

LEXSEE 2003 CAL. APP. UNPUB. LEXIS 10567

NORMAN BANKS v. INTERNATIONAL BILLING SERVS.**C040729****COURT OF APPEAL OF CALIFORNIA, THIRD APPELLATE DISTRICT***2003 Cal. App. Unpub. LEXIS 10567***November 12, 2003, Filed**

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PRIOR HISTORY: Super. Ct. Nos. 00AS03803, 00AS04786.

DISPOSITION: The judgment is affirmed.

JUDGES: MORRISON, Acting P.J. We concur: KOLKEY, J., ROBIE, J.

OPINION BY: MORRISON

OPINION

A ruling denying sanctions for a frivolous action (*Code Civ. Proc.*, § 128.5, hereafter § 128.5) cannot preclude (collaterally estop) a malicious prosecution case on the issue of bad faith, because the summary hearing on *section 128.5* motions is not a reliable indicator of bad faith. (*Wright v. Ripley (1998) 65 Cal.App.4th 1189, 1194-1196 (Wright)*; see *Crowley v. Katleman (1994) 8 Cal.4th 666, 689, fn. 12* [a trial court may deny § 128.5 sanctions even where bad faith is shown, for reasons extrinsic to the motion] (*Crowley*).

In this malicious prosecution case the trial court granted defendants summary judgment, concluding the denial [*2] of attorney fees as a sanction in a misappropriation case brought under the Uniform Trade

Secrets Act (*Civ. Code*, § 3426 *et seq.*, UTSA) established that the misappropriation claim was not made in bad faith. We agree, because the issue of bad faith had been fully litigated *at trial*. We reject other arguments and affirm.

PROCEDURAL BACKGROUND

International Billing Services, Inc. (IBS, now Output Technology Solutions of California, Inc.) sought to prevent departing employees (engineers Motaz Qutub, Raymond Porter, and Jonathan Emigh) from using confidential technology pertaining to envelope inserting and sued them and their employers (Norman Banks, North American Capital (NAC), and First Pacific Equity, Inc. (FPE)) on various theories. The answer sought attorney fees, alleging IBS claimed misappropriation in bad faith. (See *Civ. Code*, § 3426.4, hereafter § 3426.4.)

On August 25, 1999, we affirmed a judgment concluding the engineers did not misappropriate trade secrets. (*International Billing Services, Inc. v. North American Capital*, C027450, nonpub. opn. (*IBS I*)). In her statement of decision Judge Cecily Bond had rejected [*3] the defense claim of bad faith. In *International Billing Services, Inc. v. Emigh (2000) 84 Cal.App.4th 1175 (IBS II)*, we upheld a posttrial award of fees to the engineers, based on an alleged contractual provision.

FPE and Banks sued IBS and its former counsel Orrick, Herrington & Sutcliffe (Orrick) for malicious prosecution in July 2000 and NAC, Qutub and Emigh filed a similar suit in September 2000. The remaining defendant in *IBS I*, Porter, is not a party. The trial court consolidated the actions. We refer to the plaintiffs as Banks and defendants as IBS except where context otherwise indicates. IBS moved for summary judgment,

which was granted on the ground that Judge Bond's decision not to award bad faith fees precluded Banks from proving malicious prosecution. Banks timely noticed an appeal from the ensuing judgment.

STANDARD OF REVIEW

Our standard of review is *de novo*. (*Aguilar v. Atlantic Richfield Co.* (2001) 25 Cal.4th 826, 860 (*Aguilar*)). We must determine if IBS showed Banks could not prevail on any theory. (*Guz v. Bechtel National, Inc.* (2000) 24 Cal.4th 317, 334.)

WAIVER

The only special break given [*4] to an appellant in a summary judgment case is that the facts are construed in his favor, as is done in the trial court. (*Aguilar, supra*, 25 Cal.4th at p. 843.) Although IBS, as the movant, bore the burden of showing entitlement to summary judgment in the trial court, Banks cannot place on IBS or on this court the burden to defend the ensuing judgment: It remains Bank's burden, as the appellant, to show how the judgment is wrong. (*Guthrey v. State of California* (1998) 63 Cal.App.4th 1108, 1115-1116 [summary judgment case] (*Guthrey*); see *Annod Corp. v. Hamilton & Samuels* (2002) 100 Cal.App.4th 1286, 1301 [failure to cite to record in summary judgment appeal waives contention of error, as in other cases]; *Del Real v. City of Riverside* (2002) 95 Cal.App.4th 761, 768 [same]; accord *Landry v. Berryessa Union School Dist.* (1995) 39 Cal.App.4th 691, 699- 700 [dilatatory dismissal case, "When an issue is unsupported by pertinent or cognizable legal argument it may be deemed abandoned"].) Further, new arguments in the reply brief which deprive the respondent of its right to respond are waived. (*Kahn v. Wilson* (1898) 120 Cal. 643, 644; [*5] *Utz v. Aureguy* (1952) 109 Cal. App. 2d 803, 807-808.)

