

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

SECOND APPELLATE DISTRICT

DIVISION TWO

DEANA DOWELL et al.,

Plaintiffs and Appellants;

PACESETTER, INC., et al.,

Plaintiffs, Cross-defendants and Appellants,

v.

BIOSENSE WEBSTER, INC.,

Defendant, Cross-complainant and
Respondent.

B201439

(Los Angeles County
Super. Ct. No. BC337177)

PACESETTER, INC., et al.,

Plaintiffs, Cross-defendants and Respondents,

v.

BIOSENSE WEBSTER, INC.,

Defendant, Cross-complainant and Appellant;

ST. JUDE MEDICAL, INC.,

Cross-defendant and Appellant.

B203501

APPEAL from a judgment of the Superior Court of Los Angeles County.
Elizabeth Allen White, Judge. Affirmed.

Feldman Gale, James A. Gale and Todd M. Malynn for Plaintiffs, Cross-defendants, Respondents and Appellants.

Step toe & Johnson, Mark A. Neubauer, Rebecca Edelson and Carla A. Veltman for Defendant, Cross-complainant, Respondent and Appellant.

* * * * *

Plaintiffs and Appellants St. Jude Medical S.C., Inc. (SC) and Pacesetter, Inc. (Pacesetter) (collectively, St. Jude), along with employees Deana Dowell, Steven Chapman and Claudio Plaza, sued Defendant and Cross-appellant Biosense Webster, Inc. (Biosense) to enjoin it from enforcing noncompete and nonsolicitation clauses in employment agreements used in California, including agreements it had with the individual plaintiffs. The trial court summarily adjudicated that the clauses were facially void under Business and Professions Code¹ section 16600 (section 16600) and that their use violated California’s Unfair Competition Law (UCL) (§ 17200, et seq.). The trial court also summarily adjudicated that Biosense’s unclean hands defense and its cross-complaint for unfair competition failed as a matter of law. The court determined that there was no “prevailing party” and ordered the parties to bear their own costs.

On appeal, St. Jude contends that the trial court’s ruling “did not go far enough” because the court failed to issue a permanent injunction against Biosense’s use of such restrictive clauses in all agreements with California employees. Plaintiffs also contend that they are entitled to costs. In its cross-appeal, Biosense contends that the trial court erred in summarily adjudicating the validity of the clauses because there was a triable issue of fact as to whether the so-called “common law trade secret exception” applied,

¹ Unless otherwise noted, all statutory references shall be to the Business and Professions Code.

and that the court erred in summarily adjudicating its unclean hands defense and its cross-complaint.

We affirm the judgment. We conclude that the trial court properly determined that the clauses were void as a matter of law, that no defense applied and that the cross-complaint failed to state a cause of action. We also conclude that the trial court did not abuse its discretion in denying a permanent injunction and costs.

FACTUAL AND PROCEDURAL BACKGROUND

The Parties

SC and Biosense are competitors in the market for atrial fibrillation (AF) products (e.g., anatomical mapping systems and electrophysiology catheters). Both companies have their principal place of business in California. SC and Pacesetter are subsidiaries of St. Jude Medical, Inc. (SJMI). In 1999, Biosense hired Plaza and eventually promoted him to senior engineer developing electrophysiology catheters. In 2003 and 2004, Biosense hired Dowell and Chapman, respectively, as professional education specialists to educate physicians and their staff about the company's three-dimensional anatomical mapping system. Dowell, Chapman and Plaza are California residents.

The Agreements

Upon accepting employment with Biosense, Dowell and Chapman signed an "Employee Secrecy, Non-Competition and Non-Solicitation Agreement" (the agreements).² The agreements each contained a covenant not to compete which provided that for 18 months after termination of employment the employee would "not render services, directly or indirectly, to any CONFLICTING ORGANIZATION" in which such services "could enhance the use or marketability of a CONFLICTING PRODUCT by

² Plaza signed a different agreement which contained a two-year noncompetition clause. After this lawsuit was filed, Plaza went to work for a third party and voluntarily dismissed his claims without prejudice.

application of CONFIDENTIAL INFORMATION” to which the employee “shall have had access” during employment. A conflicting product was defined as any product, process, technology, machine, invention or service which resembles or competes with one upon which the employee worked or of which the employee was knowledgeable as a result of employment. A conflicting organization was defined as a person or organization engaged or about to become engaged in research, development, production, marketing or selling of a conflicting product. And “CONFIDENTIAL INFORMATION” was defined as “information disclosed to me or known by me as a result of my employment by the COMPANY, not generally known to the trade or industry in which the COMPANY is engaged, about products, processes, technologies, machines, customers, clients, employees, services and strategies of the COMPANY, including, but not limited to . . . marketing, merchandising, selling, sales volumes or strategies, number or location of sales representatives, names or significance of the COMPANY’s customers or clients or their employees or representatives, preferences, needs or requirements, purchasing histories, or other customer or client-specific information.”

The agreements also contained a nonsolicitation clause which provided that the employee “recognize[s] that the COMPANY’s relations with its accounts, customers and clients represents an important business asset that results from the COMPANY’s significant investment of its time and resources” and that the employee has “gained or may gain relationships with the accounts, customers and clients of the COMPANY, and because of such relationships, [he/she] could cause the COMPANY great loss, damage, and immediate irreparable harm” if the employee should “sell, offer for sale, or solicit or assist in the sale of a product or service that could compete with a product or service being sold or developed by the COMPANY.” The employee “therefore agree[s]” that for 18 months after termination of employment, the employee “will not solicit any business from, sell to, or render any service to, or, directly or indirectly, help others to solicit business from or render service or sell to any of the accounts, customers or clients” with whom the employee had contact during the last 12 months of employment.

The agreements contained New Jersey choice-of-law and consent-to-venue clauses.

Between April and July 2005, Dowell and Chapman accepted sales positions with SC and Plaza accepted an engineering position with Pacesetter. By the terms of the agreements with Biosense, Chapman's noncompete obligations expired in October 2006 and Dowell's in January 2007.

The Cease-and-Desist Letter

On July 1, 2005, Biosense sent a letter to St. Jude demanding that it cease its "unlawful raiding" of Biosense's employees, including Dowell, Chapman and Plaza. The letter stated that the former employees had covenants not to compete which precluded their employment with St. Jude and their use of confidential and trade secret information relating to the business and personnel of Biosense. While expressing its hope to avoid litigation, Biosense made clear that it was prepared to pursue litigation if necessary and asked for a response within two weeks. St. Jude responded that it needed more time to review the matter. In the meantime, St. Jude initiated this lawsuit.

The Complaint

On July 26, 2005, St. Jude, Dowell, Chapman and Plaza filed a complaint against Biosense alleging two causes of action for declaratory relief and two causes of action for unfair competition. The first cause of action sought a declaration that the contractual restraints of trade imposed on Dowell, Chapman and Plaza by Biosense were void. The second cause of action sought a declaration that none of the plaintiffs had violated any duty owed to Biosense and that St. Jude could lawfully employ Biosense employees consistent with St. Jude's legal rights. The third cause of action for unfair competition sought an injunction permanently enjoining Biosense from "including covenants not to compete in its employment contracts in California." The fourth cause of action for unfair competition sought an antisuit injunction prohibiting Biosense from trying to enforce its

noncompete covenants in any forum other than the Superior Court of Los Angeles County.

