

IN THE
Court of Appeal
FOR THE
STATE OF CALIFORNIA
SIXTH APPELLATE DISTRICT

JASON O'GRADY, MONISH BHATIA, AND KASPER JADE,
Petitioners,

v.

SUPERIOR COURT OF THE STATE OF CALIFORNIA, COUNTY OF SANTA CLARA,
Respondent,

and

APPLE COMPUTER, INC.
Real Party in Interest.

Petition for a Writ of Mandate And/Or Prohibition from the Superior Court
for the
County of Santa Clara
Case No. 1-04-CV-032178
The Honorable James Kleinberg

OPPOSITION OF REAL PARTY IN INTEREST
APPLE COMPUTER, INC. TO
PETITION FOR A WRIT OF MANDATE AND/OR PROHIBITION

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INTRODUCTION AND SUMMARY

Petitioners seek to stop a third party from providing the identities of persons who stole highly valuable trade secrets that belong to Apple Computer and were illegally disseminated through Petitioners' websites. After conducting a thorough but unsuccessful investigation into this unauthorized disclosure, Apple served a narrowly tailored subpoena on an email service provider to recover the stolen materials and discover who had misappropriated Apple's trade secrets. Asserting special protections they claim attach to their purported role as "journalists," Petitioners moved for a protective order to block this essential discovery. The trial court denied the motion and this petition followed.

Apple, the real party in interest, is the victim of a serious theft. Unknown individuals stole trade secrets about an unreleased Apple product, code-named "Asteroid," from secure Apple facilities. Petitioners deliberately posted these misappropriated trade secrets on their websites "PowerPage" and "AppleInsider." These posts contained little more than outright copies of Apple's unreleased, copyrighted design, verbatim excerpts from Apple technical specifications, Apple's pricing projections for Asteroid, and Apple's comparison of the product to its anticipated competition.

After its own diligent investigation failed to identify the persons responsible for the theft, Apple filed a complaint against Doe Defendants for trade secret misappropriation. Apple's complaint seeks redress not only against those who originally stole the trade secrets, but against all persons who disseminated the Asteroid trade secrets in violation of California law.

Apple sought, and the trial court approved, narrow discovery that is necessary to determine who was responsible for stealing and disseminating these trade secrets. At issue is a document subpoena to Nfox, the email service provider to the PowerPage website. Nfox has confirmed that emails

about the confidential Asteroid product were sent to PowerPage. The postings on PowerPage were exact copies of the technical specifications and copyrighted design taken from Apple. Thus, the emails in Nfox's possession likely contain the actual materials stolen from Apple and electronically transmitted to Petitioners.

Apple's subpoena seeks the return of the stolen trade secret materials and the identities of the persons who supplied that information. Before the subpoena issued, the trial court approved the specific language of the subpoena's narrow requests. No subpoenas have been served on Petitioners, and no discovery other than the subpoena to Nfox is at issue in this petition.

In their motion for a protective order against the Nfox subpoena, Petitioners argued that they are entitled to stop discovery into the theft and dissemination of Apple's trade secrets because they acted as "journalists" when they posted the stolen materials on their websites. Petitioners maintained that the First Amendment reporter's privilege and California Reporter's Shield prevent Nfox's compliance with the subpoena's requests to return the stolen materials and identify the responsible individuals.

Petitioners' arguments contradict clearly established principles of law. There is no public interest in the theft and disclosure of trade secrets. The trade secrets that Petitioners acquired and disseminated do not involve abuse of power, corporate malfeasance, or other matters about which the public arguably has a right to know. Instead, these trade secrets were valuable assets for Apple precisely because they were confidential and protected against unauthorized disclosure by criminal and civil laws.

Nor is there any First Amendment privilege for a journalist or his source to violate the laws protecting trade secrets. On the contrary, the First Amendment "does not reach so far as to override the interest of the public in ensuring that neither reporter nor source is invading the rights of

other citizens through reprehensible conduct forbidden to all other persons.” *Branzburg v. Hayes*, 408 U.S. 665, 691-92 (1972). Thus, courts in both civil and criminal cases have consistently held the First Amendment does not shield from discovery or liability the illegal or tortious misconduct by a journalist or his source. Accordingly, the trial court properly denied Petitioners’ motion for a protective order.

Petitioners now seek a writ of mandate from this Court commanding the trial court to set aside its order. Petitioners offer four arguments why the trial court’s reasoned decision should be set aside. None of these arguments has merit.

First, Petitioners contend that discovery from Nfox is barred by the First Amendment reporter’s privilege (the “Federal Privilege”) limiting disclosure of a reporter’s sources. But this qualified privilege does not shield a reporter or his sources from discovery into criminal or tortious misconduct or from the obligation to return stolen property. Moreover, Apple’s compelling need for information about the disclosure of the Asteroid trade secret is sufficient to overcome this qualified privilege.

Second, Petitioners argue that Apple’s subpoena to Nfox is barred by the California reporter’s shield (the “California Shield”). Cal. Const. art. I, § 2(b); Cal. Evid. Code § 1070. As Petitioners concede, however, the California Shield is strictly limited to protecting reporters from contempt judgments and does not apply to discovery sought from a non-reporter third party. Nfox is not a reporter, nor has an order of contempt been issued against Petitioners or Nfox. The California Shield simply does not apply to the discovery to Nfox.

Third, Petitioners assert that the Stored Communications Act, 18 U.S.C. § 2701 *et seq.* (“SCA”), prevents Nfox from disclosing PowerPage’s email communications and returning Apple’s stolen property. This argument rests on a fundamentally erroneous interpretation of the

SCA, a statute that was intended to apply Fourth Amendment-style protections to email communications held by third party service providers. No court has ever suggested that this law effectively removed email service providers from the rules of civil discovery. On the contrary, the statute contains broad exemptions that permit the discovery requested from Nfox.

Finally, Petitioners argue that the trial court misstated and misapplied the law. This argument severely distorts the trial court's factual analysis and legal reasoning. The trial court's written opinion correctly applied the law and reached the right decision.

What is at stake in these proceedings is Apple's right to recover its stolen property and discover the identities of the individuals who misappropriated valuable trade secrets. If the Doe Defendants had transmitted the stolen materials directly to a competitor, Apple would have the unquestionable right to discovery regarding the transmission and the identity of the offenders. The outcome should be no different where the offenders use the services of Petitioners' websites to accomplish the same injury. The writ should not be granted.

FACTS

The Asteroid Trade Secrets.

Asteroid is an unreleased Apple product. Confidential information about this future product constitutes a highly valuable trade secret for Apple. (*See* Declaration of Robin Zonic in Support of Apple's Opposition to Motion for Protective Order ("Zonic Decl.") ¶¶ 24-28 (Ex. 28 at 404:17-406:5); Declaration of Al Ortiz, Jr. in Support of Apple's Opposition to Motion for Protective Order ("Ortiz Decl.") ¶¶ 11-12 (Ex. 27 at 392:17-23).) By carefully safeguarding information regarding its future products, Apple can time product launches to maximize publicity and goodwill. Disclosure of this confidential information to competitors and the general

public greatly harms Apple because it enables those competitors to direct their marketing and development efforts at frustrating Apple's plans. (Zonic Decl. ¶¶ 26-28 (Ex. 28 at 404:28-406:5); Ortiz Decl. ¶ 12 (Ex. 27 at 392:17-23).)

Apple enforces stringent security measures to protect this information as trade secrets. (Zonic Decl. ¶ 29 (Ex. 28 at 406:6-15); Ortiz Decl. ¶ 13 (Ex. 27 at 392:24-393:5).) Information about the unreleased Asteroid product was maintained on a strict "need-to-know" basis at Apple. All employees who had access to this information were subject to confidentiality agreements that prohibited them from disclosing, publishing, or disseminating the information. (Zonic Decl. ¶ 29 (Ex. 28 at 406:9-12); Ortiz Decl. ¶ 13 (Ex. 27 at 392:27-393:2).)

The Theft And Disclosure Of The Asteroid Trade Secrets.

Petitioner Jason O'Grady is the owner and operator of the website www.powerpage.org ("PowerPage"). On November 19, 2004, O'Grady posted trade secrets related to the Asteroid product on PowerPage. (Zonic Decl. ¶¶ 5-8 (Ex. 28 at 397:2-398:28); Ortiz Decl. ¶¶ 2-3 (Ex. 27 at 390:9-22).)

The November 19 post contained an exact copy of a highly confidential, copyrighted Apple rendering of the Asteroid product design. (Zonic Decl. ¶¶ 4-6 (Ex. 28 at 396:20-397:28).) The copy posted on O'Grady's site had been stolen from a confidential set of internal Apple slides related to the Asteroid product. These slides were prominently labeled "Apple Need-to-Know Confidential" and were maintained on a highly secure server at Apple. (*Id.* ¶¶ 4, 6, 19 (Ex. 28 at 396:24-397:1, 397:16-28, 403:17-19).) O'Grady's post also included specific technical

details about the Asteroid product that were copied verbatim from the confidential Apple slides. (*Id.* ¶¶ 7-8 (Ex. 28 at 398:1-28).)¹

On November 22, O’Grady posted additional trade secrets regarding Asteroid on PowerPage. This post comprised technical specifications about Asteroid that had, yet again, been copied verbatim from Apple’s confidential slide set. (*Id.* ¶¶ 9-10 (Ex. 28 at 399:1-28).)

