD CCA’s trade secrets may have some link to a public issue does not
6 create a legitimate public interest in their disclosure.” *Id.*, at 884. Ultimately, in the context of
7 injunctive relief – which necessarily raises issues of prior restraint not present here – the
8 Supreme Court allowed the injunction to issue.

9 Similarly the claim of “privilege” is overstated in this context. Reporters and their
10 sources do not have a license to violate criminal laws such as Penal Code §499c. *Bartnicki v.*
11 *Vopper*, (2001) 532 U. S. 514, 532 (indeed, the parties had done discovery, *Id.* at 520);
12 *Branzburg v. Hayes*, (1972) 408 U.S. 665, 691 Counsel for the moving parties admitted this
13 during argument.

14 Movants contend they are journalists. They make this claim because they seek the
15 protection of the privilege against revealing their sources of information. Defining what is a
16 “journalist” has become more complicated as the variety of media has expanded.⁶ But even if the
17

18 ⁶ The Merriam-Webster online dictionary states:

19 **jour-nal-ist**

20 Function: *noun*

21 1 a : a person engaged in journalism; *especially* : a writer or editor for a news medium b : a writer who aims at a
mass audience

22 2 : a person who keeps a journal

23 **jour-nal-ism**

24 Function: *noun*

25 1 a : the collection and editing of news for presentation through the media b : the public press c : an academic study
concerned with the collection and editing of news or the management of a news medium

26 2 a : writing designed for publication in a newspaper or magazine b : writing characterized by a direct presentation
of facts or description of events without an attempt at interpretation c : writing designed to appeal to current popular
taste or public interest

1 movants are journalists, this is not the equivalent of a free pass. The journalist's privilege is not
2 absolute. For example, journalists cannot refuse to disclose information when it relates to a
3 crime. As the Supreme Court in *Branzburg* stated:

4 "The preference for anonymity of those confidential informants involved in actual
5 criminal conduct is presumably a product of their desire to escape criminal prosecution, and this
6 preference, while understandable, is hardly deserving of constitutional protection." 408 U.S. at
7 691.

8 D. The Mitchell standard

9 The balancing of interests between discovery and privilege was addressed by the
10 California Supreme Court in *Mitchell v. Superior Court*, (1984) 37 Cal. 3d 268, 276. In that case,
11 at pages 279-84, the following five-part test was articulated for weighing whether discovery
12 should be permitted over an assertion of the Federal privilege:

13 (1) "Nature of the litigation and whether the reporter is a party:"

14 Although not yet named as defendants, it is certainly possible "journalists" may be;
15 certainly Mr. O'Grady's declaration suggests this possibility.

16 (2) "Does discovery sought go to the heart of plaintiff's claim:"

17 Without this discovery Apple's case will be crippled, since it will not know the
18 defendants upon whom it should serve process.

19 (3) "Have other sources of information been exhausted?"

20 The moving parties maintain Apple should have done more investigating up to this point,
21 including the unusual step of noticing the depositions of its own employees. But the Court is
22 convinced, upon reviewing Apple's public and *in camera* materials that a thorough investigation
23 has been done and all alternative means have been exhausted.

24 (4) "What is the public good served by protecting the misappropriation of trade secrets?"
25
26

1 Movants did not present a persuasive reason of "public good" and never answered the
2 Court's inquiry as to why there was a true public benefit from disclosure. See *Mitchell v.*
3 *Superior Court* at 283 and *DVD Copy Control Association v. Bunner* at 883-85.

4 (5) [Paraphrased] In the context of a defamation case, should the Court require the
5 plaintiff to make a *prima facie* showing of falsity?

6 This is not a defamation case, and movants do not believe this factor is pertinent. In any
7 event, the Court finds that Apple has made a *prima facie* case of misappropriation and this is yet
8 another reason to allow discovery.