The Answer and Cross-Complaint

Biosense answered the complaint asserting an affirmative defense of unclean hands based on the following alleged conduct: St. Jude used employment agreements with provisions similar to those used by Biosense; Dowell, Chapman and Plaza signed employment agreements with St. Jude that contained provisions similar to those used by Biosense; St. Jude used deception to induce Biosense into delaying its own lawsuit in the jurisdiction of its choice; plaintiffs made misleading statements in ex parte pleadings filed with the trial court; and St. Jude had unlawfully raided Biosense's employees.

Biosense filed a cross-complaint against St. Jude and SJMI for unfair competition. Biosense alleged that St. Jude and SJMI unlawfully raided Biosense employees in California and elsewhere in such a manner as to disrupt Biosense's business; attempted to induce Biosense employees to breach their noncompete agreements with Biosense; and used the insider knowledge of former Biosense employees to unfairly recruit personnel from Biosense. Biosense sought an injunction prohibiting St. Jude and SJMI from using or disclosing Biosense's confidential information and from soliciting Biosense's employees.

Plaintiffs' Motion for Summary Adjudication of First and Third Causes of Action

Plaintiffs moved for summary adjudication of their first and third causes of action, arguing that the agreements' noncompete and nonsolicitation clauses in the agreement were facially invalid under section 16600 and that their use violated section 17200. In support of the motion, Dowell and Chapman submitted declarations stating that if the noncompete clauses were enforced, they would be precluded from working in their chosen professions because they would be unable to sell or support the sales of any catheters, since they had worked with catheters for Biosense.

In opposition, Biosense argued there were triable issues of fact as to whether (1) a common law trade secret exception applied, and (2) plaintiffs' unclean hands barred their claims. As to the trade secret exception, Biosense relied on the declaration of its then vice-president of human resources, Roy Chen, who stated that in his experience "[m]ere confidentiality agreements are not adequate" to protect trade secrets because, for example, "[m]isappropriation is often difficult to discover and prove," and that Dowell and Chapman had "access" to Biosense's trade secrets consisting of business, marketing and pricing strategies. Biosense requested a continuance of the motion pursuant to Code of Civil Procedure section 437c, subdivision (h) so that it could take further discovery.

On February 27, 2007, the trial court entered an order granting the motion for summary adjudication (the February 27, 2007 order), finding that "the restrictive covenants" in the agreements signed by Dowell and Chapman were "void *ab initio* and unenforceable under [section] 16600," and that "they constitute[d] unfair and unlawful competition under [section] 17200." The trial court expressly limited its adjudication to the Dowell and Chapman agreements, and struck from plaintiffs' proposed order references to Biosense's agreements with other employees and the proposed permanent injunction seeking to enjoin Biosense from attempting to enforce such clauses against any current or former California employee.

Also in the February 27, 2007 order, the trial court found that Biosense's unclean hands defense was irrelevant to the questions of whether the noncompete and nonsolicitation clauses were enforceable under section 16600 and whether their use violated section 17200, because any use by St. Jude of similar clauses in its own employment contracts would be wholly unrelated to the transaction to which plaintiffs sought relief. The court also found that Biosense's common law trade secret defense failed as a matter of law because the restrictive clauses were not narrowly tailored or carefully limited to the protection of trade secrets and that, in any event, there was no evidence that Biosense's customer list is a trade secret because "it appears that the customers for the products at issue (*e.g.*, physicians [and] hospitals) are easily identified from any number of publicly available directories and resources." The court also denied

Biosense's request for additional time to conduct discovery because "(1) Biosense has not requested discovery that pertains to whether the restrictive covenants at issue are invalid under [section] 16600, or whether Biosense's asserted confidential information constitutes a trade secret under California's Uniform Trade Secrets Act (as any such information necessarily would be in Biosense's control); and (2) any such discovery would not alter the Court's ruling that Biosense's broadly worded restrictive covenants are void *ab initio* on their face."

Plaintiffs' Motion for Summary Adjudication of Biosense's Unclean Hands Defense

Plaintiffs also moved for summary adjudication of Biosense's unclean hands defense, arguing that the defense failed as a matter of law. In opposition, Biosense once again requested a continuance of the motion to take discovery. In an order dated April 25, 2007 (the April 25, 2007 order), the trial court denied Biosense's request for a continuance and granted the motion for summary adjudication, restating its reasoning in the February 27, 2007 order, and adding the legal conclusion that the defense cannot be used to excuse unlawful conduct.

St. Jude's Motion for Summary Judgment of Cross-Complaint

Finally, St. Jude and SJMI moved for summary judgment of Biosense's cross-complaint, arguing that Biosense's claims for unfair competition failed as a matter of law. St. Jude relied on the declarations of Dowell, Chapman and Plaza, stating that there was no agreement among them to leave Biosense; Dowell applied to SC at the suggestion of a friend and colleague from a hospital at which she had previously worked; Plaza applied to Pacesetter at the suggestion of a Biosense employee; and neither Dowell, Chapman nor Plaza had disclosed to St. Jude any information about other Biosense employees or solicited any Biosense employees.

In opposition, Biosense again relied on Chen's declaration, which stated that in a few months, six employees (Dowell, Chapman and Plaza and three who lived and worked overseas) had gone to work for St. Jude. Biosense also relied on the declaration of David

Seton, who had been Dowell's and Chapman's supervisor and who claimed that they were "key" employees because they spent more time with customers in their territory than any other employee, and that they were two of only four education specialists who covered California. Once again, Biosense requested a continuance of the motion to take discovery.

The trial court denied the request for a continuance and granted the motion for summary judgment on the cross-complaint, finding no triable issue of fact existed.

The Request for a Permanent Injunction

Following the rulings on the motions for summary adjudication and summary judgment, plaintiffs voluntarily dismissed without prejudice their second and fourth causes of action. St. Jude took the position that the issue of whether it was entitled to permanent injunctive relief had not been resolved by the summary adjudication of the third cause of action and remained to be tried. Although the trial court disagreed, it nevertheless allowed the parties to submit trial briefs on the issue.

In its trial brief, St. Jude stated that it believed the court had before it all the evidence sufficient to issue a permanent injunction, but that in the event it was necessary to produce additional evidence at trial, St. Jude would demonstrate standing to seek a permanent injunction, and produce evidence that Biosense uses the same or similar restrictive clauses in its agreements with California employees.

St. Jude requested a final judgment permanently enjoining Biosense "from having its California-resident employees sign employment agreements that include non-competition or customer non-solicitation clauses that are the same as or substantially similar to the broadly worded covenants found by the Court to be unlawful" and "from enforcing, or attempting to enforce, non-competition or customer non-solicitation clauses that are the same as or substantially similar to the broadly worded covenants set f[or]th above against any current or former California-resident employee who signed an agreement containing such clauses as a condition of employment with Biosense in California." St. Jude also sought as part of the permanent injunction a requirement that

Biosense “provide written notice to its current California employees and to former employees who worked for Biosense in California within the past two years by sending a copy of this Order via certified U.S. Mail to the last known address of all such employees within thirty (30) days from the date hereof.”

Following a further hearing on the matter, the trial court concluded that St. Jude had no standing to seek a permanent injunction. The court then signed an order denying the requested permanent injunction “in the exercise of its discretion” for the following reasons: (1) the noncompete and nonsolicitation clauses in Dowell’s and Chapman’s employment agreements with Biosense had already expired by their terms; (2) “the inherent difficulty in fashioning an injunction of the nature sought”; (3) the injunction sought would “affect agreements with persons not before the Court and whose interests are not represented in this litigation”; (4) St. Jude lacked standing under section 17203 to obtain an injunction that would affect agreements of persons not before the court; and (5) the injunction sought was inconsistent with the court’s prior adjudication that the first and third causes of action were limited to Biosense’s agreements with Dowell and Chapman.