The next day, on November 23, O’Grady disseminated more confidential technical specifications about Asteroid. This post was also blatantly copied from information contained in the confidential Apple slide set. (*Id.* ¶¶ 11-12 (Ex. 28 at 400:1-28).)

Other than brief announcements, all three of O’Grady’s posts were devoid of any information other than the copyrighted rendering of the Asteroid design and verbatim excerpts from Apple’s technical specifications for the device.

Also on November 23, an individual writing under the alias “Kasper Jade” posted information about Asteroid on the website www.appleinsider.com (“AppleInsider”), including an image – purportedly drawn by artist “Paul Scates” – that was copied with only insubstantial changes from the copyrighted Asteroid rendering stolen from Apple’s confidential slide set. (*Id.* ¶¶ 13-14 (Ex. 28 at 401:1-28).) That post also revealed confidential details about Apple’s plans to manufacture the Asteroid product and about Apple’s anticipated competitors. (*Id.* ¶¶ 15, 28 (Ex. 28 at 402:1-13, 405:28-406:5).)

Finally, on November 26, an individual writing under the alias “Dr. Teeth and The Electric Mayhem” posted information on PowerPage

¹ The Declaration of Robin Zonic submitted in opposition to the motion for protective order includes a direct comparison of the information posted by Petitioners on their websites with the information detailed in Apple’s confidential slide set. (*See* Zonic Decl. ¶¶ 5-15 (Ex. 28 at 397:2-402:15).)

that purported to evaluate conflicting claims about the unreleased Asteroid product. The accuracy of the details about the Asteroid product strongly suggested that "Dr. Teeth" used Apple's confidential slides as the basis for his post. (*Id.* ¶ 16 (Ex. 28 at 402:20-27).)

Given the strict security measures at Apple to protect the Asteroid trade secrets, the information disclosed by Petitioners on their websites could not have been provided to them absent violations of Apple's confidentiality agreements and the laws protecting trade secrets. (*Id.* ¶ 29 (Ex. 28 at 406:6-15); Ortiz Decl. ¶ 13 (Ex. 27 at 393:3-5).)

Apple's Investigation Of The Theft Of The Asteroid Trade Secrets.

Apple promptly and diligently investigated these unauthorized disclosures. Despite these efforts, Apple was unable to identify the persons who had misappropriated and transferred the trade secrets to Petitioners.

Two highly experienced investigators from Apple's corporate security department led this investigation. These investigators carefully reviewed the materials posted on the PowerPage and AppleInsider websites and determined that these materials had been copied directly from information detailed in an internal Apple slide set. (Zonic Decl. ¶ 4 (Ex. 28 at 396:20-397:1); Ortiz Decl. ¶¶ 2-3 (Ex. 27 at 390:9-22).) Access to this slide set was limited to a small group of individuals within the company. (Zonic Decl. ¶¶ 17, 29 (Ex. 28 at 403:3-5, 406:9-12); Ortiz Decl. ¶ 13 (Ex. 27 at 392:27-393:2).)

Apple's investigators followed every available lead to determine which Apple employees had accessed the confidential Asteroid slides. (Zonic Decl. ¶¶ 17, 19-22 (Ex. 28 at 402:28-403:8, 403:15-404:13); Ortiz Decl. ¶¶ 4-7 (Ex. 27 at 390:23-391:20).) The investigators then personally interviewed these employees, each of whom would lose their jobs if they misled the investigators. Nevertheless, the investigators were unable to identify through these interviews the persons responsible for stealing the

Asteroid trade secrets. (Zonic Decl. ¶¶ 18-19, 21-23 (Ex. 28 at 403:9-19, 403:28-404:13); Ortiz Decl. ¶¶ 7-8 (Ex. 27 at 391:15-27).)

Apple security also directed and assessed the results of broad forensic searches of Apple's email servers for any communications regarding the confidential information disclosed on the websites. (Ortiz Decl. ¶ 9 (Ex. 27 at 391:28-392:4).) These forensic searches did not reveal the source of the disclosure. (*Id.*)

Having no other recourse to remedy the damage it had suffered, Apple commenced this action on December 13, naming only Does as defendants.

The Nfox Subpoena And The Discovery At Issue.

On December 14, 2004, the trial court granted Apple's application to take expedited document discovery from PowerPage, AppleInsider, and a third website, www.thinksecret.com ("ThinkSecret"), that would lead to the identity of the Doe Defendants. Dec. 14, 2005 Order (Ex. 8). No discovery authorized by that order is currently pending or at issue.

Apple later learned that Nfox, a Nevada company that provides email services to PowerPage, possesses emails that likely contain the stolen materials and will identify one or more of the Doe Defendants. In particular, Nfox possesses emails that reference "Asteroid" and were sent to one or more email accounts associated with PowerPage. (Declaration of David Eberhart in Support of Ex Parte Application ("Eberhart Ex Parte Decl.") ¶ 6 (Ex. 11 at 86:16-22).) Because the information and copyrighted rendering posted on PowerPage were taken directly from Apple's confidential slides, it is highly likely that these emails contain the materials stolen from Apple's secure facilities.

On February 4, 2005, the trial court granted Apple's further application for an order permitting document discovery to Nfox – discovery that is narrowly focused on recovering the property stolen from Apple and

identifying the person responsible for the theft. Feb. 4, 2005 Order (Ex. 13). In ordering this discovery, the court reviewed and approved the precise language of the subpoena. After securing court approval, Apple served subpoenas on Nfox in California and in Nevada. Those subpoenas contain only the following court-approved request:

All documents relating to the identity of any person or entity who supplied information regarding an unreleased Apple product code-named "Asteroid" or "Q97"² (the "Product"), including postings that appeared on PowerPage.com (the "Website") on November 19, November 22, November 23, and November 26, 2004. These documents include:

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

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

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

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

(Declaration of David Eberhart in Opposition to Motion for Protective Order ("Eberhart Decl.") ¶ 9 (Ex. 25 at 378:23-25).)

Nfox has not objected to the subpoenas on any grounds. (*Id.* ¶ 10 (Ex. 25 at 379:9-11).) Other than the Nfox subpoenas, no discovery is currently pending. (*Id.* ¶ 11 (Ex. 25 at 379:12-13).)

² Asteroid was also known as "Q97."

**Petitioners' Motion For A Protective Order And The
Court's March 11, 2005 Decision.**

Petitioners filed a motion for a protective order seeking to block the subpoenas to Nfox. Petitioners also sought advisory relief far beyond the limited discovery to Nfox, asking the trial court to order that:

- a. Petitioners O'Grady, Bhatia, and Jade are journalists;
- b. Apple is prohibited from serving or enforcing discovery to O'Grady, Bhatia, or Jade to learn their sources;
- c. Apple cannot seek to discover Jade's identity;
- d. Apple cannot serve or enforce discovery to any third party service provider to learn the identities of Jade, Bhatia, or O'Grady's sources.

(Proposed Order Granting Motion for Protective Order at 2-3 (Ex. 17 at 126:21-127:6).)

On March 11, 2005, the trial court denied Petitioners' motion for a protective order. Mar. 11, 2005 Order at 13 (Ex. 34 at 467:18-20). In its decision, the court carefully reviewed and rejected Petitioners' claim that discovery into the source of the disclosure of the Asteroid trade secrets was barred.

First, the trial court declined to address Petitioners' request for an advisory opinion regarding hypothetical subpoenas to Petitioners. Instead, the court ruled only on the merits of Apple's subpoenas to Nfox. *Id.* at 3 n.3 (Ex. 34 at 457:25).

Second, the trial court found that O'Grady's posts on the PowerPage website included an exact copy of the copyrighted rendering taken from Apple's confidential slide set. *Id.* at 6 (Ex. 34 at 460:17-25). The trial court also found that the technical specifications listed in these posts "were copied verbatim from the confidential slide set." *Id.* (Ex. 34 at 460:20-21).

Third, the trial court emphasized that the misappropriated information fit “squarely within the definition of trade secret.” As such, the court noted that Apple has the fundamental right to preserve the confidentiality of that information, regardless of whether or not Petitioners are journalists. *Id.* at 13 (Ex. 34 at 467:10-17).

Fourth, the trial court carefully evaluated Petitioners’ claim that the Federal Privilege barred this discovery. In deciding whether Apple’s need to discover the source of the trade secret disclosure outweighed this qualified privilege, the court applied the five-factor test articulated in *Mitchell v. Superior Court*, 37 Cal. 3d 268 (1984). The court concluded that all five of these factors weigh in favor of disclosure. Mar. 11, 2005 Order at 9-10 (Ex. 34 at 463:8-464:8).

Finally, the trial court found that regardless of whether O’Grady fit the definition of a journalist or reporter, his dissemination of Apple’s proprietary information was not protected activity under the California Shield because “there is no license conferred on anyone to violate valid criminal laws.” *Id.* at 11 (Ex. 34 at 465:1-6).

