

UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF
CALIFORNIA

**HKM Enterprises, Inc. d/b/a Adaptive Launch Solutions v. Parsons
Government Services, Inc., Parsons Corporation**

HKM Enterprises · No. 2:23-cv-10592-MEMF-PD · Decided February 25, 2025

SUMMARY

The United States District Court for the Central District of California granted in part Defendants’ motion to dismiss the First Amended Complaint. The court dismissed without leave to amend the alleged 30% workshare breach-of-contract theory and the implied joint venture/partnership claim, while granting leave to amend other deficient claims, including contract, trade-secret, declaratory-relief, unjust-enrichment, and related claims. The court found that the fraud claim was adequately pleaded and granted Defendants’ request for judicial notice of a United States patent.

CASE DETAILS

COURT	United States District Court for the Central District of California
WRITING FOR THE COURT	Maame Ewusi-Mensah Frimpong
JURISDICTION	United States District Court for the Central District of California
DECIDED	February 25, 2025
DOCKET	2:23-cv-10592-MEMF-PD
DISPOSITION	other
PROCEDURAL POSTURE	Plaintiff filed a first amended complaint asserting claims for breach of contract, breach of an implied joint venture or partnership agreement, fraud, breach of the implied covenant of good faith and fair dealing, violation of California's Unfair Competition Law, declaratory relief, trade-secret misappropriation under California and federal law, and unjust enrichment. Defendants moved to dismiss under Federal Rule of Civil Procedure 12(b)(6).
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true and views them in the light most favorable to the plaintiff, but need not accept legal conclusions couched as factual allegations. The complaint must contain sufficient factual matter to state a facially plausible claim for relief.

TOPICS

motions to dismiss

trade secrets

contract interpretation

breach of contract

civil procedure

PRACTICE AREAS

civil procedure

contracts

intellectual property

government contracts

commercial litigation

QUESTIONS PRESENTED

1. Whether the first amended complaint adequately pleaded claims for breach of contract based on an alleged 30% workshare obligation, misuse of intellectual property, and breach of confidentiality.
2. Whether the first amended complaint adequately pleaded an implied joint venture or partnership agreement despite the express independent-contractor and integration provisions of the written contract.
3. Whether the fraud claim adequately pleaded justifiable reliance and damages.
4. Whether the claims for breach of the implied covenant of good faith and fair dealing adequately pleaded contractual obligations and non-speculative harm.
5. Whether the UCL, declaratory-relief, CUTSA, DTSA, and unjust-enrichment claims were adequately pleaded.

HOLDINGS

1. The IDIQ contract unambiguously did not require defendants to award HKM 30% of the workshare or any specific amount of work; the breach-of-contract theory based on that alleged obligation was dismissed without leave to amend.
2. The claims were inadequately pleaded because HKM alleged only speculative damages, but the court granted leave to amend to provide plausible factual allegations describing the resulting harm.
3. The implied joint venture or partnership claim failed because the written IDIQ contract expressly established an independent-contractor relationship, disclaimed a joint venture or partnership, and contained an integration clause.
4. The fraud claim could proceed because HKM adequately alleged reliance and damages based on defendants' pre-contract conduct.
5. The court dismissed the challenged theories in whole or in part. The implied-covenant theories failed for lack of a qualifying contractual obligation or non-speculative harm; the UCL claim failed for lack of adequately alleged economic injury and standing; declaratory relief failed because no actual controversy remained; the CUTSA and DTSA claims required more specific identification of the trade secrets; and unjust enrichment was not an independent cause of action under California law.

KEY QUOTATIONS

“To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to relief that is plausible on its face.’” (at 3)

“These words are unambiguous and make plain that the IDIQ Contract does not require Parsons Government to award ALS a 30% workshare or any other specific amount.” (at 4)

“Because the IDIQ Contract expressly establishes that there is an independent contractor relationship between the parties, and not an implied venture/partnership, the Court finds that ALS’s claim for breach of implied agreement fails on this basis.” (at 12)

“There is no cause of action in California for unjust enrichment. Unjust enrichment is synonymous with restitution.” (at 22)

FACTUAL BACKGROUND

HKM Enterprises, doing business as Adaptive Launch Solutions, alleged that it entered an indefinite-delivery, indefinite-quantity subcontract with Parsons-related defendants concerning work for an Air Force contract. HKM alleged that the agreement required a 30% workshare, restricted defendants' use and disclosure of HKM's intellectual property and confidential information, and required defendants to complete past-performance evaluations. HKM further alleged that defendants advertised or offered HKM-related technology for sale, failed to provide the asserted workshare, failed to complete evaluations, and misappropriated trade secrets.

