

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

Applied Materials, Inc.,

NO. C 07-05248 JW

Plaintiff,

**ORDER GRANTING IN PART AND  
DENYING IN PART DEFENDANTS'  
VARIOUS MOTIONS TO DISMISS**

v.

Advanced Micro-Fabrication Equipment,  
Inc., et al.,

Defendants.

\_\_\_\_\_ /

**I. INTRODUCTION**

Applied Materials, Inc. (“Applied” or “Plaintiff”) brings this diversity action against Advanced Mircro-Fabrication Equipment, Inc., (“AMEC Inc.”) and its China and Asia subsidiaries (collectively, “Defendants”), alleging, *inter alia*, that Defendants misappropriated its trade secrets and engaged in unfair business practices in violation of California law.

Presently before the Court are Defendants’ various Motions to Dismiss Plaintiff’s First Amended Complaint for lack of personal jurisdiction, failure to state a claim upon which relief may be granted, and improper forum. The Court conducted a hearing on February 25, 2008. Based on the papers submitted to date and oral arguments of counsel, the Court GRANTS in part and DENIES in part Defendants’ various motions. The Court DEFERS ruling on AMEC Inc.’s motion to dismiss for lack of personal jurisdiction pending further discovery.

**United States District Court**  
For the Northern District of California

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**II. BACKGROUND**

In a First Amended Complaint filed on November 1, 2007, Plaintiff alleges as follows:<sup>1</sup>

Plaintiff is a corporation organized and existing under the laws of Delaware, which maintains its principal place of business in Santa Clara, California. Defendant Advanced Micro-Fabrication Equipment China Co., Ltd. (“AMEC China”) is a corporation organized and existing under the laws of the People’s Republic of China, which maintains its principal place of business in Shanghai, China, and which also maintains an office in San Diego, California. Defendant Advanced Micro-Fabrication Equipment Inc., Asia (“AMEC Asia”) is a holding company. Defendant AMEC Asia is organized and existing under the laws of the Cayman Islands and maintains its principal place of business in the Cayman Islands. Defendant AMEC Asia is the assignee of certain U.S. patent applications. Defendant AMEC Inc. is a holding company and the parent company to AMEC China and AMEC Asia. AMEC Inc. is organized and existing under the laws of the Cayman Islands and maintains its principal place of business in the Cayman Islands. (FAC ¶¶ 11-14.)

Plaintiff is a leading technology company. Plaintiff develops, designs, and manufactures machines, called “tools,” which are used to make semiconductor chips. Two types of these tools enable so-called “Etch” and “Chemical Vapor Deposition” (“CVD”) processes. Each Etch or CVD tool is a very sophisticated, multi-million dollar machine that uses complex physics and chemistry to perform precise processes on silicon wafers. (*Id.* ¶ 1.)

Gerald Z. Yin, AiHua Chen, Ryoji Todaka, and Lee Luo (“AMEC Employees”) are former employees of Plaintiff, all of whom, while at Applied, had access to highly sensitive trade secrets and confidential information including valuable trade secrets with respect to designing, manufacturing, and using Etch and CVD tools. Yin, in particular, was a Corporate Vice President, General Manager, and Chief Technology Officer at Applied. In

---

<sup>1</sup> (First Amended Complaint, hereafter, “FAC,” Docket Item No. 31.)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

his roles, he managed the Etch product group and had broad access to Plaintiff’s confidential information and trade secrets concerning its Etch tools. Chen also held a number of roles at Applied including General Manager of its CVD product group. Chen had broad access to Plaintiff’s confidential information and trade secrets concerning its CVD tools. Yin left Applied in 2004, moved to the People’s Republic of China, and, along with Chen, founded Defendant companies, including AMEC China, a semiconductor tool manufacturing company formed to manufacture Etch and CVD tools that will compete directly with Plaintiff. Each of the other AMEC Employees also left Applied between 2003 and 2006 and joined Defendants. (Id. ¶¶ 2-5.)