9 E. The Shield Law

10 Easily overstated in its power, "[t]he description 'shield law' conjures up visions of broad
11 protection and sweeping privilege. The California shield law, however, is unique in that it
12 affords only limited protection. It does not create a privilege for newspeople, rather it provides
13 an immunity from being adjudged in contempt. This rather basic distinction has been misstated
14 and apparently misunderstood by members of the news media and our courts as well." *KSDO v.*
15 *Superior Court*, (1982) 136 Cal. App. 3d 375, 379-80.

16 California Evidence Code §§ 1070(a) and (b), cited by movants, are quite specific in their
17 terms:

18 (a) A publisher, editor, reporter, or other person connected with or employed upon a
19 newspaper, magazine, or other periodical publication, or by a press association or wire service,
20 or any person who has been so connected or employed, cannot be adjudged in contempt by a
21 judicial, legislative, administrative body, or any other body having the power to issue subpoenas,
22 for refusing to disclose, in any proceeding as defined in Section 901, the source of any
information procured while so connected or employed for publication in a newspaper, magazine
or other periodical publication, or for refusing to disclose any unpublished information obtained
or prepared in gathering, receiving or processing of information for communication to the public.

23 (b) Nor can a radio or television news reporter or other person connected with or employed by
24 a radio or television station, or any person who has been so connected or employed, be so
25 adjudged in contempt for refusing to disclose the source of any information procured while so
26 connected or employed for news or news commentary purposes on radio or television, or for
refusing to disclose any unpublished information obtained or prepared in gathering, receiving or
processing of information for communication to the public.

1 Based on that language and the facts presented, it is far from clear that Mr. O'Grady
2 qualifies for relief from the subpoena on the grounds advanced.⁷ Whether he fits the definition of
3 a journalist, reporter, blogger, or anything else need not be decided at this juncture for this
4 fundamental reason: there is no license conferred on anyone to violate valid criminal laws. *DVD*
5 *Copy Control Association v. Bunner*, at 874-88, *Bartnicki. v. Vopper*, (2001) 532 U.S. 514,
6 *Branzburg*, 408 U.S. 691.⁸

7 Finally, it is worth noting that other privileges have been similarly circumscribed,
8 including:

9 The legislative privilege, (1972) *Gravel v. United States*, 408 U.S. 606

10 The executive privilege of the President of the United States, *United States v. Nixon*,
11 (1974) 418 U.S. 683

12 The attorney-client privilege, Evidence Code § 956

13 The marital communications privilege, Evidence Code § 981

14 The physician-patient privilege, Evidence Code §§ 997, 999

15 The psychotherapist-patient privilege, Evidence Code § 1018.

16 At the hearing the movants admitted to such limitations.

17 III. CONCLUSION AND DISPOSITION

18 In this case, accepting for present purposes that Apple's allegations about trade secrets
19 are true, the information divulged falls squarely under the UTSA and Penal Code §499c
20 definitions. As such it is stolen property, just as any physical item, such as a laptop computer
21 containing the same information on its hard drive (or not) would be. The information remains the
22 same and is not transformed by its form or who receives it.⁹ Therefore, the Court used the

24 ⁷ The undisputed facts are that Mr. O'Grady took the information and turned around and put it on the PowerPage site
25 with essentially no added value. As noted at the outset, the Court declines to make "advisory rulings" with respect to
26 Monish Bhatia, Kasper Jade, PowerPage, or AppleInsider as movants request.

⁸ An experienced Wall Street Journal reporter was indicted and convicted for trading on inside information twenty
years ago. *Carpenter v. United States*, (1987) 484 U.S. 19

⁹ For example, documents sent by a client to his/her lawyer do not become "privileged" simply by being sent to
counsel.

1 charged word "fence" to describe parties who acted as go-betweens between the generator of the
2 secret property and the recipients of it. Although specifically asked of counsel for movants, the
3 Court did not hear rebuttal to the analogy at the hearing. The bottom line is there is no exception
4 or exemption in either the UTSA or the Penal Code for journalists - however defined - or anyone
5 else.