PROCEDURAL HISTORY

HKM Enterprises, Inc. filed the action on December 18, 2023. The court previously granted in part and denied in part defendants' motions to dismiss and allowed amendment. After plaintiff filed its first amended complaint, defendants again moved to dismiss. The court granted the renewed motion in part, dismissed some claims without leave to amend, dismissed others with leave to amend, allowed the fraud claim to proceed, granted defendants' request for judicial notice of a patent, and ordered plaintiff to file a trade-secret information statement before filing another amended complaint.

DISPOSITION

other

CASES CITED

- Ashcroft v. Iqbal, 556 U.S. 662, 678-79 (2009)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 570 (2007)
- Park v. Thompson, 851 F.3d 910, 918 (9th Cir. 2017)
- Lee v. City of L.A., 250 F.3d 668, 679, 689 (9th Cir. 2001)
- MGIC Indem. Corp. v. Weisman, 803 F.2d 500, 504 (9th Cir. 1986)
- Manzarek v. St. Paul Fire & Marine Ins. Co., 519 F.3d 1025, 1031 (9th Cir. 2008)
- Willard, Sutherland & Co. v. United States, 262 U.S. 489, 493-94 (1923)

- Macom Tech. Sols. Holdings, Inc. v. Infineon Techs. AG, 2016 WL 6495373, at *22 (C.D. Cal. Oct. 31, 2016), *aff'd* in relevant part, 881 F.3d 1323 (Fed. Cir. 2018)
- Richman v. Hartley, 224 Cal. App. 4th 1182, 1186 (2014)
- Vestar Dev. II, LLC v. Gen. Dynamics Corp., 249 F.3d 958, 962 (9th Cir. 2001)
- Retired Emps. Assn. of Orange Cnty., Inc. v. Cnty. of Orange, 52 Cal. 4th 1171, 1181 (2011)
- Lever Your Bus. Inc. v. Sacred Hoops & Hardwood, Inc., No. 5:19-cv-01530-CAS(KKx), 2020 WL 2465658, at *4 (C.D. Cal. May 11, 2020)
- Engalla v. Permanente Med. Grp., Inc., 15 Cal. 4th 951, 974 (1997)
- City Sols. v. Clear Channel Communs., Inc., 365 F.3d 835, 840-41 (9th Cir. 2004)
- Careau & Co. v. Sec. Pac. Bus. Credit, Inc., 222 Cal. App. 3d 1371, 1395 (1990)
- Racine & Laramie, Ltd. v. Dep't of Parks & Recreation, 11 Cal. App. 4th 1026, 1031 (1992)
- Am. Ad Mgmt., Inc. v. Gen. Tel. Co. of Cal., 190 F.3d 1051, 1059 (9th Cir. 1999)
- Chesebrough-Pond's, Inc. v. Faberge, Inc., 666 F.2d 393 (9th Cir. 1982)
- Sharpe v. Puritan's Pride, Inc., 466 F. Supp. 3d 1066, 1071 (N.D. Cal. 2020)
- Kwikset Corp. v. Superior Court, 51 Cal. 4th 310
- Sargent Fletcher, Inc. v. Able Corp., 110 Cal. App. 4th 1658, 1665 (2003)
- DVD Copy Control Assn. v. Bunner, 116 Cal. App. 4th 241, 251 (2004)
- IntelliClear, LLC v. ETC Glob. Holdings, Inc., 978 F.3d 653, 657, 660 (9th Cir. 2020)
- Levine v. Blue Shield of Cal., 189 Cal. App. 4th 1117, 1138
- State Farm Auto. Ins. Co. v. Coates, 933 F.2d 1015, 1991 WL 89977, at *1
- Doe v. United States Dep't of Justice, 753 F.2d 1092, 1104 (D.C. Cir. 1985)

OPINION

HKM Enterprises, Inc. v. Parsons Government Services, Inc.

PER CURIAM.