The Judgment

The trial court entered judgment as follows: (1) On plaintiffs’ complaint, the court declared that the noncompete and nonsolicitation clauses in the agreements with Dowell and Chapman violated section 16600 and were void *ab initio* and unenforceable against Dowell and Chapman; (2) Plaintiffs “shall take nothing” by way of their complaint, other than the declaration described above, and the request for injunctive relief was dismissed with prejudice; and (3) Biosense “shall take nothing” by way of its cross-complaint, which was dismissed with prejudice.

Plaintiffs’ Memorandum of Costs

St. Jude, SJMI, Dowell and Chapman filed a memorandum of costs in the amount of \$20,323. The trial court granted Biosense’s motion to strike the cost memorandum in

its entirety, exercising its discretion to determine that no party was a “prevailing party.” At the hearing on the motion, the court stated its belief that plaintiffs’ true objective in the litigation was “to get a more global form of injunctive relief,” and to that extent they did not succeed.

Appeals

St. Jude has appealed from the judgment and Biosense has filed a cross-appeal from the judgment. St. Jude, SJMI, Dowell and Chapman have also appealed from the order granting Biosense’s motion to strike the cost memorandum. The appeals have been consolidated.

DISCUSSION

Before we can address St. Jude’s contention that the trial court erred in failing to grant a permanent injunction against Biosense’s use in its California employment agreements of the noncompete and nonsolicitation clauses that the court found were void and unenforceable under section 16600, we must first address Biosense’s contentions that the trial court erred in summarily adjudicating both this finding and Biosense’s unclean hands defense.

I. The Trial Court Properly Determined that the Noncompete and Nonsolicitation Clauses in the Agreements are Void Under Section 16600 as a Matter of Law.

A. Standard of Review

A motion for summary adjudication shall be granted if it completely disposes of a cause of action, an affirmative defense, a claim for damages, or an issue of duty. (Code Civ. Proc., § 437c, subd. (f)(1).) We review de novo a trial court’s decision to grant summary judgment or summary adjudication. (*Wiener v. Southcoast Childcare Centers, Inc.* (2004) 32 Cal.4th 1138, 1142.) In performing this de novo review, we view the

evidence in the light most favorable to the opposing party and strictly construe the evidence of the moving party, and resolve any evidentiary doubts in favor of the opposing party. (*Ibid.*)

B. The Noncompete and Nonsolicitation Clauses are Void as A Matter of Law

Section 16600 states: “Except as provided in this chapter, every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void.” There are only three statutory exceptions to this prohibition on noncompete agreements: One who sells the goodwill of a business, or all of one’s ownership interest in a business entity (which includes partnerships or corporations), or substantially all of its operating assets and goodwill, to a buyer who will carry on the business may agree with the buyer not to carry on a similar business within a specified geographic area, if the business will be carried on by the buyer (§ 16601); upon dissolution of a partnership or dissociation of a partner, such partner may agree not to carry on a similar business within a specified geographic area, if the business will be carried on by remaining partners or anyone deriving title to the business or its goodwill (§ 16602); and a member of a limited liability company may agree not to carry on a similar business within a specified geographic area, so long as other members or anyone deriving title to the business or its goodwill carries on a like business (§ 16602.5).

Section 16600 expresses California’s strong public policy of protecting the right of its citizens to pursue any lawful employment and enterprise of their choice. (*Advanced Bionics Corp. v. Medtronic, Inc.* (2002) 29 Cal.4th 697, 706; *Weber, Lipshie & Co. v. Christian* (1997) 52 Cal.App.4th 645, 659 [“section 16600 was adopted for a public reason”].) California courts “have consistently affirmed that section 16600 evinces a settled legislative policy in favor of open competition and employee mobility.” (*Edwards v. Arthur Andersen LLP* (2008) 44 Cal.4th 937, 946 (*Edwards*)). “The interests of the employee in his own mobility and betterment are deemed paramount to the competitive business interests of the employers, where neither the employee nor his new employer

has committed any illegal act accompanying the employment change.” (*Diodes, Inc. v. Franzen* (1968) 260 Cal.App.2d 244, 255; *D’Sa v. Playhut, Inc.* (2000) 85 Cal.App.4th 927, 933 (*D’Sa*)). An employer’s use of an illegal noncompete agreement also violates the UCL (§ 17200 [“unfair competition shall mean and include any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising”]). (*Application Group, Inc. v. Hunter Group, Inc.* (1998) 61 Cal.App.4th 881, 906–908 [section 17200 “borrows” violations of other laws and treats them as unlawful practices independently actionable under section 17200].)

Based on the foregoing it is clear that the noncompete and nonsolicitation clauses in the agreements with Dowell and Chapman are void and unenforceable under section 16600 and that their use violates section 17200. The broadly worded noncompete clause prevents Dowell and Chapman, for a period of 18 months after termination of employment with Biosense, from rendering services, directly or indirectly, to any competitor in which the services they may provide could enhance the use or marketability of a conflicting product by application of confidential information to which the employee had access during employment. Similarly, the broadly worded nonsolicitation clause prevents the employees for a period of 18 months postemployment from soliciting any business from, selling to, or rendering any service directly or indirectly to any of the accounts, customers or clients with whom they had contact during their last 12 months of employment. Ultimately, these provisions restrain the employee from practicing their chosen profession. Indeed, these clauses are similar to those found to be void under section 16600. (See, e.g., *D’Sa, supra*, 85 Cal.App.4th at p. 931; *Kolani v. Gluska* (1998) 64 Cal.App.4th 402, 407; *Metro Traffic Control, Inc. v. Shadow Traffic Network* (1994) 22 Cal.App.4th 853, 860 (*Metro Traffic*)).

Biosense contends that the clauses are valid because they were tailored to protect trade secrets or confidential information, and as such satisfy the so-called trade secret exception, citing cases such as *Thompson v. Impaxx, Inc.* (2003) 113 Cal.App.4th 1425, 1429–1430; *Whyte v. Schlage Lock Co.* (2002) 101 Cal.App.4th 1443, 1462; *Metro Traffic, supra*, 22 Cal.App.4th at p. 860; and *American Paper & Packaging Products,*

Inc. v. Kirgan (1986) 183 Cal.App.3d 1318, 1322. Plaintiffs counter that in light of our Supreme Court's recent decision of *Edwards, supra*, 44 Cal.4th 937, a common law trade secret exception no longer exists.

The Court in *Edwards* concluded that section 16600 "prohibits employee noncompetition agreements unless the agreement falls within a statutory exception." (*Edwards, supra*, 44 Cal.4th at p. 942.) In rejecting the Ninth Circuit's "narrow-restraint" exception to section 16600 (*Edwards, supra*, at pp. 948–950), the Court stated: "Section 16600 is unambiguous, and if the Legislature intended the statute to apply to restraints that were unreasonable or overbroad, it could have included language to that effect. We . . . leave it to the Legislature, if it chooses, either to relax the statutory restrictions or adopt additional exceptions to the prohibition-against-restraint rule under section 16600" (*id.* at p. 950). The Court went on to state: "Noncompetition agreements are invalid under section 16600 in California even if narrowly drawn, unless they fall within the applicable statutory exceptions of section 16601, 16602, or 16602.5." (*Id.* at p. 955.) Biosense notes that the *Edwards* Court relied on its prior decision in *Muggill v. Reuben H. Donnelley Corp.* (1965) 62 Cal.2d 239, 242 (*Muggill*), which held that section 16600 invalidates provisions in employment contracts that "prohibit[] an employee from working for a competitor after completion of his employment . . . unless they are necessary to protect the employer's trade secrets." In a footnote, the *Edwards* Court stated: "We do not here address the applicability of the so-called trade secret exception to section 16600, as Edwards does not dispute that portion of his agreement or contend that the provision of the noncompetition agreement prohibiting him from recruiting Andersen's employees violated section 16600." (*Edwards, supra*, at p. 946, fn. 4.) Given this language, Biosense argues that the trade secret exception is still "alive and well."