FACTS

The undisputed facts consist of the records of *IBS I*, particularly Judge Bond's statement of decision. (*Goodman v. Dam* (1931) 112 Cal.App. 244, 246-247 [proper to use records in underlying case where scope of judgment unclear]; cf. *Aerojet- General Corp. v. American Excess Ins. Co.* (2002) 97 Cal.App.4th 387, 398-399 [improper where scope clear].) As in the prior two appeals and consistent with the trial court orders sealing the records, we omit discussion of the technology itself.

In the underlying case IBS bore the burden to prove it took reasonable steps to maintain the secrecy of its technology, and that its technology was valuable because it was not generally known. (*Civ. Code*, § 3426.1, *subd. (d)*.) In the terminology used at trial, IBS claimed the three combinations of features it used (the macro case) were a secret, and that 35 individual features (the micro case) were secrets.

Judge Bond rejected the micro case, finding that 34 of the features were publicly available and the 35th was an obvious application of basic engineering [*6] principles. She found "the specific combinations of features used by IBS on its . . . inserters were not generally known to the public or in the industry and, consequently, they could constitute a trade secret if reasonable steps were taken to preserve their secrecy." She found IBS took several concrete steps to preserve secrecy, but also found lapses. She found IBS failed to carry its burden to show that the steps it took were reasonable under the circumstances.

In *IBS I*, Banks bore the burden to prove that IBS's misappropriation action was brought in bad faith. (*Evid. Code*, § 500; see *Buzgheia v. Leasco Sierra Grove* (1997) 60 Cal.App.4th 374, 389 [party seeking relief bears burden].) Judge Bond rejected the claim that IBS brought or maintained its action in bad faith. Her precise findings are quoted later.

In *IBS I*, we described IBS's trial court case as "colorable" (*IBS I, supra*, typed opn. at p. 31), but this observation was not raised in the instant summary judgment proceeding.

DISCUSSION

Banks raises three principal claims: (1) The denial of fees under *section 3426.4* does not ever preclude a malicious prosecution [*7] action; (2) Judge Bond's decision does not bar *this* action; and (3) Orrick lacks standing to interpose the defense of issue preclusion. Banks also raises a discovery dispute unconnected to the summary judgment motion. As Orrick points out our resolution of the summary judgment motion moots the discovery claim.

Before addressing Banks's claims we set out the relevant legal principles of malicious prosecution, UTSA bad faith, and issue preclusion. We will then set out Judge McMaster's summary judgment ruling. Then we

will address Banks's arguments.

I. Legal Principles.

A. Malicious Prosecution.

A plaintiff suing for malicious prosecution must prove: (1) The prior action was brought by the defendant and terminated in favor of the plaintiff; and (2) was brought without probable cause; and (3) was brought with malice. (*Sheldon Appel Co. v. Albert & Oliker* (1989) 47 Cal.3d 863, 871.) Probable cause is measured objectively and "is present unless any reasonable attorney would agree that the action is totally and completely without merit." (*Roberts v. Sentry Life Insurance* (1999) 76 Cal.App.4th 375, 382, original italics.) This [*8] is a "lenient standard" justified by the need to avoid chilling the rights of litigants to file debatable, albeit weak, claims. (*Wilson v. Parker, Covert & Chidester* (2002) 28 Cal.4th 811, 817 (Wilson).)

B. Bad Faith in Trade Secrets Litigation.

Under the UTSA, "misappropriation" means the acquisition or disclosure of a trade secret. (*Civ. Code*, § 3426.1, subd. (b).) A "trade secret" is a device or process which is valuable because it is not generally known and as to which the proprietor takes reasonable steps to keep secret. (*Id.*, subd. (d).)

Section 3426.4 provides: "If a claim of misappropriation is made in bad faith . . . or willful and malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party." In *IBS I*, both sides claimed the other side acted in bad faith.

Under *section 3426.4*, "bad faith" has two components: (1) objective speciousness; and (2) improper motive. (*Gemini Aluminum Corp. v. California Custom Shapes, Inc.* (2002) 95 Cal.App.4th 1249, 1261-1263 [adopting rule from *Stilwell Development v. Chen* (C.D.Cal. 1989) 11 U.S.P.Q.2d 1328] [*9] (*Gemini Aluminum*); see also *Forcier v. Microsoft Corp.* (N.D. Cal. 2000) 123 F. Supp. 2d 520, 529; *Contract Materials Processing v. Katalena GMBH* (D.Md. 2002) 222 F. Supp. 2d 733, 744 [speciousness means a complete lack of evidence to support a claim]; *Alamar Biosciences, Inc. v. Difco Laboratories, Inc.* (E.D.Cal. 1996) 40 U.S.P.Q.2d 1437, 1442.) Although *Gemini Aluminum* divines a distinction between this and the "frivolous" standard used in *section 128.5* cases, we need not address

that nuance because Banks acknowledges they are "analogous" for purposes of this case.