1 O 2 3 4 5 6 7

UNITED STATES DISTRICT COURT

8

CENTRAL DISTRICT OF CALIFORNIA

9 10 Case No.: 2:23-cv-10592-MEMF-PD

HKM ENTERPRISES, INC D/B/A ADAPTIVE

11 LAUNCH SOLUTIONS,

ORDER GRANTING IN PART MOTION TO

12 Plaintiff, DISMISS [ECF NO. 46] 13 v. 14

15 PARSONS GOVERNMENT SERVICES, INC.,

A NEVADA CORPORATION AND

16 PARSONS CORPORATION, AND

DELAWARE CORPORATION,

17 Defendants. 18

19 20 21 Before the Court are the Motions to Dismiss filed by Defendants Parsons Government 22
Services, Inc. and Parsons Corporation. ECF No. 46. For the reasons stated herein, the Court 23
GRANTS IN PART the Motions to Dismiss. ALS is ORDERED to file a trade secret information
24 statement prior to filing an amended complaint, and the Court will issue a separate Order
detailing 25 what should be included in the statement. 26 /// 27 /// 28 /// 1 I. Background 2 The
Court has already discussed the background of this case at length in its Order Granting in 3 Part
Motions to Dismiss. See ECF No. 41 (“MTD Order”). The Court will discuss only the 4
procedural background in this Order.¹ 5 A. Procedural History 6 Plaintiff HKM Enterprises Inc.
d/b/a Adaptive Launch Solutions (“ALS”) filed suit in this 7 Court on December 18, 2023. See
ECF No. 1 (“Complaint”). ALS brought seven causes of action 8 against Parsons Government
Services, Inc. (“Parsons Government”) and Parsons Corporation 9 (“Parsons”; together with
Parsons Government, “Defendants”): (1) breach of contract; (2) 10 anticipatory breach of contract;
(3) fraudulent inducement; (4) breach of the covenant of good faith 11 and fair dealing; (5)
violation of California Business and Professions Code Section 17200 (Unfair 12 Competition Law
or “UCL”); (6) declaratory relief as to the meaning of the IDIQ Contract; and (7) 13 preliminary
injunctive relief. See generally *id.* 14 Defendants each filed a motion to dismiss on February 8,
2024. ECF No. 24; ECF No. 24-1; 15 ECF No. 25; ECF No. 25-1. The Court granted in part and
denied in part the motions to dismiss. 16 MTD Order. The Court granted ALS leave to file an
amended complaint. *Id.* at 22. 17 On September 9, 2024, ALS filed the FAC. FAC. The FAC
alleges nine causes of action, 18 some of which are new: (1) breach of contract; (2) breach of
implied joint venture/partnership 19 agreement, (3) fraud; (4) breach of the covenant of good faith;
(5) violation of the UCL; (6) 20 declaratory relief²; (7) misappropriation of trade secrets in
violation of the California Uniform Trade 21 Secrets Act; (8) misappropriation of trade secrets in
violation of the Defend Trade Secrets Act; and 22 (9) unjust enrichment. See generally FAC. 23 24
25 1 This Order states facts taken from the allegations in Plaintiff HKM Enterprises Inc.’s First
Amended 26 Complaint, ECF No. 42 (“FAC”), unless otherwise indicated. For the purposes of this
Order, the Court treats the factual allegations in the FAC as true, but at this stage of the litigation,
the Court makes no finding on the 27 truth of these allegations, and is therefore not—at this stage
—finding that they are true. 2 ALS seeks declaratory relief only as to whether the Indefinite
Delivery, Indefinite Quantity Subcontract 28 1 On October 23, 2024, Defendants filed a motion to
dismiss the FAC. ECF No. 46; ECF No. 2 46-1 (“Motion”). The Motion includes a request for
judicial notice. ECF No. 46-2 (“RJN”). The 3 Motion is fully briefed. ECF Nos. 47
 (“Opposition”), 48 (“Reply”). 4 The Court heard this matter on February 13, 2025. 5 II. Applicable
Law 6 Federal Rule of Civil Procedure 12(b)(6) allows an attack on the pleadings for “failure to 7
state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). “To survive a motion to 8
dismiss, a complaint must contain sufficient factual matter, accepted as true, to ‘state a claim to 9
relief that is plausible on its face.’” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl.*

10 Corp. v. Twombly, 550 U.S. 544, 570 (2007)). “A claim has facial plausibility when the plaintiff 11 pleads factual content that allows the court to draw the reasonable inference that the defendant is 12 liable for the misconduct alleged.” Iqbal, 556 U.S. at 678. 13 The determination of whether a complaint satisfies the plausibility standard is a “context- 14 specific task that requires the reviewing court to draw on its judicial experience and common sense.”