ARGUMENT

I. ACQUISITION AND DISSEMINATION OF THE ASTEROID TRADE SECRETS VIOLATES CALIFORNIA LAW.

This is a trade secret case. Through its subpoena to Nfox, Apple is only trying to recover its stolen property and identify those responsible for misappropriating its trade secrets.

A. The Information That Petitioners Disseminated Regarding The Unreleased Asteroid Product Was A Valuable Apple Trade Secret.

Confidential information about unreleased products, such as the Asteroid device, are trade secrets “that have been recognized as a

constitutionally protected intangible property interest.” *ITT Telecom Prods. v. Dooley*, 214 Cal. App. 3d 307, 318 (1989) (citing *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1001-04 (1984)).

Apple has established, and the trial court found for the purposes of deciding the motion for protective order, that the information about the unreleased Asteroid product disseminated by Petitioners was an Apple trade secret. Mar. 11, 2005 Order at 11, 13 (Ex. 34 at 465:18-20, 467:12-13) (finding that the information disseminated by Petitioners “falls squarely under the UTSA and Penal Code § 499c definitions”); *see also* Zonic Decl. ¶¶ 24-29 (Ex. 28 at 404:17-406:15); Ortiz Decl. ¶¶ 11-13 (Ex. 27 at 392:13-393:5). Petitioners do not contest that the Asteroid information stolen from Apple and disseminated through their websites is a trade secret.

Apple did not bring this case lightly. Apple makes enormous investments in the research and development necessary to create new products such as Asteroid. (Zonic Decl. ¶ 25 (Ex. 28 at 404:21-25).) Apple makes these investments with the expectation that criminal and civil laws will protect the secrecy of these products until they are publicly launched. Information about the unreleased Asteroid product was a valuable asset because it was unknown to competitors and the public; once it was disclosed, the value of that secret information was destroyed. An unauthorized and unexpected disclosure of information about a product still in development, such as Asteroid, deprives Apple of the ability to control the nature and timing of the product release. (*Id.* ¶ 25 (Ex. 28 at 404:22-27); Ortiz Decl. ¶ 12 (Ex. 27 at 392:21-23).) Disclosure of this secret information also enables competitors to anticipate and copy that new product, giving them a “head start” in competing against Apple’s forthcoming products. (Zonic Decl. ¶ 26 (Ex. 28 at 404:28-405:6); Ortiz Decl. ¶ 12 (Ex. 27 at 392:17-20).)

B. Knowing Dissemination Of The Asteroid Trade Secrets Constitutes Misappropriation Under California Law.

Both civil and criminal laws safeguard the privacy and confidentiality of Apple's trade secrets. Cal. Civ. Code § 3426.3; Cal. Penal Code § 499(c); *see also Ruckelshaus*, 467 U.S. at 1003-04. Misappropriation of a trade secret includes the *acquisition* of a trade secret by one who knows or has reason to know that the trade secret was acquired by improper means. Cal. Civ. Code § 3426.1(b)(1). Trade secret misappropriation also includes *the unauthorized disclosure or use* of a trade secret by a person who:

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

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

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

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

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

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

Cal. Civ. Code § 3426.1(b)(2).

The person who stole the Asteroid trade secrets from Apple's secure facility and transmitted them to Petitioners certainly had reason to know

that taking these secrets would be improper. Cal. Civ. Code § 3426.1(b)(1). The disseminated information about the unreleased Asteroid product had been a tightly kept secret at Apple and was protected by stringent security measures. The slides detailing this information were all conspicuously marked as “Apple Need-To-Know Confidential” and were kept on a secure server at Apple.

Liability for trade secret misappropriation also extends to any individual, potentially including Petitioners, who disclosed these trade secrets knowing or having reason to know that they were acquired by improper means, derived from someone with an obligation to Apple to keep them secret, or acquired by mistake. Cal. Civ. Code § 3426.1(b)(2); *see also PMC, Inc. v. Kadisha*, 78 Cal. App. 4th 1368, 1383 (2000) (“[A]t the time of the use of the confidential information [the defendant] knew or had reason to know that knowledge of the trade secrets was derived from or through a person who had improperly acquired the knowledge, or the secrets were obtained by a person who owed a duty to plaintiffs to maintain the secrecy.”).

The constitutional guarantees of free speech are no defense to persons who misappropriate trade secrets. *DVD Copy Control Ass’n v. Bunner*, 31 Cal. 4th 864, 874-88 (2003). Petitioners concede, as they must, that the First Amendment does not give anyone, including journalists, the right to break the law. (Tr. of Mar. 4, 2005 Hearing at 8 (Ex. 33 at 439:4-9).) “The First Amendment has never been construed to accord newsmen immunity for torts or crimes committed during the course of newsgathering. The First Amendment is not a license to trespass, to steal, or to intrude by electronic means into the precincts of another’s home or office.” *Dietemann v. Time, Inc.*, 449 F.2d 245, 249 (9th Cir. 1971); *see also Food Lion, Inc. v. Capital Cities/ABC, Inc.*, 951 F. Supp. 1211, 1216 (M.D.N.C. 1996) (“It is fundamental that the press is and should be

governed by the same generally applicable laws that order the rest of society.”).

II. THE FEDERAL PRIVILEGE DOES NOT BAR APPLE’S SUBPOENA TO NFOX.

A. The Federal Privilege Does Not Prevent Discovery Into Trade Secret Misappropriation.

Petitioners contend that although the Federal Privilege may not immunize liability for trade secret theft, it nevertheless blocks Apple’s discovery into the identities of the persons who violated the law as well as Apple’s efforts to secure the return of the stolen materials. (Pet. at 42.) This argument is without merit.

Petitioners posted verbatim excerpts of Apple’s secret technical specifications and an exact reproduction of a copyrighted rendering of the Asteroid product design. These posts blatantly reproduced Apple’s trade secrets and were devoid of anything that would implicate the First Amendment. *See Bunner*, 31 Cal. 4th at 874-88. Courts in civil cases have consistently held that the Federal Privilege cannot be used to shield from discovery the illegal or tortious misconduct by a journalist or his source. *See, e.g., Food Lion*, 951 F. Supp. at 1216 (Federal Privilege does not shield tortious conduct by reporter from discovery); *United Liquor Co. v. Gard*, 88 F.R.D. 123, 127 (D. Ariz. 1980) (Federal Privilege does not shield tortious conduct by source from discovery).

In *Food Lion*, the plaintiff sought discovery regarding whether ABC reporters engaged in fraud or trespass in conducting undercover investigations of the plaintiff’s stores. The court reasoned that “[t]o allow ABC to hide behind a qualified First Amendment privilege in order to camouflage tortious behavior on the part of its agents and employees is unacceptable.” *Food Lion*, 951 F. Supp. at 1216. Therefore, the court held

that “[t]he journalist’s privilege should not be expanded to allow concealment of relevant evidence of wrongdoing solely because the wrongdoer was in pursuit of a story,” and ruled that the Federal Privilege did not bar discovery into whether the ABC reporters engaged in fraud or trespass. *Id.*

In *United Liquor*, an unknown individual at the IRS allegedly disclosed information from the plaintiff’s tax returns to a reporter. The plaintiff sought discovery from the reporter (who was not a party) to learn the source of the leaked information. The reporter refused, claiming that his source was protected by the Federal Privilege. In rejecting this claim, the court emphasized that newspeople have no right to publish such confidential information and the public has no right to have it printed. *United Liquor*, 88 F.R.D. at 131. On the contrary, “taxpayers have a right to expect that the confidentiality of their income tax returns will be respected.” *Id.* Because an individual’s tax returns are confidential and protected by civil and criminal laws, the court held that the Federal Privilege did not bar discovery directed to learning the source of the information. *Id.* at 131-32.

The case before this Court presents a more compelling basis to deny the application of the Federal Privilege than did the situations in *Food Lion* and *United Liquor*. Like the plaintiffs in *Food Lion* and *United Liquor*, Apple seeks discovery regarding what is unquestionably criminal and tortious misconduct. And like the tax return information at issue in *United Liquor*, Petitioners in this case had no right to publish Apple’s trade secrets and the public had no right to have that information disclosed. Instead, like personal tax return information, Apple has the right to expect that highly sensitive information about future products like Asteroid will be protected – an expectation supported by criminal and civil laws punishing trade secret misappropriation. Because the individuals who stole this information from

Apple and disseminated it through Petitioners' websites violated these laws, the Federal Privilege has no application in this case and does not prevent the return of the stolen property or the discovery of those persons' identities.

B. Apple's Need For The Subpoenaed Information From Nfox Overcomes The Federal Privilege.

Where the Federal Privilege applies at all, it must be weighed against the strong public policy favoring full disclosure of relevant evidence in civil litigation. *Mitchell v. Superior Court*, 37 Cal. 3d 268, 276 (1984). Even if Petitioners are entitled to invoke the Federal Privilege for the conduct at issue, that privilege must give way to Apple's compelling need to recover the stolen information and identify the persons responsible for the misappropriation.