C. Issue Preclusion.

For purposes of this case it is enough to say that a party invoking issue preclusion must show the issue in the present case is identical to an issue litigated and necessarily decided in the prior case and the party against whom preclusion is sought was a party or in privity with a party to the prior case. (*Lumpkin v. Jordan* (1996) 49 Cal.App.4th 1223, 1230.)

II. Judge McMaster's Ruling.

Although we review the trial court's ruling de novo, it is helpful to explain what that ruling was, inasmuch as Banks, [*10] as the appellant, has the burden to show error.

After issuing a detailed tentative ruling Judge McMaster issued the following ruling after the hearing:

" . . . It is clear from Judge Bond's decision that this issue of bad faith was fully litigated in the underlying action. Judge Bond found that neither the 'micro' nor 'macro' matters were brought in bad faith.

...

"[Judge Bond ruled]: 'Even though Mr. Gunther [an expert who testified for Banks] said he thought the list of trade secrets was "frivolous," the Court does not so find. In light of the Court's finding that the specific combinations of features used by IBS were not generally known, even though the Court found that individually identified features are not separately entitled to trade secret protection, and that defendants did not misappropriate IBS's claimed trade secrets, the Court finds that IBS did not act in bad faith. The Court finds that IBS and its engineers honestly believed that their system was unique and was not known in the industry and, consequently, the Court finds there is no evidence to support a finding that the action was either brought or maintained in bad faith.' [Citation.]

"Judge Bond determined [*11] that no cause of action was brought in bad faith, and hence the rationale of *Videotape Plus, Inc. v. Lyons* (2001) 89 Cal.App.4th 156 [(*Videotape Plus*)] and [*Crowley, supra*, 8 Cal.4th 666] are inapplicable here. A malicious prosecution claim

fails when a court determines that on the facts known to the defendant, institution of the prior action was legally tenable. [Citation.] Such determination was made by Judge Bond in the underlying action and such issue was fully litigated there.

"It is clear that [Banks] raised and fully litigated the issue of 'bad faith.' While the [§ 3426.4] claim could have been tendered as a post trial motion only, that is not what happened. The issue of 'bad faith' was fully litigated in the trial and not merely in a summary post trial proceeding. Hence, the analysis of [Wright, *supra*, 65 Cal.App.4th 1189][,] is inapplicable . . ."

III. Application of Principles.

Banks accepts that "bad faith" under *section 3426.4* equates to "bad faith" in malicious prosecution. The issue of bad faith has been litigated. Banks raises three grounds why triable issues of fact remain, which we address seriatim.

[*12] A. The Denial of Sanctions and Malicious Prosecution.

Banks claims the denial of sanctions under *section 3426.4* cannot ever bar a malicious prosecution action, urging that *Crowley, supra*, 8 Cal.4th 666 "is directly on point with the facts of this case." The facts and legal posture of the two cases are far from "on point" and at bottom Banks relies on a footnote of *Crowley* which does not apply to this case.

Katleman had filed a will contest which the trial court found was "absolutely without merit. Her willingness to commit perjury for the pecuniary gain of obtaining [decendent's] estate is overwhelming." (*Crowley, supra*, 8 Cal.4th at p. 689, fn. 12.) However, the trial court *denied* a posttrial *section 128.5* motion because "'The great lack of merit of her claim did not amount to bad faith' and 'the Court cannot say the case was one *totally* devoid of merit or *solely* intended to harass Mr. Crowley or cause unnecessary delay.' The court also declined to sanction the defendant attorneys, extolling them as persons 'well known to this Court to be attorneys of great excellence and integrity.'" (*Ibid.*) Crowley sued Katleman and her former attorneys [*13] for malicious prosecution. The trial court sustained a demurrer, concluding the *section 128.5* finding precluded Crowley from showing bad faith. (*Id.* at p. 676.) The *Crowley* court reversed.

Crowley reaffirmed the *Bertero* rule (*Bertero v. National General Corp.* (1974) 13 Cal.3d 43) (*Bertero*) that a suit for malicious prosecution lies for bringing an action charging multiple grounds of liability when some but not all of those grounds were asserted with malice and without probable cause. (*Crowley, supra*, 8 Cal.4th at pp. 671, 678-679.) *Crowley* also rejected a claim that where multiple theories of liability are based on one "primary right" for which probable cause exists, a malicious prosecution action cannot lie as to other theories asserted in aid of that primary right, regardless of probable cause. (*Id.* at pp. 682-686.)

The portion of the opinion in which footnote 12 is found related to a claim that because *section 128.5* was enacted after *Bertero, supra*, 13 Cal.3d 43, the *Bertero* rule should be abandoned. *Crowley* concluded *section 128.5* was not intended to supplant the superior remedies available in a malicious [*14] prosecution action. (8 Cal.4th at pp. 687-689.) It was in *this* limited discussion that footnote 12 was inserted, making the point that sometimes trial courts deny *section 128.5* actions for reasons which do not speak to the merits of bad faith. (*Id.* at p. 689, fn. 12.)