6 Much of the movants' papers and their oral argument stressed the public's interest in
7 Apple and its products. Movants miss the point. Of course the public is interested in Apple. It is
8 a company which has achieved iconic status. One need no further proof of this point than to
9 review the personal history of movant O'Grady who, according to his own declaration "has been
10 working with Macintosh computers since 1985 ... co-founded the first dedicated Apple Power
11 Book User Group ... in the United States ... has contributed articles to MacWEEK, MacWorld,
12 MacAddict, MacPower(Japan) ...[and] written chapters for *The Macintosh Bible*." Movant's
13 Opening Brief at 4: 8-20. Mr. O'Grady is far from alone: the public has had, and continues to
14 have a profound interest in gossip about Apple. Therefore it is not surprising that hundreds of
15 thousands of "hits" on a website about Apple have and will happen. But an *interested public* is
16 not the same as the *public interest*.

17 At the hearing the Court specifically asked what public interest was served by publishing
18 private, proprietary product information that was ostensibly stolen and turned over to those with
19 no business reason for getting it. Movants' response was to again reiterate the self-evident
20 interest of the public in Apple, rather than justifying why citizens have a right to know the
21 private and secret information of a business entity, be it Apple, H-P, a law firm, a newspaper,
22 Coca-Cola, a restaurant, or anyone else. Unlike the whistleblower who discloses a health, safety,
23 or welfare hazard affecting all, or the government employee who reveals mismanagement or
24 worse by our public officials, the movants are doing nothing more than feeding the public's
25 insatiable desire for information.
26

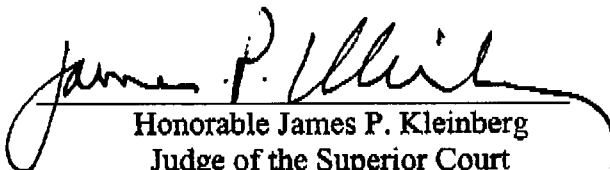
1 Indeed, a careful review of movants' opening and reply papers and the hearing transcript
2 reveals that movants never adequately dealt with the issue of the intersection of trade secrets and
3 journalistic privilege. Movants' opening brief does not mention the UTSA or Penal Code § 499c.
4 The reply brief states, "This motion does not implicate the issue of whether Apple's trade secret
5 was protected speech; ..." Movants' Opening Brief, at 7: 4-5. When skilled lawyers largely
6 ignore an essential issue that the Court specifically inquires about, it sends a message they have
7 little to say on the subject. And if, as movants argue, trade secrets are always at risk – a "sieve,"
8 quoting *Kewanee Oil v. Bicron*, (1974) 416 U.S. at 489-90¹⁰ -- how does one explain the
9 explicit statutory language of the UTSA and Penal Code?

10 Let there be no doubt: nothing in this order is meant to preclude the exchange of opinions
11 and ideas, speculation about the future, or analyses of known facts. The rumor and opinion mills
12 may continue to run at full speed. What underlies this decision is the publishing of information
13 that at this early stage of the litigation fits squarely within the definition of trade secret. The right
14 to keep and maintain proprietary information as such is a right which the California legislature
15 and courts have long affirmed and which is essential to the future of technology and innovation
16 generally. The Court sees no reason to abandon that right even if it were to assume, *arguendo*,
17 movants are "journalists" as they claim they are.

18 For all of the above reasons the Court denies the movants' request for a protective order.
19 This order is stayed for seven court days to allow the parties, or any of them, to exercise their
20 appellate rights.

21 IT IS SO ORDERED

22 Dated: March LL, 2005

23
24 
25 Honorable James P. Kleinberg
26 Judge of the Superior Court

¹⁰ Citing *Kewanee* is interesting because in that case the United States Supreme Court affirmed the co-equal status of trade secrets with patents as methodologies for protecting proprietary information.