In *Mitchell*, the California Supreme Court articulated five factors for determining whether a party's need for discovery overcomes an assertion of the Federal Privilege: (1) the "nature of the litigation and whether the reporter is a party"; (2) whether the information sought goes "to the heart" of the plaintiff's claim; (3) whether the plaintiff has pursued every reasonable alternative source of information; (4) the importance of protecting confidentiality in the case; and, optionally (5) whether the plaintiff has made a *prima facie* showing on the merits of its claim. *Id.* at 279-84. As the trial court in this case correctly concluded, all five of the *Mitchell* factors weigh in favor of disclosure. Mar. 11, 2005 Order at 9-10 (Ex. 34 at 463:8-464:8).

1. The Nature Of Apple's Claims Weighs In Favor Of Disclosure.

The first *Mitchell* factor – the nature of the claims – favors disclosure where the reporter's own conduct is at issue. *Mitchell*, 37 Cal.

3d at 279. This factor prevents the Federal Privilege from being misused to obstruct discovery into a reporter's misconduct that may have injured the plaintiff. Thus, where the reporter is a party, this factor strongly weighs in favor of disclosure. *Id.* In contrast, where the reporter's conduct is in no way at issue but the reporter's source may have information relevant to a dispute, this factor weighs against disclosure.

Petitioners argue that this factor weighs against disclosure because they have not yet been named as defendants. But Petitioners may, in fact, be one or more of the Doe Defendants named in the complaint. (*See* Compl. ¶¶ 5, 14-17 (Ex. 1 at 2:15-22; 4:19-6:3).)

It is undisputed the Petitioners disseminated Apple trade secrets through their websites. This dissemination was a tort under California law if Petitioners knew or had reason to know the information was acquired by improper means, from a person who owed Apple a duty of secrecy, or by mistake. *See* Cal. Civ. Code § 3426.1. A person who acted with such knowledge matches the description of Does 2-25 in the Complaint. (*See* Compl. ¶ 17 (Ex. 1 at 5:4-6:3).) The trial court agreed, and correctly recognized that although Petitioners had not yet been named as defendants, their conduct had certainly made it possible that they would later be named defendants. Mar. 11, 2005 Order at 9 (Ex. 34 at 463:13-15).

Petitioners should not be permitted to shield their knowledge of and involvement in the dissemination of Apple's trade secrets when that very information bears directly on their own liability. Even if they are never named as defendants in this case, Petitioners' conduct is squarely at issue, and the first *Mitchell* factor weighs strongly in Apple's favor.

2. The Discovery From Nfox Goes To The Heart Of Apple's Trade Secret Misappropriation Claim.

The second factor – whether the discovery sought goes to the heart of the plaintiff's claim – is considered the “most crucial” of the *Mitchell* factors. *Dalitz v. Penthouse Int'l, Ltd.*, 168 Cal. App. 3d 468, 478 (1985). The facts of this case mandate disclosure under this factor.

Apple is seeking narrow discovery from Nfox that is limited to recovering the stolen materials and identifying the individuals responsible for stealing and disclosing the trade secrets. Only after learning their identities can Apple name them as defendants, develop an affirmative case against them, and seek redress for the harm caused from the theft and disclosure of this information. The trial court found that Apple's case would be “crippled” without the discovery from Nfox and concluded that this factor weighs in favor of disclosure. Mar. 11, 2005 Order at 9 (Ex. 34 at 463:16-18).

The law is clear that where a source acted unlawfully in disclosing information to a journalist, the identity of that source “goes to the heart” of the plaintiff's claim. *United Liquor*, 88 F.R.D. at 126. “Ascertaining the identities and residences of the Doe Defendants is critical to plaintiffs' ability to pursue litigation, for without this information, plaintiffs will be unable to serve process.” *Sony Music Entm't Inc. v. Does 1-40*, 326 F. Supp. 2d 556, 566 (S.D.N.Y. 2004). Far from a fishing expedition, the information Apple seeks from Nfox could hardly be more specific and relevant.

Petitioners contend that this discovery is peripheral to Apple's trade secret claims. In support of this argument, Petitioners mischaracterize Apple's complaint as an inquiry limited to which Apple employees were responsible for stealing the trade secrets at issue. (Pet. at 33.)

Apple's case is not constrained to identifying the employees, if any, responsible for stealing its trade secrets. Rather, Apple seeks full legal redress against not only those persons who originally stole the trade secrets – persons who may or may not be employees – but against those individuals who wrongfully disseminated this information through Petitioners' websites. (Compl. ¶ 17 (Ex. 1 at 5:4-6:3).)

Petitioners also claim that Apple's subpoena to Nfox seeks information beyond what is needed for Apple's "core trade secret claim." (Pet. at 34.) In support of this argument, Petitioners argue that discovery aimed at determining the identities of "Dr. Teeth," Bob Borries, or Paul Scates is not necessary to identify the person that originally stole Apple's trade secrets. (*Id.* at 34.)

Petitioners are arguing against a straw man – referring to discovery that Apple has not served in this case and then insisting that this discovery is too broad. There is no pending discovery that specifically targets Mr. Borries, Mr. Scates, or "Dr. Teeth."³ The only pending discovery, and the only issue before this Court, is the subpoena to Nfox. This subpoena is extremely limited and asks only for the return of the stolen materials and information related to the identities of those who disclosed the Asteroid trade secrets. (Eberhart Decl. ¶ 9 (Ex. 25 at 378:23-379:7).)

Petitioners also contend that Apple's subpoena to Nfox is overbroad because it seeks all communications related to the Asteroid device. (Pet. at 34.) Petitioners argue that Apple's subpoena thus improperly includes within its scope *non-confidential* information related to the Asteroid product. (*Id.*)

³ To the extent that Mr. Borries, Mr. Scates, or "Dr. Teeth" were directly involved in the misappropriation that is the narrow focus of Apple's discovery to Nfox, then their conduct and identities goes directly to Apple's "core trade secret claim."

This argument fails because there is no non-trade secret information about the unreleased Asteroid product. The Asteroid device is still in development and all details (including its code name) had been kept at Apple in the strictest confidence and subject to security measures. (Zonic Decl. ¶¶ 4, 29 (Ex. 28 at 396:20-25, 406:9-12).) Thus, any information provided about Asteroid – a secret project – was, by its very nature, a trade secret.

3. Apple Has Pursued All Reasonable Alternative Sources Of The Information Requested From Nfox.

The third *Mitchell* factor favors disclosure where the plaintiff has “no other practical means of obtaining the information.” *Mitchell*, 37 Cal. 3d at 282. This factor weighs strongly in favor of disclosure because Apple has pursued every reasonable alternative source of the information it now seeks from Nfox.

Apple’s highly experienced investigators followed every available lead to determine which employees had accessed the Asteroid trade secrets. (Zonic Decl. ¶¶ 17, 19-22 (Ex. 28 at 402:28-403:8, 403:15-404:13).) The investigators then personally interviewed these employees – all of whom faced losing their jobs if they lied to or misled the investigators. (Zonic Decl. ¶¶ 18-19, 21-23 (Ex. 28 at 403:9-19, 403:28-404:13); Ortiz Decl. ¶¶ 7-8 (Ex. 27 at 391:15-27).) Finally, the investigators directed and reviewed the results of forensic searches of Apple’s email servers for any communications that might reveal the source of the stolen information disclosed on the websites. (Ortiz Decl. ¶ 9 (Ex. 27 at 391:28-392:4).)⁴ These efforts did not uncover the person responsible for the theft. (Zonic

⁴ As such, Petitioners’ claim that “Apple has not fully used computer forensic techniques to examine its own computer systems,” Pet. at 37, is simply wrong.

Decl. ¶ 23 (Ex. 28 at 404:9-13); Ortiz Decl. ¶ 10 (Ex. 27 at 392:6-9).) The trial court concluded that Apple's "thorough investigation" before seeking discovery from Nfox weighed in favor of disclosure. Mar. 11, 2005 Order at 9 (Ex. 34 at 463:21-23).

Petitioners' assertion that Apple had not sufficiently "worked up a sweat" before seeking information from Nfox does not withstand scrutiny. (Pet. at 38.) Apple pursued every reasonable means of learning who disclosed the Asteroid trade secrets before seeking to subpoena Nfox. Nevertheless, Petitioners argue that Apple should have *deposed* the employees that it interviewed about the theft of its trade secrets. (*Id.* at 35.) Petitioners' "deposition requirement" rests on a misinterpretation of the case law and is nonsensical in the situation presented here.

First, Petitioners rely on *Zerilli v. Smith*, 656 F.2d 705 (D.C. Cir. 1981), in which the plaintiffs alleged that unknown government employees leaked confidential phone transcripts to reporters. Although the plaintiffs had a list of every employee who had access to the transcripts, they did not depose or interview any of these employees. *Zerilli*, 656 F.2d at 714-15. The court held that the plaintiffs had not pursued every reasonable alternative source of the information because they failed to ask these employees about the disclosure before seeking the same information from the reporter. The court never held that depositions, as opposed to interviews, were required. On the contrary, the court used the term "interview" interchangeably with "deposition" discussing the plaintiffs' failure to seek information from the listed employees. *Id.* at 715 ("it is quite possible that interviewing these four individuals could have shed further light on the question of whether the Justice Department was responsible for the leaks").