This part of *Crowley* was discussed in *Wright, supra*, 65 Cal.App.4th 1189, Banks's other main authority. *Wright* had unsuccessfully moved for *section 128.5* sanctions in the underlying case, then sued for malicious prosecution. The malicious prosecution defendants obtained judgment on the pleadings based on issue preclusion, asserting the denial of *section 128.5* sanctions established *good faith* which defeated the malicious prosecution action. The *Wright* court reversed, principally focusing on the rule that issue preclusion will not be applied where a party did not have a full opportunity to litigate an issue. The *Wright* court concluded, "The majority of sanction motions can be resolved summarily, and the party seeking sanctions should be encouraged to pursue that option rather than pushed into seeking a full evidentiary hearing.

. . . Moreover, if collateral estoppel [*15] effect were given to the denial of such motions, it would also have to be given when they are granted. It is difficult to imagine the extent to which judicial economy would be compromised if every lawyer against whom sanctions were sought understood that such an award would constitute a binding adjudication on issues of his or her unprofessional conduct. Regular court business would

grind to a halt while lawyers exercised their full due process rights to fight the charges." (*Wright, supra, at pp. 1194-1195.*) Also, citing footnote 12 of *Crowley*, the *Wright* court explained that *denial* of sanctions may occur for reasons extrinsic to the merits of the motion. (*Wright, supra, 65 Cal.App.4th at pp. 1195-1196.*) *Wright* in part cited to *Rohrbasser v. Lederer* (1986) 179 Cal. App. 3d 290, which made the point (at pages 297-299) that motions *which are the subject of fully litigated hearings* are entitled to collateral estoppel effect. As *Wright* held, *section 128.5* motions are not and should be resolved by means short of a full-blown hearing.

At argument in the trial court Banks suggested that *Crowley* was "on all fours" because the substantive [*16] claims (a will contest) were the subject of a full trial. But, as both IBS and Orrick pointed out at the hearing, the *sanctions* in *Crowley* were not the subject of a full trial, but were decided on motion, as is the custom with *section 128.5*. (*Crowley, supra, 8 Cal.4th at p. 689, fn. 12*; see, e.g., Weil & Brown, Cal. Practice Guide: Civil Procedure Before Trial (The Rutter Group 2002) P 9:1091 et seq., p. 9-24 [*§ 128.5* procedures described].) In his reply brief Banks reasserts *Crowley* "is factually indistinguishable" from this case, and he repeatedly asserts *Crowley* was "fully contested," but he again cannot explain away the critical fact that the *section 128.5* sanctions issue in *Crowley* was decided on motion, not as part of a fully contested trial, as in this case. While a trial court may decide a *section 3426.4* issue by motion (e.g., *Vacco Industries, Inc. v. Van Den Berg* (1992) 5 Cal.App.4th 34, 45, 54-55), it is not compelled to do so. Here, all parties elected to incorporate that issue into the fully contested trial.

Banks appears to cite *Mattel, Inc. v. Luce, Forward, Hamilton & Scripps* (2002) 99 Cal.App.4th 1179, [*17] for the proposition that a sanctions award might be *evidence* of bad faith in a subsequent case, but cannot preclude relitigation of the issue. That case concluded that imposition of sanctions under *Federal Rules of Civil Procedure, rule 11*, was "evidence that the underlying action was filed without probable cause." (*Id. at p. 1191.*) But that language was in the context of a SLAPP motion, where the issue was the lack of probability of the plaintiff prevailing on a malicious prosecution action. The decision does not support Bank's contention.

In the reply brief Banks claims *Crowley* held "the full measure of remedies afforded by a cause of action for

malicious prosecution is not to be cut off, limited or circumscribed by a prior claim for sanctions." That was the result in *Crowley*, but a prior claim for sanctions, if fully litigated, may result in a finding fatal to a later assertion of malice. In the reply brief Banks disavows any claim of inability to fully litigate the bad faith issue in *IBS I*. The *Crowley* rule does not apply herein. Banks also points to a passage of *Wright, supra, 65 Cal.App.4th* [*18] at page 1195, which states that the denial of sanctions does not *always* reflect on the merits of a malicious prosecution claim. But *Wright* did not hold the denial of sanctions can *never* do so.

This case instead is like those holding that a finding may preclude a subsequent malicious prosecution action where it reflects some judicial assessment that the party had facts sufficient to justify the action, such as the denial of a SLAPP motion or the issuance of a preliminary injunction, even where the lawsuit ultimately fails, either at trial or on appeal. (E.g., *Wilson, supra, 28 Cal.4th at pp. 818-821*; *Fleishman v. Superior Court* (2002) 102 Cal.App.4th 350, 354-357.)

Banks argues that *section 128.5* awards are discretionary, therefore the decision not to make such an award does not conclusively establish nonfrivolousness: A trial court could conclude an action was frivolous but determine not to grant sanctions for reasons extrinsic to *section 128.5*. (*Crowley, supra, 8 Cal.4th at p. 689, fn. 12.*) Even where a statute confers discretion, that does not mean a judge is unconstrained by legal standards. (*Bailey v. Taaffe* (1866) 29 Cal. 422, 424; [*19] *City of Sacramento v. Drew* (1989) 207 Cal. App. 3d 1287, 1297- 1298.) Here, Judge Bond did not deny fees based on extrinsic factors: The statement of decision shows she ruled based on the merits of Banks's claim.