Plaintiffs argue that the trade secret exception rests on shaky ground in the first place. They point out that many of the cases recognizing a trade secret exception cite to *Muggill* and that the language in *Muggill* regarding a trade secret was *dicta*, as no trade secrets were at issue in that case. Plaintiffs also point out that *Muggill*, in turn, relied on

Gordon v. Landau (1958) 49 Cal.2d 690, a “trade route” case in which the employee was a door-to-door salesman, whose employment agreement prevented him from divulging the names of his prior customers or soliciting their business for one year following termination of employment. The *Gordon* court concluded that the agreement was valid under section 16600 because it did not restrain the employee from engaging in his profession. (*Gordon v. Landau, supra*, at p. 694.) Plaintiffs suggest that the trade secret exception should be limited to “the narrow and antiquated circumstances of door-to-door trade routes” where it is proven that the identity of the customers is a trade secret. Biosense counters that the exception has not been so limited, noting, for example, that the exception was at issue in *Metro Traffic, supra*, 22 Cal.App.4th 853, a case having to do with the news radio business and not trade routes.

At oral argument, plaintiffs’ counsel discussed the recent case of *The Retirement Group v. Galante* (2009) 176 Cal.App.4th 1226 (*Galante*), the first published California case to discuss *Edwards*’ reference to the trade secret exception in footnote four.³ The *Galante* court stated that “*Edwards* did not *approve* the enforcement of noncompetition clauses whenever the employer showed the employee had access to information purporting to be trade secrets. Instead, *Edwards* merely stated it was not required to ‘address the applicability of the so-called trade secret exception to section 16600’ (*Edwards, supra*, 44 Cal.4th at p. 946, fn. 4) because it was not germane to the claims raised by the employee.” (*Galante, supra*, at p. 1239.) In reconciling the “tension” between section 16600 and trade secrets, the *Galante* court stated: “We distill from the foregoing cases that section 16600 bars a court from specifically enforcing (by way of injunctive relief) a *contractual* clause purporting to ban a former employee from soliciting former customers to transfer their business away from the former employer to the employee’s new business, but a court may enjoin *tortious* conduct (as violative of

³ At our invitation, the parties submitted additional briefing on this case and another recent case mentioned by plaintiffs’ counsel, *Meyer v. Sprint Spectrum L.P.* (2009) 45 Cal.4th 634, which is discussed *infra* in Part II at footnote 4.

either the Uniform Trade Secrets Act (Civ. Code, § 3426 et seq.) and/or the unfair competition law) by banning the former employee from using trade secret information to identify existing customers, to facilitate the solicitation of such customers, or to otherwise unfairly compete with the former employer. Viewed in this light, therefore, the conduct is enjoined *not* because it falls within a judicially created ‘exception’ to section 16600’s ban on contractual nonsolicitation clauses, but is instead enjoined because it is wrongful independent of any contractual undertaking.” (*Galante, supra*, at pp. 1233, 1238.)

Although we doubt the continued viability of the common law trade secret exception to covenants not to compete, we need not resolve the issue here. Even assuming the exception exists, we agree with the trial court that it has no application here. This is so because the noncompete and nonsolicitation clauses in the agreements are not narrowly tailored or carefully limited to the protection of trade secrets, but are so broadly worded as to restrain competition. (See *Kolani v. Gluska, supra*, 64 Cal.App.4th at p. 407 [finding as a matter of law on demurrer that a noncompete clause was void because it was not “narrowly tailored” but “an outright prohibition on competition”].)

Biosense argues that the clauses in the agreements are narrowly tailored to protect trade secrets and confidential information because they are “tethered” to the use of confidential information, and are triggered only when the former employee’s services for a competitor implicate the use of confidential information. As such, to the extent that no confidential information was disclosed or made known to Dowell and Chapman during their employment with Biosense, the noncompete clause would never be triggered. But this argument ignores the broad wording of the agreements. The noncompete clause prohibits an employee from rendering services, directly or indirectly, to a competitor where those services could enhance the use or marketability of a conflicting product through the use of confidential information to which the employee had access at Biosense. “Confidential information” is broadly defined as information disclosed to or known by the employee, including such information as the number or location of sales representatives, the names of customers, customer preferences, needs, requirements, purchasing histories or other customer-specific information. Given such an inclusive and

broad list of confidential information, it seems nearly impossible that employees like Dowell and Chapman, who worked directly with customers, would not have possession of such information. The prohibition here is not unlike the noncompete clause found facially invalid by the court in *D'Sa, supra*, 85 Cal.App.4th at p. 930. There, the employment agreement prohibited the departing employee from “render[ing] services, directly or indirectly, for a period of one year . . . to any person or entity in connection with any Competing Product,” which was defined as “any products, processes or services . . . which are substantially the same . . . ” as those on which the employee worked or “about which” the employee worked or “about which [the employee] acquire[d] Confidential Information.” (*D'Sa, supra*, at p. 935.)

We also reject the argument of Biosense that the nonsolicitation clause is narrowly tailored to protect trade secrets and confidential information. The same argument was rejected by the *Galante* court, which noted: “However, *Edwards* rejected the claim that antisolicitation clauses could be exempt from section 16600 if the conduct covered by such clauses fell within the ‘narrow-restraint’ exception discussed in *Campbell (Edwards, supra*, 44 Cal.4th at pp. 948–950), and we decline TRG’s implicit invitation to engraft that exception onto this case.” (*Galante, supra*, 176 Cal.App.4th at p. 1241.) Moreover, the clause at issue here goes well beyond prohibiting active solicitation by prohibiting departing employees from selling or rendering any services to Biosense customers or directly or indirectly assisting others to do so—even if it is the customer who solicits the former employee. (See *Morris v. Harris* (1954) 127 Cal.App.2d 476, 478 [invalidating restraint that prohibited employee from providing services to former customers who sought him out without any solicitation].)

We also reject Biosense’s argument that the trial court failed to interpret the clauses in such a way as to make them lawful. Any attempt to construe the noncompete and nonsolicitation clauses in such a manner as to make them lawful would not be reforming the contract to correct a mistake of the parties but rather to save a statutorily proscribed and void provision. (See *D'Sa, supra*, 85 Cal.App.4th at p. 935.)

Biosense also argues that the trial court improperly determined the invalidity of the noncompete and nonsolicitation clauses by summary adjudication because the court failed to consider Biosense’s evidence that trade secrets existed and that the clauses were necessary to protect them. But we are satisfied that the trial court could properly make this determination as a matter of law. (See, e.g., *Kolani v. Gluska*, *supra*, 64 Cal.App.4th at p. 407 [finding covenant not to compete invalid as a matter of law on demurrer]; *Kelton v. Stravinski* (2006) 138 Cal.App.4th 941, 946–949 [finding covenant not to compete invalid as a matter of law on summary judgment]; *Edwards*, *supra*, 44 Cal.4th at pp. 944, 948 [finding covenant not to compete invalid as a matter of law where trial court “took no evidence”]; *Latona v. Aetna U.S. Healthcare Inc.* (C.D.Cal. 1999) 82 F.Supp.2d 1089, 1093 [factual analysis of trade secret issues is “secondary” to determination of “facial validity” of covenant not to compete].) Having properly determined that the clauses were facially void under section 16600, the trial court was not required to undertake any further analysis.