Nor do *In re Petroleum Products Antitrust Litigation*, 680 F.2d 5 (2d Cir. 1982), or *Carushka, Inc. v. Premiere Products, Inc.*, No. CV 87 02356

DT (JR_x), 1989 U.S. Dist. LEXIS 17487, 17 Med. L. Rep. 2001 (C.D. Cal. Sept. 1, 1989), support Petitioners' attempt to manufacture an unreasonably high standard for the third *Mitchell* factor. *Petroleum Products* involved price-fixing claims against several defendants. The plaintiffs sought discovery from a third party magazine to see whether the defendants had surreptitiously exchanged pricing information through that magazine's articles. The court held that this discovery was improper because the plaintiffs had not once asked, during hundreds of depositions, whether any of the deponents had given information to the media. The plaintiffs' discovery was a true fishing expedition. *Petroleum Products*, 680 F.2d at 8-9.

In *Carushka*, the defendant asked the plaintiff for information that the plaintiff had submitted to a magazine. The plaintiff did not respond to the defendant's request. Rather than follow up on the plaintiff's failure to produce this information, the defendant instead sought the information from the magazine. Because the defendant had failed to follow up on its request to the plaintiff, the court held that its inability to obtain the information was the result of "the defendant's own oversight" rather than an unsuccessful pursuit of every reasonable alternative source. *Carushka*, 1989 U.S. Dist. LEXIS 17487, at *8.⁵

⁵ The other cases cited by Petitioners are similarly distinguishable. See *Rancho Publ'ns v. Superior Court*, 68 Cal. App. 4th 1538, 1551 (1999) (plaintiffs could not subpoena newspaper's sources because the discovery was peripheral and "highly attenuated" to the defamation action); *Wright v. Fred Hutchinson Cancer Research Ctr.*, 206 F.R.D. 679, 682 (W.D. Wash. 2002) (defendant could not subpoena a reporter's communications with the plaintiffs because the defendant had not first asked the plaintiffs for this same information); *In re Stratosphere Corp. Sec. Litig.*, 183 F.R.D. 684, 687 (D. Nev. 1999) (same); *Shoen v. Shoen*, 5 F.3d 1289 (9th Cir. 1983) (plaintiffs sought discovery from a reporter before seeking clarification

The cases cited by Petitioners are easily distinguishable from the facts presented here. In Petitioners' cases, the parties failed to ask the right people the right questions before seeking the information from a reporter. None of the cases remotely resemble the facts presented here, where Apple has done everything possible to identify the employees who had access to the trade secrets and then thoroughly interviewed each of them. The interviewed employees were all obligated to tell the truth to the investigators or risk losing their jobs. Apple is aware of no authority – and Petitioners cite none – holding that a deposition is required under such circumstances.⁶ Thus, the third *Mitchell* factor clearly weighs in Apple's favor.

4. No Public Interest Is Served By Protecting Petitioners' Source From Disclosure.

The fourth *Mitchell* factor considers the importance of protecting the confidentiality of the reporter's source. *Mitchell*, 37 Cal. 3d at 282. Under certain circumstances, the public interest is served by maintaining the anonymity of a reporter's source. Press investigations into criminal or unethical conduct may require that sources be protected from retaliation by the vengeful subjects of such legitimate investigations. *Id.* at 283.

The persons who acquired and disseminated Apple's trade secrets served no public interest. Preserving the anonymity of these individuals would turn this factor on its head by shielding – rather than exposing –

from the defendant of the defendant's uninformative interrogatory responses regarding communications with that reporter).

⁶ Petitioners also assert that Apple should have pursued discovery from "Bob Borries" and "Paul Scates" – two "artists" associated with Petitioners – before subpoenaing Nfox. This directly contradicts Petitioners' separate argument that any discovery regarding these two individuals is insufficiently related to Apple's trade secret claims. (*Compare* Pet. at 37 *with* Pet. at 34.)

unethical and criminal misconduct. Preventing their disclosure serves no public good but instead would only encourage illegal conduct.

Various federal and state laws recognize that the public has no right to know a company's trade secrets. Even in legal proceedings – where the presumption of public interest in disclosure is generally paramount – the California Civil Code requires that trade secrets remain sealed from public view. Cal. Civ. Code § 3426.5.

No reported decision suggests a public interest in the disclosure of trade secrets. To the contrary, courts have consistently held that the public interest demands the protection of trade secrets. *American Express Fin. Advisors, Inc. v. Yantis*, No. C05-2011 LRR, 2005 WL 469362, at *15 (N.D. Iowa Feb. 28, 2005) (“[T]he public interest is served by preventing the unauthorized disclosure of trade secrets.”); *Merrill Lynch, Pierce, Fenner & Smith Inc. v. Wertz*, 298 F. Supp. 2d 27, 34-35 (D.D.C. 2002) (“[T]he Court believes the public interest is served by protecting confidential business information and trade secrets, and enforcing valid contractual provisions, to which parties have voluntarily entered.”); *Gable-Leigh, Inc. v. North American Miss*, No. 01-01019 MMM (SHx), 2001 U.S. Dist. LEXIS 25614, at *69 (C.D. Cal. Apr. 9, 2001) (“[I]t is in the public interest that trade secret customer lists be protected.”).

As the trial court correctly recognized, Petitioners' claim that the public was nevertheless *interested* in the misappropriated trade secrets fatally conflates public curiosity with the public interest. Mar. 11, 2005 Order at 12 (Ex. 34 at 466:15-16) (“[A]n *interested public* is not the same as the *public interest*.”) (emphasis in original).⁷ There may be public

⁷ Petitioners make the unfounded argument that the fourth *Mitchell* factor can only weigh against disclosure. (Pet. at 38-39.) This position starkly contrasts the position they took in their motion below: “The fourth *Mitchell* factor – great public importance and a substantial risk of harm to the source

curiosity about an individual's wealth, but that would never justify the theft and publication of the individual's tax returns. Similarly, no legitimate public interest was served by the theft of Apple's trade secrets and their posting on Petitioners' websites. To the contrary, the public interest – as clearly reflected in the law – is served by the protection of these trade secrets. This factor weighs strongly in favor of disclosure.

5. Apple Has Made A *Prima Facie* Showing Of Trade Secret Misappropriation.

Mitchell held that, in the context of a defamation case, a court may optionally require that the plaintiff make a *prima facie* showing of falsity. *Mitchell*, 37 Cal. 3d at 283. In the trial court, Petitioners asserted that this factor was inapplicable. (Mot. at 12 (Ex. 16 at 121:24-25).) Petitioners now change course and assert without argument that Apple has failed to make any such *prima facie* showing on its claims. Petitioners maintain that this absence “compels protection against discovery.” (Pet. at 39.) These assertions are both legally misplaced and flatly contradicted by the undisputed facts.

Mitchell makes abundantly clear that the fifth factor is optional. *Mitchell*, 37 Cal. 3d at 283 (a *prima facie* showing of falsity in a defamation case “is not a prerequisite to discovery, but it may be essential to tip the balance in favor of discovery”); *see also Anti-Defamation League of B'nai B'rith v. Superior Court*, 67 Cal. App. 4th 1072, 1096 (1998) (“The *Mitchell* court's use of the word ‘may’ indicates it viewed the prima

– neither favors disclosure nor discourages it.” (Mot. at 12 (Ex. 16 at 121:23-24).) Regardless, Petitioners' new position is incorrect. Although *Mitchell* considered a source that had served a public interest, nothing in *Mitchell* contradicts the proposition that, as here, a source's actions against the public interest can weigh in favor of disclosure. *Mitchell*, 37 Cal. 3d at 282-83.

facie showing as a discretionary requirement.”). This optional showing focuses on the general merits of a plaintiff’s claim, and nothing in *Mitchell* requires a *prima facie* showing against the particular person claiming the privilege. *See Mitchell*, 37 Cal. 3d at 283. Even if such a showing were required, however, Apple has made that showing both as to the person who originally stole the trade secrets and as to Petitioners.

The person who stole Apple’s Asteroid trade secrets had reason to know that they were confidential and that taking them would be improper. Cal. Civ. Code § 3426.1(b)(1). First, the slides detailing this information were all conspicuously marked “Apple Need-to-Know Confidential.” Second, access to this information at Apple was strictly limited and all employees who had such access were subject to confidentiality agreements that prohibited them from disclosing, publishing, or disseminating this information. Finally, the posts themselves referred to the unreleased Asteroid product by its confidential, internal code name. As the trial court correctly found, Apple made a *prima facie* showing that its trade secrets were misappropriated. Mar. 11, 2005 Order at 10 (Ex. 34 at 464:6-8).

Apple’s un rebutted evidence also establishes a *prima facie* case against Petitioners. First, it is uncontested that Petitioners repeatedly disseminated Apple’s trade secrets on their websites. Second, it is undisputed that this information had been blatantly copied from a confidential slide set stolen from Apple’s secured facility. Finally, Petitioners undoubtedly knew or had reason to know that they obtained this information through a violation of Apple’s confidentiality agreements or, at the very least, a mistake. Cal. Civ. Code § 3426.1(b)(2)(C). As self-proclaimed experts on Apple and the computer industry, Petitioners can hardly claim that they were not aware of Apple’s rigorous security measures and confidentiality agreements. *See Data Gen. Corp. v. Grumman Sys. Support Corp.*, 825 F. Supp. 340, 360 (D. Mass. 1993)

(defendant cannot shield self from liability by claiming ignorance of confidentiality agreements protecting trade secrets where defendant knew that such agreements were widely used in the industry).