Banks speculates that Judge Bond applied some standard of review other than preponderance of the evidence in denying sanctions. (See *In re Nathaniel P.* (1989) 211 Cal. App. 3d 660, 670 [collateral estoppel will not apply where the standard of proof in the prior proceeding was lower].) He further speculates that she applied a "broad discretion" standard which in his view means something *less* than a preponderance of the evidence, although another portion of his brief suggests it means something *more*.

In patent infringement cases, to balance the power of the patent monopoly, the standard of proof for a fee award as a sanction is "clear and convincing evidence." (

Reactive Metals Alloys Corp. v. ESM, Inc. (Fed. Cir. 1985) 769 F.2d 1578, 1582; see *U.S. Aluminum Corp./Texas v. Alumax, Inc.* (9th Cir. 1987) 831 F.2d 878, 879-881.) We agree with IBS that Banks has not shown that such standard applies to [*20] section 3426.4.

Because the UTSA does not specify a different standard, we presume it calls for application of the ordinary standard of proof, that is, the preponderance of the evidence standard. (Evid. Code, § 115; see *In re Manolito L.* (2001) 90 Cal.App.4th 753, 760-762 [preponderance standard presumed unless otherwise stated by statute or required by constitutional rule].) We see no reason to conclude Judge Bond applied a different standard, and indeed, must presume she did not. (Evid. Code, § 664; *Thompson v. Thames* (1997) 57 Cal.App.4th 1296, 1308.)

Finally, within this portion of his brief Banks argues the use of issue preclusion after the denial of sanctions to defeat malicious prosecution suits would impair public policy. We agree that issue preclusion will not be applied unless its "application will further the public policies of 'preservation of the integrity of the judicial system, promotion of judicial economy, and protection of litigants from harassment by vexatious litigation.'" (*Castillo v. City of Los Angeles* (2001) 92 Cal.App.4th 477, 481 (*Castillo*)). Here, we [*21] agree with IBS that the issue of bad faith was the subject of a lengthy court trial and retrying that issue would waste time, expose IBS to repetitive litigation, and possibly result in an inconsistent finding, undermining the integrity of the judicial system. (See *id.* at pp. 483-484.) Banks claims application of issue preclusion will mean he cannot be made whole for IBS's wrongdoing. But this assumes the very point which can no longer be litigated, whether IBS's suit was brought in bad faith. Banks had one full and fair chance to litigate that issue and lost. Banks's ability to adduce further evidence now on the issue of bad faith is irrelevant. (See *Fleishman, supra*, 102 Cal.App.4th at p. 355, fn. 1.)

B. The Scope of Judge Bond's Decision.

The malicious prosecution complaints consolidated in this action alleged "There was never any legal or factual foundation for initiating and/or pursuing said lawsuit on any cause of action against Plaintiffs[, or any of them]." Pointing to the rule that the party asserting issue preclusion must prove the scope of the prior ruling (

Vella v. Hudgins (1977) 20 Cal.3d 251, 257), Banks [*22] argues IBS (the movant on summary judgment) did not conclusively demonstrate that Judge Bond's ruling bars all claims in his malicious prosecution action. He claims "Judge Bond's single finding of bad faith related to a single claim that was part of a single cause of action in a case that had more than 35 claims spread over seven (7) causes of action."

We accept Banks's basic point that it was up to IBS, as the movant on summary judgment, to show that none of the claims asserted in *IBS I* could support a malicious prosecution action. This is because of the *Bertero/Crowley* rule mentioned above: The fact a party had probable cause to file one or more claims against a party does not show that it had probable cause to file *other* claims against that party. For example, in *Videotape Plus*, a party pleaded conversion, negligence and fraud; the trial court concluded there was probable cause to sue for conversion and the other claims "'added nothing[.]'" (89 Cal.App.4th at p. 161.) "The [trial] court stated it was not malicious prosecution to add 'superfluous counts' for negligence and fraud because reasonable lawyers never plead only a single cause of action [*23] for a given set of facts, and instead plead alternative theories in order to avoid malpractice claims by their clients." (*Ibid.*) *Videotape Plus* rejected this superficially attractive view of the law, because, as *Crowley* held, probable cause must be shown as to each cause of action, and in *Videotape Plus*, the plaintiff had alleged the defendants "asserted negligence solely to trigger insurance coverage and raised fraud without knowing of any misrepresentation or duty to disclose." (*Id.* at pp. 161-162.) *Videotape Plus* reiterated *Crowley's* rejection of the "primary right" mode of analyzing malicious prosecution actions. (*Id.* at p. 162.)