While semiconductor manufacturing tools are very sophisticated and complex machines that typically take years to design and build, Defendants, having the benefit of Plaintiff’s confidential information and trade secrets, designed, built and announced the availability of CVD and Etch tools within one year of starting business in China. To accomplish this, AMEC Employees transferred and converted Plaintiff’s inventions and trade secrets to the Defendants. For example, while employed by Plaintiff, AMEC Employees worked on a novel and confidential design for use in CVD tools. Upon leaving Applied, the AMEC Employees disclosed the confidential design to Defendant companies. On August 5, 2005, Defendant companies filed a Chinese patent application claiming this novel design as their own. Defendants have also incorporated the design into their CVD tools. (Id. ¶¶ 6-8.)

Each of the AMEC Employees signed Employee Agreements with Plaintiff. The Agreements state that all inventions that the AMEC Employees conceived, made or reduced to practice while at Applied would be the exclusive property of Plaintiff. Defendants have induced the AMEC Employees to breach these Agreements. Defendants have been unjustly enriched as a result of their illegal practices. Plaintiff seeks an injunction against Defendants to prevent further trade secret misappropriation and unfair competition, as well as

1 compensatory and punitive damages and declaration that it is the owner of Defendants’  
2 patent applications. (Id. ¶¶ 9-10.)

3 On the basis of the allegations outlined above, Plaintiff alleges four causes of action against  
4 Defendants: (1) Misappropriation of Trade Secrets; (2) Intentional Interference with Contractual  
5 Relationships; (3) Conversion; and (4) Unfair Competition in violation of Cal. Bus. & Prof. Code. §  
6 17200. (Id. ¶¶ 45-71.)

7 Presently before the Court are the following Motions to Dismiss Plaintiff’s First Amended  
8 Complaint for lack of personal jurisdiction, failure to state a claim upon which relief may be  
9 granted, and improper forum:

- 10 (1) AMEC Inc.’s Motion to Dismiss First Amended Complaint (hereafter, “AMEC Inc.  
11 MTD,” Docket Item No. 54);
- 12 (2) AMEC China’s Motion to Dismiss First Amended Complaint (hereafter, “AMEC  
13 China MTD,” Docket Item No. 98); and
- 14 (3) AMEC Asia’s Motion to Dismiss First Amended Complaint (hereafter, “AMEC Asia  
15 MTD,” Docket Item No. 101).

16 **III. STANDARDS**

17 **A. Personal Jurisdiction**

18 Motions to dismiss for lack of personal jurisdiction are brought pursuant to Rule 12(b)(2) of  
19 the Federal Rules of Civil Procedure. Although the defendant ordinarily files such a motion, it is the  
20 plaintiff that bears the burden of proof as to the necessary jurisdictional facts. Flynt Distrib. Co. v.  
21 Harvey, 734 F.2d 1389, 1392 (9th Cir. 1984) . However, the plaintiff need only make a prima facie  
22 showing that personal jurisdiction exists if the defendant files its motion to dismiss as an initial  
23 response. Data Disc, Inc. v. Systems Technology Assoc., Inc., 557 F.2d 1280, 1285 (9th Cir. 1977).  
24 To make a prima facie showing, the plaintiff must demonstrate facts that if true would support  
25 jurisdiction over the defendant. Data Disc, 557 F.2d at 1285. The plaintiff must make a prima facie  
26 showing as to each defendant. Rush v. Savchuk, 444 U.S. 320, 332 (1980).

27 A federal district court may exercise personal jurisdiction to the same extent as a state court  
28 of the state in which the district court sits. Omni Capital Int’l Ltd. v. Rudolf Wolff & Co., Ltd., 484

1 U.S. 97, 108 (1987). Since California courts extend jurisdiction to the very limits of the federal  
2 Constitution, federal courts are only required to determine whether the exercise of jurisdiction would  
3 comport with due process. See Haisten v. Grass Valley Medical Reimbursement Fund, Ltd., 784  
4 F.2d 1392, 1396 (9th Cir. 1986)

5 Constitutional due process concerns are satisfied when a nonresident defendant has “certain  
6 minimum contacts with the forum such that the maintenance of the suit does not offend traditional  
7 notions of fair play and substantial justice.” International Shoe Co. v. Washington, 326 U.S. 310,  
8 316 (1945).