Petitioner O'Grady's silence about what he knows on this point is particularly telling. In the trial court, O'Grady submitted two declarations in support of the motion for protective order. Following O'Grady's first declaration, Apple's opposition papers noted that O'Grady had not disclaimed knowledge that the information he disseminated was a trade secret obtained in violation of a duty of confidentiality. (Apple Opp. at 5-6 (Ex. 24 at 367:25-368:3).) Thereafter, O'Grady filed a second declaration and again failed to deny that he knew the information was a trade secret obtained in violation of a duty of confidentiality. His silence on this key issue entitles Apple to the inference that his disclosure was a knowing violation of the law. (See Declaration of Jason O'Grady in Support of Motion for Protective Order (Ex. 18); Declaration of Jason O'Grady in Support of Reply Brief (Ex. 31).)

In summary, as the trial court properly found, all five of the *Mitchell* factors weigh in favor of the return of Apple's property and of the disclosure of the identities of the persons who acquired and transmitted the trade secrets to Petitioners.

III. THE CALIFORNIA SHIELD DOES NOT APPLY TO APPLE'S REQUEST FOR DISCOVERY FROM NFOX.

The California Shield provides, under certain circumstances, a limited immunity to reporters facing contempt judgments for refusing to disclose sources. As such, the Shield has no relevance to Apple's subpoena for email communications and stolen materials to Nfox, a party that is not a reporter and is facing no contempt judgment.

Recognizing that the California Shield does not prevent the discovery Apple seeks, Petitioners offer a chain of hypotheticals. Petitioners argue that *if* Apple had sought this discovery directly from them, and *if* they had refused to provide this information and *if* the Court had found them in contempt, then the Shield *might* offer them immunity if they were able to establish that the trade secrets they disseminated were part of legitimate newsgathering activity. (Pet. at 24.) Such speculation provides no basis to reverse the trial court's decision.

A. The California Shield Does Not Apply To Nfox Because It Is Not A Newsperson, Nor Is It Facing A Contempt Judgment.

The California Shield provides only one protection: a newsgatherer's personal immunity from being adjudged in contempt for refusing to disclose sources or unpublished materials used in legitimate newsgathering. "The unambiguous language of the law refers only to an immunity from contempt." *New York Times Co. v. Superior Court*, 51 Cal. 3d 453, 456 (1990).

This narrow immunity offered by the Shield does not, however, create a privilege protecting this same information. "The description 'shield law' conjures up visions of broad protection and sweeping privilege. The California shield law, however, is unique in that it affords only limited protection. It does not create a privilege for newspeople, rather, it provides an immunity from being adjudged in contempt." *KSDO v. Superior Court*, 136 Cal. App. 3d 375, 379-80 (1982). The California Shield's protection is so narrow that it does not protect newsgatherers from sanctions other than contempt, such as issue preclusion and monetary sanctions. *Rancho Publ'ns v. Superior Court*, 68 Cal. App. 4th 1538, 1543 (1999).

The California Shield does not bar Apple's discovery to Nfox because Nfox has neither refused to comply with the subpoenas nor been

found in contempt. The plain language of the Shield law makes clear that its protection only applies once a contempt judgment has been entered against the reporter. Cal. Evid. Code § 1070; see *Delaney v. Superior Court*, 50 Cal. 3d 785, 797 n.6 (1990) (“the shield law *prohibits only a judgment of contempt* and . . . unlike a privilege, the shield law does not protect from other sanctions”) (emphasis added); see also *New York Times Co.*, 51 Cal. 3d at 463 (application of the Shield law is premature until after a contempt judgment has been entered).

The California Shield also has no application to Apple’s subpoena because Nfox is not – and does not claim to be – a newsperson. The California Shield does not block discovery directed at parties that are not enumerated newspersons under that law. Cal. Evid. Code § 1070 (“a *newsperson* shall not be adjudged in contempt”) (emphasis added).

The California Shield simply does not apply to Apple’s subpoenas to Nfox.

B. Petitioners Cannot Invoke The California Shield Even If The Law Applied To The Pending Discovery.

Even if Petitioners were able to assert the California Shield on Nfox’s behalf, they nevertheless are not entitled to that law’s protections. The Shield can only be invoked by enumerated newspersons to protect sources or information obtained while engaged in legitimate newsgathering activities. Petitioners certainly cannot establish that acquiring and disseminating Apple’s trade secrets were legitimate newsgathering activities protected by the California Shield. Nor can they show that they fall within the limited class of people who qualify for the Shield’s protection.

1. Dissemination Of Trade Secrets Is Not A Legitimate Newsgathering Activity.

Not all information gathered for communicating to the public is sufficient to invoke the California Shield. *See Rancho Publ'ns*, 68 Cal. App. 4th at 1544 (rejecting argument that advertorials in newspapers, though communicating to the public, satisfied the requirements for invoking the California Shield). Instead, the party seeking to invoke the Shield "at a minimum" must show that while obtaining the information he or she was "engaged in legitimate journalistic purposes, or [exercised] judgmental discretion in such activities." *Id.* Petitioners cannot demonstrate that acquiring and disseminating Apple's trade secrets were done for "legitimate journalistic purposes" or that they "exercise[d] judgmental discretion" in doing so.

First, regardless of their claim to be journalists, the dissemination of verbatim copies of Apple's confidential, proprietary information is not legitimate journalism or news; it is trade secret misappropriation. *See Cal. Civ. Code* § 3426.1(b); *United Liquor*, 88 F.R.D. at 131 (journalists have no right to publish confidential information and the public has no right to have it printed). Similarly, Petitioners' blatant copying and dissemination of Apple's copyrighted rendering of the unreleased Asteroid device was a copyright violation. *See Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562, 576-79 (1977). That Petitioners may also post other articles on the same websites where they disseminated Apple's trade secrets does not change the fact that this specific conduct was not done for legitimate journalistic purposes. *See Rancho Publ'ns*, 68 Cal. App. 4th at 1544 (noting that off-duty reporters that witnessed a crime could not claim the benefit of the Shield law because "they were not involved in newsgathering activities").

Second, in disclosing the Asteroid trade secrets on their websites, Petitioners exercised no editorial oversight at all. Instead, as the detailed comparison in the Zonic Declaration demonstrates, Petitioners simply reprinted verbatim details from Apple's confidential slide set and copied Apple's copyrighted design rendering. (Zonic Decl. ¶¶ 5-15 (Ex. 28 at 397:2-402:14).)

2. Petitioners Are Not Members Of The Limited Class Of Newsmen Entitled To Invoke The California Shield.

In light of the statutory language and the case law, Petitioners also cannot meet their burden of establishing that their web operations entitle them to the contempt immunity afforded by the California Shield. *Delaney*, 50 Cal. 3d at 806 n.20 (“The newsmen seeking immunity must prove all the requirements of the shield law have been met.”). As the California Supreme Court emphasized in *Delaney*, the Shield may be invoked only by newsmen specifically listed in the statute. *Id.* at 805 n.17. The contempt immunity may only be claimed by a “publisher, editor, reporter, or other person connected with or employed upon a newspaper, magazine, or other periodical publication, or by a press association or wire service.” Cal. Evid. Code § 1070(a). A “radio or television news reporter” may also claim this immunity. Cal. Evid. Code § 1070(b).

There is no protection for many other classes of persons purportedly engaged in information collection and dissemination such as, for example, lecturers, novelists, researchers, or pamphleteers. The choice of certain enumerated newsmen reflects the professional standards that define those classes. For example, the Code of Ethics of the Society of Professional Journalists provides that “[j]ournalists should test the accuracy of information from all sources,” “identify sources whenever feasible” and

“always question sources’ motives before promising anonymity.” (Eberhart Decl. ¶ 13 (Ex. 25 at 379:17-19, 382-83).)

Petitioners’ web operations do not fall within these enumerated categories. Although the California Shield has been repeatedly amended to include new forms of media, it has never been enlarged to cover posting information on a website. Persons who post such information, moreover, are not members of any professional community governed by ethical and professional standards. Indeed, if Petitioners’ arguments were accepted, anyone with a computer and Internet access could claim protection under the California Shield and conceal his own misconduct. The limited language of the statute forecloses such a broad application.

Petitioners thus have not and cannot demonstrate that they fall within the limited categories of newsmen deserving protection under the California Shield.

IV. THE STORED COMMUNICATIONS ACT DOES NOT BAR DISCOVERY FROM NFOX.

On the basis of a one-sentence afterthought in the last paragraph of their original motion, Petitioners now assert that the Stored Communications Act, 18 U.S.C. § 2701 *et seq.*, bars all civil discovery to Nfox, including Apple’s court-approved subpoena. (Pet. at 21.) Nothing in the SCA, its legislative history, or eighteen years of case law reveal an intent to completely exempt email service providers from civil discovery – the sweeping interpretation pressed on this Court by Petitioners.