At this point we explain IBS's complaint. "The relevant complaint employs the disfavored shotgun (or 'chain letter') style of pleading, wherein each claim for relief incorporates by reference all preceding paragraphs, which often masks the true causes of action." (*IBS II, supra*, 84 Cal.App.4th at p. 1179.) For example, the complaint alleged unfair competition *because* "The acts described above [i.e., *misappropriation*] constitute unlawful and/or unfair business practices," and breach [*24] of confidentiality contracts, *because* those contracts prohibited the employees from misappropriating trade secrets, and so forth. In the amended complaint, IBS added factual detail but

realleged the same basic theories. We upheld Judge Bond's finding that apportionment of fees was impractical because she found "the evidentiary showing was substantially interrelated and intertwined and the essential legal and factual issues were common to all theories of liability advanced by Plaintiff." All of the theories hinged on claims of misappropriation, a point Banks does not seriously dispute on appeal.

Banks cites two unpublished federal cases for the rule that "A party cannot recover attorneys fees under *section 3426.4* for common law claims even if they are intertwined with the misappropriation claim." This is not entirely correct. It is correct insofar as *section 3426.4* only allows fees for misappropriation claims, but where fees spent on a misappropriation claim cannot be segregated from fees spent on other claims, a trial court need not apportion the fees.

In the first unpublished case Banks cites, *VSL Corp. v. General Technologies Inc.* (N.D.Cal. 1998) 46 U.S.P.Q.2d 1356, [*25] the plaintiff obviously failed to take reasonable steps to maintain secrecy, sued under the California Unfair Trade Practices Act, and pleaded a number of theories, including breach of contract, unfair competition, conversion and so forth. The court found plaintiff brought and maintained the trade secrets claim in bad faith, entitling defendant to fees under *section 3426.4*. The court also found that because plaintiff alleged (albeit wrongly) that the parties had a confidentiality contract containing a fees provision, defendant was entitled to fees under *Civil Code section 1717*. The court rejected plaintiff's claim that it was liable for and only for fees incurred in pursuing trade secrets and contract theories: "VSL alleged ten causes of action, all of which were factually related and intertwined with the trade secret and breach of contract claims. Accordingly [*Abdallah v. United Savings Bank* (1996) 43 Cal.App.4th 1101 (*Abdallah*)], controls the present case. As the claims and the fees incurred to defend these claims are inextricably intertwined, segregation or apportionment of fees is not appropriate or necessary." (46 U.S.P.Q.2d at p. 1361.) [*26] *Abdallah* applied the rule that where a contract cause of action is coupled with a tort cause of action, even though *section 1717* only authorizes a fee award for the contract claim, the trial court may conclude that claims are inextricably intertwined, such that apportionment of fees between the causes of action is impractical. (*Abdallah, supra, at p. 1111*.)

The second unpublished case Banks cites merely concluded that *on the facts of that case*, apportionment between causes of action was feasible, as shown by the defendant's own claim for fees which segregated the amounts, therefore, the court reduced the fee claim so that only fees spent on the misappropriation claim were awarded. (*Stilwell Development v. Chen, supra, 11 U.S.P.Q.2d at p. 1332*.)

In *Fleishman, supra, 102 Cal.App.4th 350*, the trial court had issued a preliminary injunction to prevent dissemination of claimed trade secrets. The plaintiff later dismissed the suit and the defendant sued for malicious prosecution. *Fleishman* held that the issuance of the preliminary injunction was a sufficient evidentiary finding to preclude a malicious prosecution action. Acknowledging [*27] the *Bertero, Crowley and Videotape Plus* cases, the court held "that where, as here, all causes of action are reasonably related to the preliminary injunction, the granting of injunctive relief conclusively establishes that each cause of action was brought with probable cause." (102 Cal.App.4th p. 358.) For example, interference with contractual relations was not itself prohibited by the injunction, but the manner in which the complaint alleged the contractual relations had been or would be harmed was explicitly linked on the use of confidential information, the dissemination of which was prohibited by the preliminary injunction. (*Id. at pp. 358-359*.) This reflects the fact that it is not uncommon to plead multiple theories all dependent on a misappropriation allegation. (See, e.g., *Gemini Aluminum, supra, 95 Cal.App.4th at p. 1254* [UTSA claim encompassed within business interference claim]; Karmer, How Misuse of the UTSA can be Countered (Nov. 2002) 25 L.A. Lawyer 17, 18 ["Often, plaintiffs use the allegation that trade secrets have been misappropriated as a springboard to other causes of action"].)

We will follow the *Fleishman* [*28] approach and determine whether there were claims in *IBS I* which were not found to be brought in good faith. But we emphasize it is up to *Banks* to identify a claim and explain how *IBS* failed to show that claim was covered by the bad faith ruling. (See *Guthrey, supra, 63 Cal.App.4th at pp. 1115-1116*.) We will address each candidate seriatim.