9 **B. Failure to State a Claim**

10 Pursuant to Federal Rule of Civil Procedure 12(b)(6), a complaint may be dismissed against a  
11 defendant for failure to state a claim upon which relief can be granted against that defendant.

12 Dismissal may be based on either the lack of a cognizable legal theory or the absence of sufficient  
13 facts alleged under a cognizable legal theory. Balistreri v. Pacifica Police Dep’t, 901 F.2d 696, 699  
14 (9th Cir. 1990); Robertson v. Dean Witter Reynolds, Inc., 749 F.2d 530, 533-534 (9th Cir. 1984).

15 For purposes of evaluating a motion to dismiss, the court “must presume all factual allegations of the  
16 complaint to be true and draw all reasonable inferences in favor of the nonmoving party.” Usher v.  
17 City of Los Angeles, 828 F.2d 556, 561 (9th Cir. 1987). Any existing ambiguities must be resolved  
18 in favor of the pleading. Walling v. Beverly Enters., 476 F.2d 393, 396 (9th Cir. 1973).

19 However, mere conclusions couched in factual allegations are not sufficient to state a cause  
20 of action. Papasan v. Allain, 478 U.S. 265, 286 (1986); see also McGlinchy v. Shell Chem. Co., 845  
21 F.2d 802, 810 (9th Cir. 1988). The complaint must plead “enough facts to state a claim for relief  
22 that is plausible on its face.” Bell Atlantic Corp. v. Twombly, 550 U.S. \_\_\_, 127 S. Ct. 1955, 1974  
23 (2007). Courts may dismiss a case without leave to amend if the plaintiff is unable to cure the defect  
24 by amendment. Lopez v. Smith, 203 F.3d 1122, 1129 (9th Cir. 2000).

**IV. DISCUSSION**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Defendants move to dismiss Plaintiff’s First Amended Complaint on the following grounds:

(1) Defendants are not subject to personal jurisdiction in California; (2) Plaintiff has failed to state a claim for relief because the California Uniform Trade Secrets Act (“CUTSA”) does not apply extraterritorially and CUTSA preempts Plaintiff’s other state law claims; and (3) California is an inconvenient forum for this case.<sup>2</sup> The Court proceeds to consider each of these issues in turn.

**A. Personal Jurisdiction**

Plaintiff contends that the Court has specific personal jurisdiction over Defendants because AMEC China and AMEC Asia have purposefully directed tortious conduct at Plaintiff in California and AMEC Inc. is the alter ego of AMEC China. (Plaintiff’s Opposition to Defendants’ Motions to Dismiss at 9, 15, hereafter, “Opposition,” Docket Item No. 105.)

**1. Specific Jurisdiction**

In dispute is whether the Court has specific jurisdiction over AMEC China and AMEC Asia.

The Ninth Circuit uses the following test to evaluate a defendant’s contacts for purposes of determining whether specific jurisdiction applies:

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

Schwarzenegger v. Fred Martin Motor Co., 374 F.3d 797, 802 (9th Cir. 2004). The first prong of the test “may be satisfied by purposeful availment of the privilege of doing business in the forum; by purposeful direction of activities at the forum; or by some combination thereof.” Yahoo! Inc. v. La Ligue Contre Le Racisme Et L’Antisemitisme, 433 F.3d 1199, 1206 (9th Cir. 2006).

---

<sup>2</sup> (AMEC Inc. MTD at 8, 9.) AMEC China and AMEC Asia join in AMEC Inc.’s motion on this issue.