C. There Was No Error in Summary Adjudication of Biosense’s Unclean Hands Defense

The unclean hands defense is based on the maxim that “‘he who comes into equity must come with clean hands.’” (*Camp v. Jeffer, Mangels, Butler & Marmaro* (1995) 35 Cal.App.4th 620, 638.) “Any unconscientious conduct upon [the plaintiff’s] part which is connected with the controversy will repel him from the forum whose very foundation is good conscience.” (*DeGarmo v. Goldman* (1942) 19 Cal.2d 755, 764.) “The misconduct that brings the unclean hands doctrine into play must relate directly to the cause at issue. Past improper conduct or prior misconduct that only indirectly affects the problem before the court does not suffice.” (*Kendall-Jackson Winery, Ltd. v. Superior Court* (1999) 76 Cal.App.4th 970, 979.) “The question is whether the unclean conduct relates directly ‘to the *transaction* concerning which the complaint is made,’ i.e., to the ‘*subject matter* involved’ [citation], and not whether it is part of the basis upon which liability is being

asserted.” (*Peregrine Funding, Inc. v. Sheppard Mullin Richter & Hampton LLP* (2005) 133 Cal.App.4th 658, 681.)

In its February 27, 2007 order, the trial court concluded that the unclean hands defense failed as a matter of law because it was not directly related to the transaction at issue, i.e., *Biosense’s*, as opposed to St. Jude’s, use of noncompete and nonsolicitation clauses in its employment agreements with California employees. Biosense argues that this was error because the trial court ignored its evidence that St. Jude uses employment agreements that contain noncompete and nonsolicitation clauses similar to those used by Biosense. But Biosense presented no evidence that St. Jude uses such agreements *in California*. The only evidence on this point was St. Jude’s undisputed evidence that it does not use such agreements in California. Biosense nevertheless argues that St. Jude’s use of such agreements in other jurisdictions constitutes evidence of unclean hands, as allegations in the first and third causes of action are not limited to conduct in California. But the allegations to which Biosense refers primarily reflect that St. Jude is a large multinational company and that it is one of the only competitors of Biosense in the anatomical mapping systems industry. Because the allegations do not assert that St. Jude uses such agreements in other jurisdictions, we find Biosense’s argument unpersuasive. Moreover, the use of such agreements in another jurisdiction may not be illegal in that jurisdiction. In any event, St. Jude’s use of such agreements in other jurisdictions is wholly unrelated to the transaction at issue here, as its claims against Biosense are about the use of such agreements with California employees.

Biosense also argues that the trial court ignored its evidence that “St. Jude engaged in unlawful raiding of Biosense’s employees.” To this end, Biosense refers generally to Chen’s declaration, in which he stated that over a period of months St. Jude hired six Biosense employees, including the three individual plaintiffs. St. Jude responds there is nothing unlawful in hiring a competitor’s at-will employees. Such action is unlawful only when the hiring company engages in “an independently wrongful act—i.e., an act ‘proscribed by some constitutional, statutory, regulatory, common law, or other determinable legal standard.’” (*Reeves v. Hanlon* (2004) 33 Cal.4th 1140, 1152–1153;

Diodes, Inc. v. Franzen, supra, 260 Cal.App.2d at p. 255.) Biosense does not point to any evidence showing unlawful conduct on the part of St. Jude in hiring these employees. Instead, Biosense claims that the trial court ignored evidence that Chapman misappropriated confidential information for St. Jude's benefit and that Dowell, Chapman and Plaza "repudiated" their duties to maintain Biosense's confidential information. Once again, Biosense cites generally to the declarations of Chen and Seton. While both Chen and Seton stated that Chapman had access to Biosense's confidential information, including business, marketing and pricing strategies, there is no evidence that Chapman disclosed this information to St. Jude or that St. Jude used it in hiring the six employees. With respect to "repudiation" of the individual plaintiffs' obligations to maintain Biosense's confidential information, Biosense simply points to the declarations of the three individual plaintiffs in which they stated they did not have any Biosense trade secrets or confidential information and that there are few, if any, trade secrets in the industry. Thus, the assertion by Biosense that Dowell, Chapman and Plaza repudiated their obligations to Biosense is merely a conclusion without evidentiary support. In its reply brief, Biosense argues that it was not obligated to establish that St. Jude actually engaged in an "unlawful" act, rather, "the misconduct [supporting an unclean hands defense] need not be a crime or an actionable tort. Any conduct that violates conscience, or good faith, or other equitable standards of conduct is sufficient cause to invoke the doctrine." (*Kendall-Jackson Winery, Ltd. v. Superior Court, supra*, 76 Cal.App.4th at p. 979.) But Biosense fails to point to any evidence of unfair or bad faith conduct on the part of St. Jude in hiring the six employees.

Biosense next argues that the trial court's finding in its subsequent April 25, 2007 order that the unclean hands defense failed as a matter of law "because the defense cannot be asserted to excuse or condone Biosense's unlawful conduct" is also erroneous. We reject Biosense's conclusion that this finding is "contrary to law." The court relied on *Page v. Bakersfield Uniform etc.* (1966) 239 Cal.App.2d 762, 770 in reaching this conclusion. "Each side must obey the law; the fact that one competing party disregards the statute [Unfair Practices Act] does not give the other side a legal excuse to do so."

(*Ibid.*) The trial court also cited *Kofsky v. Smart & Final Iris Co.* (1955) 131 Cal.App.2d 530, 532, which held that the plaintiff's unclean hands in violating the Unfair Practices Act did not prevent him from obtaining an injunction against the defendant's violation of the same act; "‘he who comes into equity must come with clean hands,’ has no application where the failure to restrain an act because the parties are *in pari delicto* would result in permitting an act declared by statute to be void or against public policy." Finally, the trial court cited *Perma Mufflers v. Int'l Parts Corp.* (1968) 392 U.S. 134, 138, 139, in which the defense was rejected in the context of antitrust law: "[T]he purposes of the antitrust laws are best served by insuring that the private action will be an ever-present threat to deter anyone contemplating business behavior in violation of the antitrust laws. The plaintiff who reaps the reward of treble damages may be no less morally reprehensible than the defendant, but the law encourages his suit to further the overriding public policy in favor of competition."

Biosense next argues that the trial court's February 27, 2007 and April 25, 2007 orders must be reversed as a matter of law because they violate Code of Civil Procedure section 437c, subdivision (g), which provides that when granting a motion for summary judgment on the ground that there is no triable issue of material fact, "the court shall, by written or oral order, specify the reasons for its determination" and "shall specifically refer to the evidence proffered in support of, and if applicable in opposition to, the motion which indicates that no triable issue exists." Biosense asserts that the court's orders did "not refer to the evidence of raiding, misappropriation and repudiation of obligations proffered by Biosense." Although the court's February 27, 2007 order does state that Biosense's unclean hands defense does not raise a triable issue of material fact, the basis for this finding was not the evidence or lack of evidence produced by Biosense, but the court's legal conclusion that the defense was not applicable because it did not directly relate to the transaction at issue, "i.e., Biosense's use of illegal non-competition clauses." Thus, we find no error.