1. The Micro Case.

Banks's principal claim is that Judge Bond's ruling was limited to the "macro" case and he can now show

that some of the "micro" claims were maliciously pursued. As indicated above, Judge Bond found "Even though Mr. Gunther said he thought the list of trade secrets was 'frivolous,' the Court does not so find." Given the context of the statement of decision, that was a finding that Banks failed to carry his burden to show the micro case was brought in bad faith. Next, Judge Bond found "that IBS and its engineers honestly believed that their system was unique and was not known in the industry and, consequently, the Court finds there is no evidence to support a finding that the action was either brought or maintained in bad faith." This addressed the macro portion of the case, which was also [*29] fully litigated on the issue of bad faith. Banks lost that issue as well. Thus Banks's effort to cabin the sweep of Judge Bond's finding to the macro case fails.

2. The 2019(d) Lists.

In UTSA cases a party alleging misappropriation "shall identify the trade secret with reasonable particularity[.]" (*Code Civ. Proc.*, § 2019, *subd. (d)*.) At trial in *IBS I*, IBS provided lists of trade secrets, referred to by the parties as "2019(d) lists," and the lists changed over time.

Banks asserts there were components of the "micro" case identified by IBS in the 2019(d) lists "that IBS chose not [to] pursue through trial." Because the alleged trade secrets on those lists were not litigated before Judge Bond, he claims she could not have made any rulings respecting those claims, and he is free to show that each had been maliciously prosecuted. The claim is waived.

Although on appeal Banks refers to the Protean 2019(d) lists, the oppositions to the summary judgment motions did not allege that these lists raised triable issues of fact. The defense statement of undisputed facts had partly alleged that Banks had conducted discovery on the 2019(d) list [*30] issue, to bolster his claim that IBS acted in bad faith. But Bank's opposition explicitly claimed "IBS lost seven (7), mostly common law causes of action and also lost a total of 36 independent trade secret claims." In the counter-statement of undisputed facts filed by Banks, he alleged in part "In its 'micro' trade secret claim . . . IBS claimed that 35 individual features on its inserters were 'independently entitled to trade secret protection,'" and that Judge Bond made no explicit finding "as to existence or non-existence of bad faith on the part of IBS for any of the 35 independent trade secrets claimed by IBS in its Micro Trade Secret

Claim." Banks fails to point out where in the trial court he contended the 2019(d) list raised a triable issue of fact and our review of the record shows that *none* of the three separate opposition memoranda filed in the trial court did so. Indeed, Banks's opening brief asserts the 2019(d) lists "were never made a part of [the] motions for summary judgment." Although he faults IBS for this lacuna, if he thought the documents were critical to establishing a triable issue of fact, he should have included them in his opposition.

Thus, it is impossible [*31] for Banks to show that these documents, never presented to the trial court, could raise a triable issue of fact. For example, we have no way to evaluate whether the changes in the 2019(d) lists were significant, such as whether the claims once asserted therein but later dropped were incorporated within the 35 micro claims pursued at trial. The fact, if it be a fact, that by inferences from the statement of decision Banks can show that IBS must have raised more than the 35 trade secrets resolved in *IBS I* is not enough at this late stage in the proceedings. If Banks wanted to show he could raise a triable issue of fact because he had a viable malicious prosecution action based on claims asserted before trial in *IBS I*, the place to start was in the trial court.

This is no hypertechnical appellate rule designed to trip up counsel, it is an application of basic appellate rules conjoined with basic rules of summary judgment. As stated, Banks has the burden on appeal to show there is a triable issue of fact. (*Guthrey, supra*, 63 Cal.App.4th at pp. 1115-1116.) As the appellant, it was his burden to provide a record demonstrating error. (*Mountain Lion Coalition v. Fish & Game Com.* (1989) 214 Cal. App. 3d 1043, 1051, *fn. 9*.) [*32] Because he confesses the 2019(d) lists are *not* in the record, he cannot predicate a triable issue on them. Further, "Separate statements [of undisputed facts in summary judgment cases] are required not to satisfy a sadistic urge to torment lawyers, but rather . . . to permit trial courts to expeditiously review complex motions" (*United Community Church v. Garcin* (1991) 231 Cal. App. 3d 327, 335.) Because our role mirrors that of the trial court in summary judgment cases, we, too, normally look to the separate statements to "expeditiously review" appeals following the grant of summary judgment, and writs following the denial of summary judgment. "This is the Golden Rule of Summary Adjudication: if it is not set forth in the separate statement, *it does not exist*." (*Id.* at p. 337, original italics.) Where a critical fact is not in the

separate statement of facts, we can and in most cases should ignore it. (See *San Diego Watercrafts, Inc. v. Wells Fargo Bank* (2002) 102 Cal.App.4th 308, 315-316 [trial court has discretion in the matter].) Here, the critical documents are *not even in the trial record*, let alone [*33] in the separate statements of fact.