1 In tort cases, the Ninth Circuit requires courts to focus on whether a defendant “purposefully  
2 directs” conduct at the forum state by applying an “effects test” that considers where the defendant’s  
3 actions were felt, regardless of whether the actions themselves occurred within the forum. See  
4 Schwarzenegger, 374 F.3d at 803 (citing Calder v. Jones, 465 U.S. 783, 789-90 (1984)). To meet  
5 the effects test, “the defendant allegedly [must] have (1) committed an intentional act, (2) expressly  
6 aimed at the forum state, (3) causing harm that the defendant knows is likely to be suffered in the  
7 forum state.” Yahoo, 433 F.3d at 1206-07 (noting that “the ‘brunt’ of the harm need not be suffered  
8 in the forum state”). For purposes of establishing personal jurisdiction based on purposeful direction  
9 in a misappropriation of trade secrets case, a corporation’s principle place of business determines the  
10 location where corporate injury is felt as a result of the misappropriation. Portrait Displays, Inc. v.  
11 Speece, 2004 WL 1964506 (N.D. Cal. 2004); see Dole Food Co., Inc. v. Watts, 303 F.3d 1104,  
12 1113-14 (9th Cir. 2002).

13 In this case, Plaintiff alleges causes of action for misappropriation of trade secrets and  
14 intentional interference with contractual relationships, which are both intentional torts. (FAC ¶¶ 45,  
15 54.) Therefore, the Court considers specific jurisdiction under the “effects test.” Plaintiff alleges as  
16 follows:

17 Plaintiff’s trade secrets are located in California because California is its principle  
18 place of business. (FAC ¶ 11.) The trade secrets were also developed in California. (Id. ¶  
19 1.) The misappropriation of those trade secrets was carried out by the founders of Defendant  
20 companies, many of whom are former employees of Plaintiff. (Id. ¶¶ 37-40.) The former  
21 employees would reasonably have been aware that the misappropriated trade secrets were  
22 developed in California and that Plaintiff’s principle place of business is in California  
23 because each of them worked for Plaintiff for at least three years. (Id. ¶ 23-26.)

24 Since AMEC China induced these former employees to engage in the  
25 misappropriation and they are now in possession of Plaintiff’s proprietary information, the  
26 acts that brought about the harm may be imputed to it. (FAC ¶ 49.) Moreover, Defendants  
27 AMEC China and Asia directly interfered with the contracts that Plaintiff’s former  
28 employees had with Plaintiff. (Id. ¶¶ 27, 54.) These contracts were entered into in California  
and provide Plaintiff certain protections under California law, particularly that all inventions  
made within one year of leaving employment with Plaintiff are presumptively the property of  
Plaintiff. (Id. ¶ 41.) Defendants knew of these contracts. (Id. ¶ 30.) They interfered with  
the contracts by recruiting Plaintiff’s former employees away from Plaintiff and inducing  
them to disclose proprietary information and assign certain patent rights to Defendants in  
breach of their contracts with Plaintiff. (Id. ¶¶ 54-59.) In particular, several applications  
which read on Plaintiff’s trade secrets have been assigned to AMEC Asia. (Id. ¶ 42.)

1           These allegations make out a prima facie case for jurisdiction under the effects test. Plaintiff  
2 has alleged: (1) intentional conduct because Defendants indirectly and directly are alleged to have  
3 committed intentional torts against Plaintiff; (2) conduct that was expressly aimed at the forum  
4 because Plaintiff’s former employees were allegedly induced by Defendants to engage in the  
5 misappropriation; and (3) conduct that caused harm that Defendants knew was likely to be suffered  
6 in the forum state because California is Plaintiff’s principle place of business.