D. There Was No Abuse of Discretion in Denying the Requests for Continuance of the Motions for Summary Adjudication

Biosense contends that the trial court abused its discretion by denying its request under Code of Civil Procedure section 437c, subdivision (h) for a continuance of the summary adjudication motions to seek additional evidence. For example, with respect to the summary adjudication motion on the first and third causes of action, Biosense sought additional discovery to obtain documents relating to “trade secrets,” competitors and market shares in the AF product industry and documents relating to the employment histories of the individual plaintiffs, and sought to cross-examine the individual plaintiffs. “However, because the covenant not to compete is unenforceable as a matter of law, additional evidence would not have affected the outcome of the summary judgment/summary adjudication motion. Therefore, no error occurred [in denying the request for a continuance].” (*Kelton v. Stravinski, supra*, 138 Cal.App.4th at p. 949.) The same is true here.

With respect to the summary adjudication motion on the unclean hands defense, Biosense sought discovery relating to St. Jude’s use of noncompete agreements both in California and elsewhere and to cross-examine the individual plaintiffs. But St. Jude already established that it did not use such agreements in California and we have already concluded that its use of such agreements outside California is irrelevant. Moreover, Code of Civil Procedure section 437c, subdivision (e) provides that “[i]f a party is otherwise entitled to a summary judgment pursuant to this section, summary judgment may not be denied on grounds of credibility *or for want of cross-examination of witnesses furnishing affidavits or declarations in support of the summary judgment . . .*” (Code Civ. Proc., § 437c, subd. (e) (italics added).) There was no abuse of discretion in the court’s denial of the requested continuances.

II. There Was No Abuse of Discretion in the Denial of a Permanent Injunction.

Having concluded that the trial court properly determined that the noncompete and nonsolicitation clauses are void as a matter of law under section 16600 and that their use

violates section 17200, we now consider the issue raised by St. Jude’s appeal—whether the trial court abused its discretion in denying St. Jude’s request for a permanent injunction enjoining Biosense from attempting to enforce the same or similar clauses in its agreements with California employees.

As an initial matter, we reject Biosense’s argument that St. Jude’s appeal is improper because St. Jude is challenging only a portion of the judgment while seeking to retain the benefits of other portions of the judgment. Biosense cites to *Satchmed Plaza Owners Assn. v. UWMC Hospital Corp.* (2008) 167 Cal.App.4th 1034, which is distinguishable. In that case, the trial court’s judgment ordered the defendant to offer for sale 22 medical offices to the plaintiff at a particular price. The judgment also provided that the defendant need not offer to sell leasehold interests in 12 other medical offices, and contained a finding that there was no prevailing party. (*Id.* at p. 1037.) After the defendant offered the 22 offices for sale and the plaintiff accepted the offer, the plaintiff then appealed from the remainder of the judgment regarding the 12 leased offices and the prevailing party finding. (*Id.* at pp. 1037–1038.) The appellate court dismissed the appeal on the basis of waiver, finding that the plaintiff’s taking title to the 22 offices could not make severable a judgment that was nonseverable. (*Id.* at p. 1038.) By contrast, the instant appeal by St. Jude is permissible in that it challenges the trial court’s denial of the *remedy* requested by St. Jude, but leaves intact the finding of liability. “A permanent injunction is merely a remedy for a proven cause of action.” (*City of South Pasadena v. Department of Transportation* (1994) 29 Cal.App.4th 1280, 1293.) Indeed, an order refusing to grant an injunction is a separately appealable order. (Code Civ. Proc., § 904.1, subd. (6).)

Turning to the merits of St. Jude’s contention, we note that throughout its opening brief, St. Jude repeatedly refers to its “cause of action for injunctive relief.” “Injunctive relief is a remedy, not a cause of action.” (*City of South Pasadena v. Department of Transportation, supra*, 29 Cal.App.4th at p. 1293.) The cause of action for which St. Jude requested the remedy of a permanent injunction was its claim for unfair competition. Section 17203 provides in part: “Any person who engages, has engaged, or

proposes to engage in unfair competition may be enjoined Any person may pursue representative claims or relief on behalf of others only if the claimant meets the standing requirements of Section 17204 and complies with Section 382 of the Code of Civil Procedure, but these limitations do not apply to claims brought under this chapter by the Attorney General, or any district attorney, county counsel, city attorney, or city prosecutor in this state.”

Following the passage of Proposition 64 in November 2004, section 17203 was amended to provide that, aside from public officials, a person may pursue ““representative claims or relief on behalf of others”” only if the person met the new standing requirement under section 17204 and otherwise complied with Code of Civil Procedure section 382, which governs class actions. (*Buckland v. Threshold Enterprises, Ltd.* (2007) 155 Cal.App.4th 798, 814.) Section 17204 was amended by Proposition 64 to provide that a private individual has standing to assert a claim under the unfair competition law only if he or she “has suffered injury in fact and has lost money or property as a result of such unfair competition.” “In approving Proposition 64, the voters found and declared that the amendments were necessary to prevent abusive UCL actions by attorneys whose clients had not been ‘injured in fact’ or used the defendant’s product or service, and to ensure ‘that only the California Attorney General and local public officials [are] authorized to file and prosecute actions on behalf of the general public.’” (*Buckland v. Threshold Enterprises, Ltd., supra*, at pp. 812–813, fn. omitted.)

The trial court here did not issue a permanent injunction with respect to the agreements involving Dowell and Chapman because the noncompete and nonsolicitation clauses in their agreements had already expired by the time of the court’s ruling and any such relief would have been moot. The permanent injunction that St. Jude otherwise sought with respect to all agreements used by Biosense in California would unquestionably affect agreements with persons not before the trial court and would involve representative claims or relief on behalf of others. We reject St. Jude’s argument to the contrary. St. Jude was therefore required to meet the standing requirements of the UCL. It is uncontroverted that the lawsuit was not brought as a class action. Nor did

St. Jude present any evidence in connection with its summary adjudication motion that it had “suffered injury in fact” and had “lost money or property as a result of” Biosense’s unfair competition. St. Jude contends that denial of a trial on the issue of standing was a denial of due process. We disagree.

St. Jude argues that it “lost money or property” by having to divert financial and human resources to investigate Biosense’s threatened litigation over its agreements with Dowell, Chapman and Plaza in the cease-and-desist letter and in pursuing litigation to protect its rights in California, “including its right to employ Dowell, Chapman and Plaza in professions of their choosing.” As the court noted in *Buckland v. Threshold Enterprises, Ltd., supra*, 155 Cal.App.4th at p. 815, “the circuits have divided over whether the costs an organization incurs to pursue litigation are sufficient, in themselves, to establish an injury in fact,” with the majority finding that they are not. (Cf. *Hall v. Time Inc.* (2008) 158 Cal.App.4th 847, 854, citing *Southern Cal. Housing v. Los Feliz Towers Homeowners Assoc. Board of Directors* (C.D.Cal. 2005) 426 F.Supp.2d 1061, 1069 [plaintiff “has standing because it presents evidence of actual injury based on loss of financial resources in investing this claim and diversion of staff time from other cases to investigate the allegations here”].)⁴

Even if such injuries may arguably have been sufficient were St. Jude merely seeking to obtain a permanent injunction with respect to three employees, St. Jude sought an injunction that went well beyond the agreements with these three individuals. St. Jude never offered to produce evidence that it expended resources in connection with Biosense’s alleged use of the same or similar agreements with other employees whom St. Jude considered employing. Indeed, St. Jude’s only offer of proof on this issue was