The SCA was not enacted to preempt civil discovery; instead, it was enacted to regulate governmental searches of email communications. Before the SCA, there were no clear constitutional protections to prevent the government from obtaining an individual’s email communications from a service provider. In enacting the SCA, Congress made clear that the act

was intended to extend the same Fourth Amendment-style protections to email communications that had previously been extended to other forms of communication. See 132 Cong. Rec. H4039-01 (Oct. 2, 1986) (explaining that the SCA “updates existing federal wiretapping law to take into account new forms of electronic communications such as electronic mail, cellular telephones, and data transmission by providing such communications with protection against improper interception”); see also O. Kerr, *A User’s Guide to the Stored Communications Act, and a Legislator’s Guide to Amending It*, 72 Geo. Wash. L. Rev. 1208, 1214 (2003) (“The SCA is not a catch-all statute designed to protect the privacy of stored Internet communications; instead it is narrowly tailored to provide a set of Fourth Amendment-like protections for computer networks.”).

Given the SCA’s focus on governmental searches and seizures, it is not surprising that no case law supports Petitioners’ sweeping interpretation.⁸ Nor does the single case they cite support their position – in fact, that case proceeds from the proposition that the SCA *does not* bar a valid civil subpoena. In *Theofel v. Farey-Jones*, 359 F.3d 1066 (9th Cir. 2004), the Ninth Circuit considered the SCA’s effect on a subpoena that was issued in bad faith and so “transparently and egregiously” violated the rules of civil procedure that it became “a piece of paper masquerading as legal process.” *Id.* at 1074. The court held that the flaws with the subpoena

⁸ Petitioners’ citation of a law journal article on this point, moreover, is misleading: the ellipses in Petitioners’ citation excise the portion of the article that concedes the absence of case law supporting Petitioners’ interpretation. “Section 2702(b) offers several exceptions to the prohibition, but none of them expressly permits disclosure pursuant to a civil discovery order unless the order is obtained by a government entity. *This issue has not been litigated to our knowledge*” Compare *The U.S. Internet Service Provider Association, Electronic Evidence Compliance – A Guide for Internet Service Providers*, 18 Berkeley Tech. L.J. 945, 965 (2003) (emphasis added), with *Pet.* at 23.

“transformed the access from a bona fide state-sanctioned inspection into private snooping.” *Id.* at 1073. Notwithstanding these facts, the court spent six pages analyzing whether the SCA barred disclosure of email communications pursuant to that invalid subpoena, ultimately concluding that it did. *Id.* at 1072-77. But if Petitioners’ position were correct, the Ninth Circuit’s detailed analysis could have been replaced by a single sentence stating that the SCA bars all civil discovery. The Ninth Circuit’s opinion clearly proceeds from the proposition that the SCA does not bar valid civil discovery.

The SCA contains, moreover, broad exemptions that authorize substantial categories of disclosures – categories that are far broader than the civil discovery at issue. The fact that the SCA does not include a narrower exemption for civil discovery is not an indication that civil discovery is barred; instead, it is a reflection of the fact that the enumerated exemptions are far broader than the bounds of civil discovery.

First, the SCA expressly permits disclosures that “may be necessarily incident . . . to the protection of the rights or property of the provider of that service” – a category far wider than mere civil discovery. 18 U.S.C. § 2702(b)(5). Here, Nfox faces valid civil subpoenas – reviewed and approved in an order issued by the trial court – and faces civil contempt if it does not comply. Thus, the statute permits Nfox to comply with the subpoenas to protect Nfox’s property from a contempt judgment. Second, the SCA provides that compliance with valid court process is a complete defense. *See* 18 U.S.C. § 2707 (“[G]ood faith reliance on . . . a court warrant or order . . . is a complete defense to any civil or criminal action brought under” the act).

The SCA simply does not erect the comprehensive barrier claimed by Petitioners. Nor should it. Petitioners’ proposed interpretation would preclude discovery even where the communications cannot be obtained

from another source – thereby creating a safe harbor for a vast array of illegal activity where the perpetrator cannot be found or has destroyed his copies of the communications. Nothing in the history or interpretation of the SCA remotely suggests such a result.

V. THE TRIAL COURT PROPERLY DENIED PETITIONERS' REQUEST FOR AN ADVISORY OPINION ON UNPROPOUNDED DISCOVERY.

The Nfox subpoenas are the only pending discovery in this action. Nevertheless, Petitioners also sought orders that:

- a. Petitioners O'Grady, Bhatia, and Jade are journalists;
- b. Apple is prohibited from serving or enforcing discovery to O'Grady, Bhatia, or Jade to learn their sources;
- c. Apple cannot seek to discover Jade's identity;
- d. Apple cannot serve or enforce discovery to any third party service provider to learn the identities of Jade, Bhatia, or O'Grady's sources.

(Proposed Order Granting Motion for Protective Order at 2-3 (Ex. 17 at 126:21-127:6).) The trial court denied Petitioners' request for orders on the above matters, holding that Petitioners were improperly requesting an advisory opinion. Mar. 11, 2005 Order at 3 n.3 (Ex. 34 at 457:25). Their petition provides no reason to reverse this decision.

A. There Is No Ripe Controversy Regarding Apple's Unserved Subpoenas In This Case.

Courts have no power to render advisory opinions, as there must be a justiciable controversy in order for a court to exercise its discretion to resolve a dispute. *See, e.g., In re Joel H.*, 19 Cal. App. 4th 1185, 1193 (1993); *Van Dyke v. S.K.I. Ltd.*, 67 Cal. App. 4th 1310, 1319 (1998). This rule "is rooted in the fundamental concept that the proper role of the

judiciary does not extend to the resolution of abstract differences in legal opinion.” *Pacific Legal Found. v. California Coastal Comm’n*, 33 Cal. 3d 158, 169 (1982).

In deciding whether a controversy is ripe for adjudication, the court should consider (1) whether the dispute is sufficiently concrete, and (2) whether the parties will suffer hardship if judicial consideration is withheld. *Id.* at 171-73. The abstract questions Petitioners raise regarding discovery that they *anticipate* Apple may propound in the future do not meet this test.

1. Issues Beyond Apple’s Subpoena To Nfox Are Not Sufficiently Concrete To Create An Actual Controversy.

The generalized issues raised by Petitioners are not ripe because Apple has not served any discovery beyond the subpoenas to Nfox. The fact that the trial court earlier authorized Apple to serve limited discovery on Petitioners does not alter this conclusion. *See* Dec. 14, 2004 Order (Ex. 8). Apple has not served the subpoenas authorized by that order and Petitioners merely speculate that Apple might do so in the future. But this may never come to pass.

Indeed, if Apple is able to determine from the Nfox discovery the identities of individuals who stole Apple’s trade secrets, it will be able to amend the complaint to name the proper defendants and open discovery. Apple may have no need to send discovery directly to Petitioners at all. Even if Apple later decides that it needs to propound discovery to Petitioners, that discovery may be entirely different from the discovery that was earlier approved by the trial court.

The opening of discovery following the identification and service of a defendant, moreover, would permit the parties in this case to develop a factual record on which the court can properly assess the issues that

Petitioners seek to present prematurely here. “The requirement of ripeness prevents courts from issuing purely advisory opinions,” such as those sought by Petitioners, because “judicial decision making is best conducted in the context of an actual set of facts so that the issues will be framed with sufficient definiteness to enable the court to make a decree finally disposing of the controversy.” *San Miguel Consol. Fire Prot. Dist. v. Davis*, 25 Cal. App. 4th 134, 157-58 (1994) (citation and internal quotation marks omitted); *see also Torres v. Superior Court*, 221 Cal. App. 3d 181, 185 n.2 (1990) (plaintiff’s claim that his doctor was barred from testifying by the doctor-patient privilege was not ripe because further discovery could reveal that his treatment had been unrelated to the subject matter of the doctor’s testimony).

Petitioners nevertheless argue that there is an actual and concrete controversy regarding Apple’s unissued, unserved subpoenas, relying on *New York Times Co. v. Gonzales*, No. 04 Civ. 7677 (RW), 2005 WL 427911, at *15 (S.D.N.Y. Feb. 24, 2005). But the narrow holding in *Gonzales* was based on a unique set of facts that are very different from those presented here.