7           Defendant AMEC China presents several pieces of evidence to rebut Plaintiff’s prima facie  
8 case under the “effects test.” To rebut the second and third prongs of the test, Defendant AMEC  
9 China refers to exhibits which show that a substantial portion of the market for semiconductor tools  
10 is in Asia, not in the United States. (Declaration of Marc David Peters in Support of AMEC Inc.’s  
11 Motion to Dismiss, Ex. A-E, Docket Item No. 57.) AMEC China is also not registered to do  
12 business in California and makes no sales within the forum. (Declaration of Zhiyou Du in Support  
13 of AMEC China’s Motion to Dismiss ¶¶ 5, 7, Docket Item No. 99.) However, in providing this  
14 evidence, Defendant AMEC China conflates the location of consumers of one’s product with the  
15 location in which harm from misappropriation of trade secrets is felt. In this circuit, a corporation’s  
16 principle place of business determines the location where corporate injury is felt as a result of the  
17 misappropriation. Here, the parties do not dispute that Plaintiff is headquartered in Santa Clara.  
18 Accordingly, the Court finds that AMEC China is subject to personal jurisdiction in California.

19           Defendant AMEC Asia contends that its status of being an assignee to certain patent rights of  
20 Plaintiff’s former employees is insufficient for establishing personal jurisdiction. (AMEC Asia’s  
21 Reply in Support of its Motion to Dismiss at 3, Docket Item No. 108.) While an assignment  
22 relationship may not be sufficient to establish jurisdiction in a state, in and of itself, in this case the  
23 assignment of patent rights is not AMEC Asia’s sole contact with the forum. Rather, the fact of the  
24 assignments themselves is evidence which may support a finding that AMEC Asia induced  
25 Plaintiff’s former employees to misappropriate the trade secrets allegedly contained in the patent  
26 applications and tortiously interfered with the employee contracts that provided all such patent rights



1 would be assigned to Plaintiff. Accordingly, the Court finds that AMEC Asia is subject to personal  
2 jurisdiction in California.

3 In sum, the Court DENIES dismissal of AMEC China and AMEC Asia pursuant to Rule  
4 12(b)(2).

## 5 2. Alter Ego

6 In dispute is whether the contacts of AMEC China may be imputed to AMEC Inc. for  
7 purposes of establishing personal jurisdiction.

8 The existence of a relationship between a parent company and its subsidiary is generally not  
9 sufficient, in and of itself, to establish personal jurisdiction over the parent on the basis of the  
10 subsidiary's minimum contacts with the forum. Transure, Inc. v. Marsh and McLennan, Inc., 766  
11 F.2d 1297, 1299 (9th Cir. 1985); see United States v. Bestfoods, 524 U.S. 51, 69 (1998). However,  
12 when the parent and subsidiary are not really separate entities, the subsidiary's contacts with the  
13 forum may be imputed to the parent corporation for purposes of establishing personal jurisdiction  
14 under the alter ego exception to the general rule. Doe v. Unocal Corp., 248 F.3d 915, 926 (9th Cir.  
15 2001).

16 To demonstrate that the parent and subsidiary are "not really separate entities" under the alter  
17 ego exception, the plaintiff must make out a prima facie case "(1) that there is such unity of interest  
18 and ownership that the separate personalities [of the two entities] no longer exist and (2) that failure  
19 to disregard [their separate identities] would result in fraud or injustice." American Telephone &  
20 Telegraph Co. v. Compagnie Bruxelles Lambert, 94 F.3d 586, 591 (9th Cir. 1996).

21 In his declaration, AMEC Inc.'s General Counsel, Matt Ruby ("Ruby"), describes AMEC  
22 Inc. as a holding company that is the parent of AMEC Asia and AMEC China. (Declaration of Matt  
23 Ruby in Support of Advanced Micro-Fabrication Equipment Inc.'s Motion to Dismiss ¶¶ 2-4,  
24 hereafter, "Ruby Decl.," Docket Item No. 55.) Ruby also declares that AMEC Inc. "does not itself  
25 design, sell or market any products;" rather, it is AMEC China that "designs and develops  
26 semiconductor equipment." (Id. ¶¶ 4-5.)