⁴ St. Jude’s reliance on *Meyer v. Sprint Spectrum L.P., supra*, 45 Cal.4th 634 is unavailing since that case discussed the issue of standing under the Consumers Legal Remedies Act (CLRA) (Civ. Code, § 1750 et seq.), which requires the consumer to have suffered “any damage” (Civ. Code, § 1780, subd. (a)), rather than the UCL, which requires the claimant to have “suffered injury in fact and ha[ve] lost money or property as a result of the unfair competition.” (§ 17204.)

stated as follows in its trial brief: “Evidence in the form of testimony from appropriate corporate representatives that corporate Plaintiffs St. Jude Medical S.C., Inc. and Pacesetter, Inc. have suffered injury in fact as that term has been construed since the passage of Proposition 64, and therefore have standing to assert their § 17200 claim against Biosense.” Such a vague offer of proof was wholly insufficient to entitle St. Jude a trial on the issue of standing. St. Jude did not identify a single witness or describe the substance of any proposed testimony. “The offer of proof must be specific in its indication of the purpose of the testimony, the name of the witness, and the content of the answer to be elicited. The judge may properly reject a general or vague offer that does not indicate with precision the evidence to be presented and the witnesses who are to give it.” (3 Witkin, Cal. Evidence (4th ed. 2000) Presentation at Trial, § 402, pp. 491–492.) We find no abuse of discretion in the trial court’s denial of a permanent injunction based on St. Jude’s lack of standing.

St. Jude also argues that it could have avoided the standing issue altogether by amending its first cause of action for declaratory relief to add a prayer for injunctive relief and that the trial court abused its discretion in denying it leave to amend. Again, we find no such abuse. By the time St. Jude made this request, the trial court had already granted summary adjudication of the first cause of action. This summary adjudication was limited to declaratory relief that the noncompete and nonsolicitation clauses in the agreements with Dowell, Chapman and Plaza were void. There was no adjudication with respect to agreements with any other Biosense employees. Thus, the proposed amendment would not involve conforming a pleading to proof already adjudicated, but would require the adjudication of a new set of facts. “There is a platoon of authority to the effect that a long unexcused delay is sufficient to uphold a trial judge’s decision to deny the opportunity to amend pleadings, particularly where the new amendment would interject a new issue which requires further discovery.” (*Green v. Rancho Santa Margarita Mortgage Co.* (1994) 28 Cal.App.4th 686, 692.) Moreover, an amendment to circumvent the standing requirements of the UCL would not be in “the furtherance of justice.” (Code Civ. Proc., § 576.)

III. There Was No Error in Summary Judgment of Biosense’s Cross-Complaint for Unfair Competition.

As part of its cross-appeal, Biosense also challenges the trial court’s summary judgment on its cross-complaint against St. Jude and SJMI for unfair competition. A motion for summary judgment shall be granted when there is no triable issue as to any material fact and the moving party is entitled to judgment as a matter of law. (Code Civ. Proc., § 437c, subd. (c).) We find no merit to Biosense’s challenge.

Section 17200’s definition of “unfair competition” includes “any unlawful, unfair or fraudulent business act or practice.” Our Supreme Court has defined “unfair” in the context of a section 17200 claim to mean “conduct that threatens an incipient violation of an antitrust law, or violates the policy or spirit of one of those laws because its effects are comparable to or the same as a violation of the law, or otherwise significantly threatens or harms competition.” (*Cel-Tech Communications, Inc. v. Los Angeles Cellular Telephone Co.* (1999) 20 Cal.4th 163, 187, fn. omitted.) As noted above, Biosense’s cross-complaint alleged that St. Jude and SJMI engaged in wrongful conduct by raiding Biosense’s employees in California and elsewhere in such a manner as to disrupt Biosense’s business; attempting to induce Biosense employees to breach their noncompete agreements with Biosense “even though St. Jude uses similar noncompete agreements with its employees”; and using the insider knowledge of former Biosense employees to unfairly recruit personnel from Biosense.

Biosense first argues that in granting summary judgment, the trial court ignored that Biosense was relying on “*inferential* evidence of misappropriation—e.g., Cross-Defendants’ recruitment of an unusual[ly] large number of Biosense employees in a very short period.” Biosense cites to *Ajaxo Inc. v. E*Trade Group Inc.* (2005) 135 Cal.App.4th 21, 50, a case involving the theft of trade secrets, which clarified that “circumstantial evidence is not trumped by direct evidence,” when the direct evidence consists of mere denials of wrongdoing. The *Ajaxo* court, however, went on to set forth the “substantial evidence” that supported the jury’s inferential verdict, noting that the inferences to be drawn must be “reasonable.” (*Id.* at pp. 53–54.) By contrast, here there

was no evidence from which the reasonable inference could be made that St. Jude or SJMI raided Biosense's employees. There was only Chen's declaration that over a period of some months St. Jude, a large multinational company, hired six employees (including the three individual plaintiffs) from Biosense, another large multinational company. The evidence was uncontroverted that at least two of these employees, Dowell and Plaza, sought out employment with St. Jude, rather than being solicited by St. Jude. As St. Jude and SJMI note, Biosense adduced no evidence that the hiring of six employees, given the size of the businesses involved, the scope of the operations and the nature of the industry, is "unusual" in any way.

Nor can the inference reasonably be made that because St. Jude hired some employees from a competitor that it must have had access to and used its competitor's "insider" or confidential and trade secret information in doing so. There was no admissible evidence that Dowell, Chapman or Plaza even possessed confidential information about other Biosense employees, or that they disclosed any such information to St. Jude, or that St. Jude used the information to solicit other Biosense employees. Indeed, given the lack of evidence adduced by Biosense, the trial court credited St. Jude's observation that the cross-complaint may have been filed without evidentiary support in violation of Code of Civil Procedure section 128.7.

Biosense next argues that with respect to its theory of unfair competition based on St. Jude hiring Biosense's "key" employees without giving Biosense a sufficient opportunity to train and hire replacements, the trial court improperly determined in the face of "conflicting evidence" that the employees at issue were not key employees. The "conflicting evidence" Biosense points to consists of Chen's declaration stating that it ordinarily takes six to eight months to train a professional education specialist, and Seton's declaration labeling Dowell and Chapman as "key" employees because "they spent more time with the customers in their territory" than any other Biosense employee. But Biosense offers no authority suggesting that just because a company may expend some time and effort to hire and train replacements for departing employees, that those employees are "key" employees. Here, the trial court looked to case law for guidance. In

Diodes, Inc. v. Franzen, supra, 260 Cal.App.2d at pp. 249, 256–257, the two “key employees” were the president and vice-president, as well as directors and shareholders who were “in complete control of Diodes’ research and development program.” In *Reeves v. Hanlon, supra*, 33 Cal.4th at page 1146, the key employees were the litigation chairman of a law firm and another partner who was responsible for more than 500 client matters. Dowell and Chapman, who were education specialists, did not occupy similar positions at Biosense. But even if they could be considered “key” employees while they were at Biosense, the mere hiring of at-will employees is not unlawful by itself; rather, it must be accompanied by some unlawful act. (*Id.* at pp. 1152–1153.) Biosense presented no evidence, direct or circumstantial, that St. Jude’s hiring of Dowell and Chapman was accompanied by an unlawful act.