In *Gonzales*, The New York Times sought a declaratory judgment that the government could not subpoena telephone records from two journalists. The newspaper did not know whether the government had already subpoenaed these records, because the government refused to confirm that fact. *Id.* at *8. The government also refused to notify the newspaper regarding future subpoenas of those reporters’ records. The telephone service providers also refused to give the newspaper any information about government subpoenas for the reporters’ records. The court found that the newspaper had presented a ripe controversy regarding the government’s subpoenas. *Id.* at *15. The decision relied on the fact that the government had asserted that it was “obligated to continue” with

the investigation but refused to provide details concerning when or if the subpoenas would issue. *Id.*

Here, the facts are entirely different from *Gonzales*. There is no uncertainty regarding the currently-outstanding discovery. It is undisputed that the only outstanding subpoenas are those served on Nfox and that Apple has not served Petitioners with any discovery. Additionally, Petitioners will necessarily receive notice if Apple propounds any of the other discovery authorized by the trial court, given that Petitioners are the principals of PowerPage and AppleInsider. Thus, unlike the newspaper in *Gonzales*, Petitioners will have notice and an opportunity to oppose any discovery.⁹

Outside of the unique circumstances presented in *Gonzales* (which are not present here), courts have routinely held that disputes regarding unserved discovery are premature and not ripe. *See, e.g., Pac. Bell Internet Servs. v. Recording Indus. Ass'n of Am.*, No. C03-3560 SI, 2003 WL 22862662, at *4 (N.D. Cal. Nov. 26, 2003) (holding that because the defendants had no currently enforceable subpoena against the plaintiff there was no substantial controversy regarding the propriety of such a subpoena warranting declaratory relief); *Morgan v. Roberts*, 702 F.2d 945, 947 (11th Cir. 1983) (holding that because there were no subpoenaed materials that

⁹ The other case cited by Petitioners, *Doe v. Harris*, 696 F.2d 109 (D.C. Cir. 1982), is distinguishable for the same reasons. Like *Gonzales*, the outcome in *Harris* was caused by the plaintiff's lack of opportunity to oppose any future subpoena for his records. *Doe v. Harris*, 696 F.2d 109, 112-14 (D.C. Cir. 1982) (government's offer to return the plaintiff's medical records did not moot controversy over subpoena because the plaintiff would not have an opportunity to oppose a future subpoena for those records and because the plaintiff was harmed by the original disclosure).

needed to be produced and the plaintiffs failed to show a reasonable likelihood of future subpoenas, no actual controversy existed).

2. Petitioners Do Not Face Significant Hardship From Discovery That Apple Has Not Propounded In This Case.

Petitioners argue that they face substantial hardship as a result of hypothetical subpoenas because they have lost confidential sources of potential information. (Pet. at 47.) But they have not provided any evidence showing that they lost these sources as a result of the unissued and unserved subpoenas. The reduction in anonymous information about Apple's products could just as easily be the result of Apple's internal investigation into the theft of its trade secrets, increased publicity regarding Apple's efforts to protect its trade secrets, a decline in the flow of illegal information to Petitioners from their sources, or the departure of such sources from Apple's employment.

Petitioners also claim that they face significant hardship from the hypothetical subpoenas because they believe it would be burdensome to "litigate seriatim each new subpoena that Apple chooses to issue." (*Id.* at 47.) But nothing supports the notion that new subpoenas will be required or will issue. There is no reason to litigate subpoenas that Apple has not issued and may never issue.

Finally, Petitioners repeatedly complain about Apple's "threats," "harassment," and "intimidation." (*Id.* at 46-47.) These inflammatory allegations are inconsistent with the facts in this case. Petitioners point to no activity by Apple that merits those labels, and the facts show that Apple is only trying to recover the stolen materials and identify the responsible individuals.

The trial court properly rejected Petitioners' request for an advisory opinion on these contingent and abstract issues. If and when Apple chooses

to propound discovery directly to Petitioners, the issues raised by that discovery will be concrete. Petitioners should be required to reserve any challenges to that hypothetical discovery until the future.

VI. THE TRIAL COURT PROPERLY APPLIED THE LAW AND CORRECTLY DENIED PETITIONERS' MOTION FOR A PROTECTIVE ORDER.

The trial court's written decision reflects that it carefully considered the arguments raised by both sides in ruling on Petitioners' motion for a protective order. Petitioners' attack on that decision distorts the trial court's factual analysis and legal reasoning.

A. The Trial Court Properly Applied The Law Regarding The Federal Privilege.

Petitioners argue that the trial court failed to properly apply each of the five *Mitchell* factors. (Pet. at 40-42.) The court's written decision, however, shows that it properly applied the *Mitchell* factors in ruling that the Federal Privilege did not bar Apple's discovery to Nfox.

Petitioners assert that the trial court misapplied the first *Mitchell* factor because it "treated Petitioners as though they were parties." (*Id.* at 40.) This is simply incorrect – the trial court acknowledged that Petitioners were not parties in this case. Mar. 11, 2005 Order at 9 (Ex. 34 at 463:13-15). Nevertheless, the court recognized that Petitioners had clearly been involved in the theft and publication of Apple's trade secrets. Thus, because Petitioners' conduct is squarely at issue in this case, the court correctly found that this factor weighs in favor of disclosure. *Id.*

Second, Petitioners argue that the trial court did not consider the breadth of Apple's discovery in analyzing the second *Mitchell* factor. (Pet. at 40.) As discussed above in Section II(B)(2), this argument is based on a mischaracterization of Apple's claims and the narrow discovery at issue.

The trial court's decision reflects that it recognized the true scope of both Apple's claims and discovery.

Third, Petitioners argue that the trial court misapplied the law in evaluating the third *Mitchell* factor. (*Id.*) Petitioners also assert that the court's conclusion was factually incorrect. (*Id.*) But Petitioners do not explain what they believe is erroneous about the court's analysis of this factor or its conclusion. Apple provided ample evidence that it had pursued every reasonable alternative source of information before seeking discovery from Nfox. The court's conclusion that Apple was not required to take the "unusual step" of deposing its employees is entirely consistent with relevant case law. *See* Section II(B)(3), *supra*.

Similarly, Petitioners have not demonstrated that the trial court erred in applying the fourth *Mitchell* factor. Petitioners served no legitimate public interest by posting Apple's trade secrets on their websites. The public interest, moreover, would not be served by shielding from discovery the source that illegally provided this information.

Finally, Petitioners argue that although Apple might have made a *prima facie* showing in general, the trial court erred because it did not find that Apple had made a *prima facie* case against them specifically. (Pet. at 41.) But this is, at most, an optional showing, and *Mitchell* certainly does not require a *prima facie* showing against the party claiming the privilege. *See Mitchell*, 37 Cal. 3d at 283 (noting that court may, at its option, require a showing of falsity in defamation action). Regardless, as discussed above in Section II(B)(5), Apple has made a *prima facie* showing that Petitioners wrongfully disseminated Apple's trade secrets.

B. The Trial Court Correctly Understood The Difference Between An Evidentiary Privilege And Immunity From Liability In Rejecting Petitioners' Federal Privilege Claim.

The trial court's written decision reflects its concern that the Federal Privilege should not be used to shield misconduct by a reporter or his sources. *See, e.g.*, Mar. 11, 2005 Order at 8-9, 11-12 (Ex. 34 at 462:9-463:7, 465:1-16, 465:21-466:5, 467:10-17). Petitioners argue from these references that the court incorrectly believed that denying their motion for a protective order would have immunized the trade secret thief from liability, rather than preventing discovery into that theft. (Pet. at 42-44.) Thus, Petitioners contend that the trial court must have been confused about the difference between an immunity and an evidentiary privilege. (*Id.* at 42.)

This argument is flatly contradicted by the trial court's opinion. At the outset of the opinion, the court expressly stated that it made no finding regarding liability or the ultimate merits of Apple's claims. Instead, the court emphasized that it was only ruling on the merits of Petitioners' motion for a protective order against Apple's discovery to Nfox. Mar. 11, 2005 Order at 2 (Ex. 34 at 456:9-13).

Nor do Petitioners' citations to the court's opinion demonstrate that the court wrongly decided their Federal Privilege claim. The court concluded that Petitioners' privilege claim was outweighed by Apple's need for discovery identifying the persons who stole its trade secrets. In making this ruling, the court correctly recognized that other privileges similarly could not be used to shield illegal activity from discovery. *See id.* at 11 (Ex. 34 at 465:7-16) (noting that privileges such as the attorney-client privilege, marital communications privilege, and physician-therapist privilege cannot be invoked in furtherance of criminal activity). The trial court's view on this issue was entirely correct. *See Food Lion*, 951 F. Supp. at 1216 (noting that "[e]ven the attorney-client privilege, which is

more deeply rooted and absolute than the journalist's privilege, gives way in the face of communications made for the purpose of furthering a crime or fraud"); *United Liquor*, 88 F.R.D. at 131.

C. The Trial Court Applied The Correct Standard In Rejecting Petitioners' Federal Privilege Claim.

Petitioners argue that the trial court improperly relied on authority from criminal cases in rejecting their Federal Privilege claim. (Pet. at 44.) Because the Federal Privilege is more limited in a criminal case than a civil case, Petitioners argue that the trial court's citation to criminal cases – such as *Branzburg v. Hayes*, 408 U.S. 665 (1972) – demonstrates that it mistakenly applied the more stringent criminal standard to their privilege claim.

But the trial court expressly recognized that this case involved civil claims rather than a criminal investigation. (Tr. of Mar. 4, 2005 Hearing at 19 (Ex. 33 at 450:18-19) (“I recognize that this is not a criminal proceeding.”).) Moreover, Petitioners' argument fails because the court did not apply the more stringent criminal standard. Instead, as Petitioners acknowledge, the trial court applied the *Mitchell* five-part test that is appropriate to a privilege claim in a civil case. Mar. 11, 2005 Order at 9-10 (Ex. 34 at 463:8-464:8).

CONCLUSION

For all of the foregoing reasons, Apple respectfully requests that this Court deny the petition for writ of mandate and/or prohibition.

Dated: April 7, 2005

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Respectfully submitted,

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