1 presented sufficient evidence for the Court to resolve these inconsistencies. Accordingly, the Court  
2 defers ruling on AMEC Inc.’s motion with respect to the issue of personal jurisdiction.<sup>6</sup>

3 **B. Failure to State a Claim**

4 Plaintiff contends that the Court should not dismiss this case for failure to state a claim  
5 because CUTSA may be applied extraterritorially to redress harms felt in California and CUTSA  
6 does not preempt state law claims based on different facts than a trade secret misappropriation  
7 claim. (Opposition at 17, 18.)

8 **1. Extraterritoriality of the California Uniform Trade Secrets Act**

9 In dispute is the extraterritorial reach of CUTSA in light of Defendant AMEC China having  
10 its principal place of business in China.

11 “The enactment of the Uniform Trade Secrets Act in California indicates a strong legislative  
12 intent to protect California residents against the misappropriation of their trade secrets” Integral  
13 Development Corp. v. Weissenbach, 99 Cal. App. 4th 576, 591-92 (2002). California law applies  
14 where an out-of-state defendant’s conduct causes injury in California. Ready Transp., Inc. v. AAR  
15 Mfg., Inc., 2006 WL 2131308 at \*3 (E.D. Cal. 2006). This principle is especially true when the  
16 injury involves misappropriation of a trade secret because California has a significant interest in  
17 protecting the intellectual property of its citizens and businesses from infringement by foreign  
18 defendants. Weissenbach, 99 Cal. App. 4th at 591-92.

19 The Court has found that Plaintiff has adequately alleged that Defendants misappropriated its  
20 trade secrets and caused injurious effects in California. (FAC ¶¶ 45-53.) Thus, Plaintiff’s  
21 allegations state a claim in which California law may be applied extraterritorially. Accordingly, the  
22 Court DENIES dismissal of Defendants First Cause of Action for Misappropriation of Trade Secrets  
23 pursuant to Rule 12(b)(6).

24  
25

---

26 <sup>6</sup> While the Court focused on the issue of traditional alter ego jurisdiction, Plaintiff is by no  
27 means foreclosed from continuing to contend jurisdiction is proper under an agency theory.

28

United States District Court  
For the Northern District of California

2. Preemption Under the California Uniform Trade Secrets Act

In dispute is whether Plaintiff’s other state law claims are preempted by CUTSA.

CUTSA includes a preemption provision that displaces common law and statutory theories of recovery to the extent that they are predicated on the same facts upon which one could assert a claim for misappropriation of trade secrets. See Digital Envoy, Inc. v. Google, Inc., 370 F. Supp. 2d 1025, 1034-35 (N.D. Cal. 2005); see Cacique, Inc. v. Robert Reiser & Co., Inc., 169 F.3d 619, 624 (9th Cir. 1999); Cal. Civ. Code § 3426.7. However, “claims arising out of facts similar to, but distinct from, those underlying a claim for misappropriation of trade secret are not preempted.” AirDefense, Inc. v. AirTight Networks, Inc., 2006 WL 2092053 at \*3 (N.D. Cal. 2006); Cal. Civ. Code § 3426.7(b).

Plaintiff alleges three causes of action in addition to its First Cause of Action for Misappropriation of Trade Secrets: Intentional Interference with Contractual Relationships; Conversion; and Unfair Competition in violation of Cal. Bus. & Prof. Code. § 17200. (FAC ¶¶ 45-71.)

Plaintiff’s Second Cause of Action for Tortious Interference is predicated upon Defendants’ conduct which allegedly caused Plaintiff’s former employees to assign certain patent applications to Defendants in breach of their contractual duties. (FAC ¶¶ 56-58.) The Court finds that this cause of action arises out of facts distinct from the those underlying Plaintiff’s claim for misappropriation of trade secrets because the alleged breach was not caused by the misappropriation itself, but instead, by the later assignment of rights.