Biosense also argues that the trial court rejected as “irrelevant” its other theory of unfair competition, “i.e., St. Jude unfairly induced Biosense employees to disregard their noncompete agreements with Biosense at the same time St. Jude imposed noncompete agreements on them.” Our review of the reporter’s transcript does not suggest that the trial court rejected this theory. Rather, it seems more likely that in light of the undisputed evidence that St. Jude did not use illegal noncompete agreements in California, the trial court simply found irrelevant St. Jude’s use of such agreements in jurisdictions where they are legal. In any event, Biosense’s allegation that St. Jude was inducing Biosense employees to disregard their noncompete agreements with Biosense cannot pertain to the two California employees, Dowell and Chapman, as we have concluded that their noncompete agreements with Biosense are void as a matter of law. As to any other Biosense employees hired by St. Jude, Biosense presented no evidence that such employees actually had noncompete agreements with Biosense, that the agreements were valid and enforceable in the jurisdictions where the employees were located, or that the employees breached such agreements.

Finally, Biosense once again argues that the trial court abused its discretion in not granting its request for a continuance of the summary judgment motion to take discovery. On appeal, as it did below, Biosense seeks to cross-examine St. Jude’s declarants. But

this does not support granting a continuance. (See Code Civ. Proc., § 437c, subd. (e).) Furthermore, in denying the request for a continuance, the trial court relied on (*Desaigoudar v. Meyercord* (2003) 108 Cal.App.4th 173, 190, in which the court stated: “The nonmoving party seeking a continuance “must show: (1) the facts to be obtained are essential to opposing the motion; (2) there is reason to believe such facts may exist; and (3) the reasons why additional time is needed to obtain these facts. [Citations.]” [Citation.]” Here, Biosense made no showing of the second element, namely, that there was a reason to believe that evidence of unlawful raiding or misuse of its confidential information even existed, whether such evidence would be obtained by cross-examination or otherwise. Accordingly, we find no abuse of discretion in the trial court’s denial of the request for a continuance.

IV. There Was No Abuse of Discretion in the Denial of Costs.

St. Jude, SJMI, Dowell and Chapman contend that the trial court erred in finding that they were not prevailing parties under Code of Civil Procedure section 1032 (section 1032) and denying them costs. We disagree.

Section 1032, subdivision (b), provides: “Except as otherwise expressly provided by statute, a prevailing party is entitled as a matter of right to recover costs in any action or proceeding.” The statute defines “prevailing party” as follows: “‘Prevailing party’ includes the party with a net monetary recovery, a defendant in whose favor a dismissal is entered, a defendant where neither plaintiff nor defendant obtains any relief, and a defendant as against those plaintiffs who do not recover any relief against that defendant. When any party recovers other than monetary relief and in situations other than as specified, the ‘prevailing party’ shall be as determined by the court, and under those circumstances, the court, in its discretion, may allow costs or not and, if allowed may apportion costs between the parties on the same or adverse sides pursuant to rules adopted under Section 1034.” (§ 1032, subd. (a)(4).)

This case involved two operative pleadings—the complaint against Biosense and Biosense’s cross-complaint against St. Jude and SJMI. St. Jude and SJMI argue that they

are entitled to costs as a matter of right because they prevailed on Biosense's cross-complaint. (§ 1032, subd. (a)(4), (b); *Great Western Bank v. Converse Consultants, Inc.* (1997) 58 Cal.App.4th 609, 612 ["costs are available as a matter of right to a cross-defendant in whose favor a dismissal is entered"].) Unquestionably, St. Jude and SJMI would be the prevailing parties entitled to costs as a matter of right if the cross-complaint were the only pleading at issue. But it was not, and this argument ignores the disposition of the main action. The lawsuit was initiated by St. Jude, along with Dowell and Chapman, who sued Biosense on four causes of action. Plaintiffs obtained summary adjudication on two of their causes of action and then dismissed their remaining two causes of action. The judgment resulted in plaintiffs' sought-after declaration that the noncompete and nonsolicitation clauses in the agreements with Dowell and Chapman were void and unenforceable. Because the relief granted on the complaint was "other than monetary," section 1032 vested the trial court with authority to determine who was the prevailing party on the complaint and to allow costs, or not, in its discretion. (See *Texas Commerce Bank v. Garamendi* (1994) 28 Cal.App.4th 1234, 1248–1249 [no abuse of discretion in requiring each party to bear own costs in declaratory relief action].)

The next question is how section 1032 should be applied to a case such as this yielding mixed results when the statutory definition of prevailing party applies to *part* of the proceeding and not others. We conclude that such a case involves a "situation[] other than as specified" in section 1032, subdivision (a)(4), vesting the trial court with discretion to determine who is the prevailing party and how costs should be allocated.

We find no abuse of discretion in the trial court's determination that there was no prevailing party and that costs should not be awarded. This determination was appropriate in light of the fact that plaintiffs did not achieve the primary relief they sought, namely, a permanent injunction precluding Biosense from including covenants not to compete in its employment agreements in California. (See *Pirkig v. Dennis* (1989) 215 Cal.App.3d 1560, 1566 ["A plaintiff will be considered a prevailing party when the lawsuit yields the primary relief sought in the case"].) That a permanent injunction was the primary objective of the lawsuit is evidenced, in part, by St. Jude's continuing to

pursue such relief following the summary adjudication limiting injunctive relief to the agreements with Dowell and Chapman. Dowell and Chapman argue that at a minimum they should be deemed prevailing parties because they achieved 100 percent of the relief they sought. But the complaint made no distinction between the parties in terms of the relief sought, seeking a permanent injunction on behalf of all plaintiffs. Furthermore, when arguing to the trial court that Dowell and Chapman had obtained all the relief they were seeking, the trial court responded: “But you can’t stand here and tell me your true intent was just to protect these two individuals. Your intent was to have the court grant much larger relief; that is, to declare the use of these covenants to be illegal under [section] 16600 and enjoin Biosense from using them.” Having presided over the majority of this case, the trial court was in a position to assess the goals and intent of the litigation. Moreover, even if Dowell and Chapman had achieved all the relief they sought, the trial court still had discretion not to allow costs. (See *Texas Commerce Bank v. Garamendi*, *supra*, 28 Cal.App.4th at p. 1249 [“the statute permits the ruling the trial court made in this case, ordering each side to pay its own costs, even though appellants were without question the prevailing parties”].)

DISPOSITION

The judgment is affirmed. The parties to bear their own costs on appeal.

_____, Acting P. J.
DOI TODD

We concur:

_____, J.
ASHMANN-GERST

_____, J.
CHAVEZ

CERTIFIED FOR PARTIAL PUBLICATION*

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
SECOND APPELLATE DISTRICT
DIVISION TWO

DEANA DOWELL et al.,

Plaintiffs and Appellants;

PACESETTER, INC., et al.,

Plaintiffs, Cross-defendants and Appellants,

v.

BIOSENSE WEBSTER, INC.,

Defendant, Cross-complainant and
Respondent.

B201439

(Los Angeles County
Super. Ct. No. BC337177)

**ORDER CERTIFYING
OPINION FOR PARTIAL
PUBLICATION**

PACESETTER, INC., et al.,

Plaintiffs, Cross-defendants and Respondents;

ST. JUDE MEDICAL, INC.,

Cross-defendant and Appellant,

v.

BIOSENSE WEBSTER, INC.,

Defendant, Cross-complainant and Appellant.

B203501

* Pursuant to California Rules of Court, rules 8.1100 and 8.1110, this opinion is certified for publication with the exception of parts I(C) and (D), II, III and IV.

THE COURT:

The opinion in the above-entitled matter filed on October 20, 2009, was not certified for publication in the Official Reports.

For good cause it now appears that the opinion should be certified for partial publication in the Official Reports and it is so ordered.

DOI TODD, Acting, P. J.

ASHMANN-GERST, J.

CHAVEZ, J.