In *North Coast Business Park v. Nielsen Construction Co.* (1993) 17 Cal.App.4th 22 (North Coast), summary judgment was entered for defendant in a construction defect case because the statute of limitations had run. On appeal plaintiff identified a new defect as the basis for its claim. The court held the argument as to the new defect was waived. (*Id. at p. 28.*) First, the court held the general principles of "waiver" and "theory of the trial" prevented plaintiff from relying on a new theory on appeal. Plaintiff failed to apprise the court or the opposing party of this theory at a time when it could be ruled on or opposed. (*Id. at pp. 28-29.*) Second, the issue was waived due to plaintiff's failure to raise the factual basis in its separate statement of disputed facts. (*Id. at p. 30.*)

The same is true in this case, regarding the alleged claims in the 2019(d) list which were not pursued through trial. The fact Banks raised some claims in the trial court about the scope of Judge Bond's ruling does not give him a pass to raise others for the first time on appeal. The 2019(d) [*34] list issue is waived.

3. Common Law Claims.

Banks asserts the common law theories or causes of action in the IBS complaint were not embraced by Judge Bond's findings. However, Banks fails in his duty as the appellant to parse the complaint and spell out why this is so. We are not obliged to do this legwork for Banks. (*People v. Gidney* (1937) 10 Cal.2d 138, 142; *Mansell v. Board of Administration* (1994) 30 Cal.App.4th 539, 545-546.)

In Banks's *reply brief* he argues that Judge Bond's findings did not address probable cause (objective speciousness) but only subjective good faith. The point is waived because it was not raised in the opening brief on appeal, depriving IBS of the opportunity to respond. (*Kahn v. Wilson, supra*, 120 Cal. at p. 644.)

However, in the opening brief Banks does raise the claim that the trial court ruling *on its face* departs from precedent.

Banks's legal point is the fact none of the purported causes of action could be proven absent misappropriation does not mean that a good faith assertion of misappropriation is enough to show each of those causes of action was asserted in good faith. [*35] He asserts that Judge McMaster ignored the portion of *Crowley* which rejected the idea that if the various causes of action are all in aid of a single "primary right," then probable cause for one theory means there was probable cause for another.

Banks hinges his argument on the observation that the *tentative* decision uses the term "gravamen" and argues the "gravamen" of an action is the same as the primary right at issue. Because *Crowley, supra*, 8 Cal.4th 666, rejected a primary rights analysis for malicious prosecution cases, Banks asserts the use of the term "gravamen" in the tentative decision indicates the trial court failed to apply *Crowley*.

We reject Banks's claim that the language of the tentative decision requires reversal. The purpose of a "tentative" decision in summary judgment practice is to focus oral argument. (See *Gwartz v. Superior Court* (1999) 71 Cal.App.4th 480, 481.) In the *final ruling* Judge McMaster explicitly considered the *Crowley* rule, and found it to be inapplicable because "Judge Bond determined that no cause of action was brought in bad faith[.]" This does not show a facial misapplication of the law.

[*36] C. Orrick's Interposition of Issue Preclusion.

Banks asserts that whatever the result as to IBS, *Orrick* cannot employ issue preclusion to bar this malicious prosecution action. We disagree.

We agree with Banks that an attorney's liability for malicious prosecution does not hinge on the client's. (*Sheldon Appel Co. v. Albert & Oliker, supra*, 47 Cal.3d at pp. 881-882; *Hufstедler, Kaus & Ettinger v. Superior Court* (1996) 42 Cal.App.4th 55, 63-64; *Zeavin v. Lee* (1982) 136 Cal. App. 3d 766, 772.)

But generally, even a *stranger* to a prior action may assert that judgment to defensively estop a person who was a party to the prior case. (*Bernhard v. Bank of America* (1942) 19 Cal.2d 807, 813; *Rice v. Crow* (2000) 81 Cal.App.4th 725, 735; *Campbell v. Scripps Bank* (2000) 78 Cal.App.4th 1328, 1334.) Thus, Orrick does not have to show it was a party or in privity with IBS in

IBS I. It may use the *IBS I* judgment defensively herein.

Banks also asserts that Orrick and IBS should be deemed "effectively 'co-defendants' for purposes of collateral estoppel," because [*37] their boilerplate answers *in this case* assert affirmative defenses blaming each other for any liability. From this conclusory assertion Banks seeks refuge in the rule that "Ordinarily, collateral estoppel does not apply against parties who were codefendants in a former action." (*Sutton v. Golden Gate Bridge, Highway & Transportation Dist.* (1998) 68 Cal.App.4th 1149, 1155.) We reject Banks's effort to transmute Orrick's prior role from that of attorney to that of codefendant. More importantly, Orrick is not seeking to assert issue preclusion *against IBS*, its purported codefendant, it is seeking to assert it *against Banks*.

In the reply brief Banks contends *IBS I* addressed IBS's subjective mental state and not Orrick's mental

state, nor objective probable cause which would protect both IBS and Orrick, therefore the judgment in *IBS I* cannot shield Orrick. As stated, this argument is waived because Banks's opening brief did not argue the point. (See *Kahn v. Wilson, supra*, 120 Cal. at p. 644.)

DISPOSITION

The judgment is affirmed. Banks shall pay Orrick's and IBS's costs of this appeal. (*Cal. Rules of Court, rule 27(a)* [*38] .)

MORRISON, Acting P.J.

We concur:

KOLKEY, J.

ROBIE, J.