Plaintiff’s Third Cause of Action for Conversion is similarly predicated upon Defendants’ conduct which allegedly caused Plaintiff’s former employees to assign certain patent applications to Defendants in violation of their contractual duties. (FAC ¶¶ 62-63.) The Court finds that this cause of action arises out of facts distinct from those underlying Plaintiff’s claim for misappropriation of trade secrets because the alleged conversion is of Plaintiff’s patent rights, not its trade secret rights.

1           However, Plaintiff’s Fourth Cause of Action for Unfair Competition appears to essentially  
2 reassert its misappropriation of trade secrets claim. Specifically, Plaintiff alleges Defendants  
3 “wrongfully misappropriated Applied’s trade secrets” and used them to “unfairly compete with  
4 [Plaintiff’s] marketplace for Etch and CVD tools.” (FAC ¶¶ 67-68.) The Court finds that this cause  
5 of action arises out of the same facts as those underlying Plaintiff’s claim for misappropriation of  
6 trade secrets.

7           Accordingly, the Court DENIES Defendants’ motions to dismiss Plaintiff’s Second and  
8 Third Causes of Action. The Court GRANTS dismissal of Plaintiff’s Fourth Cause of Action  
9 because it is preempted by CUTSA.

10 **C. Forum Non Conveniens**

11           Defendants contend that this case should be dismissed so that it may be litigated in China.  
12 (AMEC Inc. MTD at 12.)

13           A court has discretion to decline to exercise jurisdiction in a case if it determines that a  
14 foreign forum is in the interests of convenience for the parties. Gulf Oil Corp. v. Gilbert, 330 U.S.  
15 501, 504 (1947). Before dismissing a case on forum non conveniens grounds the court must  
16 examine: “(1) whether an adequate alternative forum exists, and (2) whether the balance of private  
17 and public interest factors favors dismissal.” Lueck v. Sundstrand Corp., 236 F.3d 1137, 1143 (9th  
18 Cir. 2001). “The defendant bears the burden of proving the existence of an adequate alternative  
19 forum.” Cheng v. Boeing Co., 708 F.2d 1406, 1411 (9th Cir. 1983). That burden is exceptionally  
20 heavy when the plaintiff has chosen its home forum because it is “reasonable to assume that this  
21 choice is convenient.” Piper Aircraft Co. v. Reyno, 454 U.S. 235, 256 (1981).

22 **1. Adequacy of the Alternative Forum**

23           This is a case where Plaintiff, a United States corporation with its principle place of business  
24 in California, has chosen its home forum. (FAC ¶¶ 1, 11.) Therefore, Defendants have a heavy  
25 burden of establishing the adequacy of a Chinese forum. Defendants present the declaration of an  
26 attorney admitted to practice in the People’s Republic of China to support its contention that China  
27

1 provides similar rights and remedies to the United States. (See Declaration of Huaiyu Xu in Support  
2 of Motion to Dismiss, hereafter, “Xu Decl.,” Docket Item No. 56.)<sup>7</sup> According to Xu, China has  
3 trade secrets law, conversion law, and unfair competition law. (Xu Decl. ¶¶ 6-8.) With respect to  
4 these causes of action, the Chinese courts appear to be adequate insofar as they provide some  
5 remedy for the conduct of which Plaintiff complains. However, Xu specifically notes that Chinese  
6 law does not provide for a cause of action for interference with a contract. (Id. ¶ 7.) While China’s  
7 unfair competition law appears to provide a remedy for use of trade secrets in violation of an  
8 agreement, this provision seems to apply to an agreement between a plaintiff and a defendant, not  
9 one between a plaintiff and a third party. (Id.) Thus, the Court is concerned that China may not  
10 provide an adequate remedy for Plaintiff’s intentional interference with a contract claim. Since  
11 Defendants have a heavy burden of proving the adequacy of a Chinese forum in this case, this factor  
12 weighs against dismissal.

13 **2. The Balance of Private and Public Interest Factors**

14 The private interest factors the court is to consider include: “the relative ease of access to  
15 sources of proof; availability of compulsory process for attendance of unwilling, and the cost of  
16 obtaining attendance of willing, witnesses;” and the overall convenience of the parties. Gulf Oil  
17 Corp. v. Gilbert, 330 U.S. 501, 508 (1947). The public interest factors include: “court congestion[;]  
18 the local interest in resolving the controversy[;] and the preference for having a forum apply a law  
19 with which it is familiar.” Contact Lumber Co. v. P.T. Moges Shipping Co. Ltd., 918 F.2d 1446,  
20 1452 (9th Cir. 1990).

21 In this case, the private interest factors do not weigh in favor of either party. Evidence  
22 concerning the alleged trade secrets and proprietary technology at issue in this case is all located in  
23 California while those that are alleged to have misappropriated it primarily reside in China. (FAC  
24 ¶¶ 11-14.) As noted above, California has a strong interest in protecting the intellectual property of  
25 its citizens and businesses from infringement by foreign defendants. Weissenbach, 99 Cal. App. 4th

26 \_\_\_\_\_  
27 <sup>7</sup> Xu has been working as a licensed attorney since 2005. (Xu Decl. ¶ 1.)

1 at 591-92. The parties have not squarely addressed the issue of choice of law, but if such an analysis  
2 were conducted by either a Chinese court or this Court, there is a strong likelihood that California  
3 law would apply because the trade secrets were developed in California, the harm was felt in  
4 California, and California has a strong interest in protecting the intellectual property of its  
5 businesses. Thus, the Court finds these factors also weigh against dismissal.

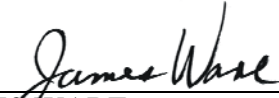
6 In sum, the Court DENIES dismissal on the grounds of forum non-conveniens.

7 **V. CONCLUSION**

8 The Court orders as follows:

- 9 (1) AMEC Inc.’s Motion to Dismiss First Amended Complaint is GRANTED in part and  
10 DEFERRED in part. The Court GRANTS AMEC Inc.’s Motion to Dismiss  
11 Plaintiff’s Fourth Cause of Action for Unfair Competition. The Court DEFERS  
12 consideration of whether Plaintiff’s other causes of action against AMEC Inc. should  
13 be dismissed for lack of personal jurisdiction pending discovery proceedings. To  
14 reflect deferral of ruling on the issue, AMEC Inc.’s Motion to Dismiss for Lack of  
15 Personal Jurisdiction is ordered off-calendar subject to being renewed after  
16 completion of discovery. The Clerk shall terminate AMEC Inc.’s motion as ordered  
17 off-calendar. AMEC Inc. may renote its Motion to Dismiss for Lack of Personal  
18 Jurisdiction, pursuant to the Civil Local Rules of Court, post discovery. AMEC Inc.  
19 is relieved of having to file an answer pending the Court’s ruling on its renewed  
20 motion re: personal jurisdiction.
- 21 (2) AMEC China’s Motion to Dismiss First Amended Complaint is DENIED.
- 22 (3) AMEC Asia’s Motion to Dismiss First Amended Complaint is DENIED.

24 Dated: February 29, 2008

  
 \_\_\_\_\_  
 JAMES WARE  
 United States District Judge

United States District Court  
For the Northern District of California

1 **THIS IS TO CERTIFY THAT COPIES OF THIS ORDER HAVE BEEN DELIVERED TO:**

- 2 Harold J. McElhinny HMcElhinny@mofo.com
- 3 Kenneth Alexander Kuwayti Kkuwayti@mofo.com
- 4 Marc David Peters mdpeters@mofo.com
- 5 Michael G. Strapp mstrapp@goodwinprocter.com
- 6 Thomas F. Fitzpatrick tfitzpatrick@goodwinprocter.com

7 **Dated: February 29, 2008**

**Richard W. Wieking, Clerk**

8 **By: /s/ JW Chambers**  
**Elizabeth Garcia**  
**Courtroom Deputy**

**United States District Court**  
 For the Northern District of California

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28