15 Id. at 679. Generally, a court must accept the factual allegations in the pleadings as true and view

16 them in the light most favorable to the plaintiff. Park v. Thompson, 851 F.3d 910, 918 (9th Cir. 17 2017); Lee v. City of L.A., 250 F.3d 668, 679 (9th Cir. 2001). But a court is “not bound to accept as 18 true a legal conclusion couched as a factual allegation.” Iqbal, 556 U.S. at 678 (quoting Twombly, 19 550 U.S. at 555). 20 As a general rule, leave to amend a dismissed complaint should be freely granted unless it is 21 clear the complaint could not be saved by any amendment. See Fed. R. Civ. P. 15(a); Manzarek v. St. 22 Paul Fire & Marine Ins. Co., 519 F.3d 1025, 1031 (9th Cir. 2008).

23 REQUEST FOR JUDICIAL NOTICE

24 I. Applicable Law 25 “[A] court may judicially notice a fact that is not subject to reasonable dispute because it: 26 (1) is generally known within the trial court’s territorial jurisdiction; or (2) can be accurately and 27 readily determined from sources whose accuracy cannot reasonably be questioned.” Fed. R. Evid. 28 201(b). While “undisputed matters of public record” are judicially noticeable, a court may not take 1 notice of disputed facts in public records. Lee, 250 F.3d at 689; see also MGIC Indem. Corp. v. 2 Weisman, 803 F.2d 500, 504 (9th Cir. 1986). 3 Courts in this district have routinely granted requests for judicial notice as to the U.S. 4 Copyright Office’s Public Records Catalogue. See, e.g., Evans v. NBCUniversal Media, LLC, No. 5 CV 21-0984-CBM-PD(x), 2021 WL 4513624, at *2 (C.D. Cal. July 23, 2021) (granting judicial 6 notice of the presence of movie title in USCO Public Catalogue); Fisher v. Nissel, No. CV 21-5839- 7 CBM-(KSx), 2022 WL 16961479, at *3–4 (C.D. Cal. Aug. 15, 2022) (granting judicial notice as to 8 multiple printouts from the USCO’s Public Records Catalogue). 9 II. Discussion 10 Defendants introduce a copy of the United States Patent No. 8,608,114, dated December 17, 11 2013, which they obtained through the United States Patent and Trademark Office’s Patent Public 12 Search Basic. See ECF No. 46-3 (Declaration of James L. Zeleney in support of the RJN). Because 13 the patent satisfies the requirements under Federal Rule of Evidence 201(b) and ALS does not 14 oppose the RJN, the Court takes judicial notice thereof. The Request for Judicial Notice is 15 GRANTED.

16 MOTION TO DISMISS

17 I. Discussion 18 As discussed in further detail below, the Court GRANTS IN PART the Motion. ALS has 19 adequately pleaded its claims for fraud. ALS, however, has not sufficiently alleged its claims for 20 breach of contract, breach of implied joint venture/partnership agreement, breach of the covenant of 21 good faith and fair dealing, violation of the UCL, misappropriation of trade

secrets under the 22 California Uniform Trade Secrets Act (“CUTSA”) and the federal Defend Trade Secrets Act 23 (“DTSA”), declaratory relief, and unjust enrichment. The Court grants leave to amend and cure the 24 defects identified below. 25 A. ALS Has Not Adequately Pleaded Its Claim for Breach of Contract (First Cause of Action). 26 27 ALS alleges the following three purported breaches of contract in its breach of contract 28 claim: (1) failure to award 30% workshare as required, FAC ¶¶ 107–17, 119; (2) misuse of ALS’s 1 intellectual property beyond the scope of the licensing agreement, id. ¶ 118; and (3) disclosure of 2 confidential material in breach of the confidentiality provision of the IDIQ Contract, id. ¶ 120. The 3 Court evaluates each alleged breach and finds that ALS has not sufficiently alleged a breach of 4 contract claim. 5 i. ALS Has Not Adequately Pleaded Its Claim for Breach of Contract Based on the 30% Workshare Provision. 6 7 In its prior Order, the Court found that there “was no obligation to assign ALS a 30% 8 workshare in the IDIQ Contract.” MTD Order at 12. ALS’s amendments do not change the Court’s 9 prior finding, and therefore this alleged ground for breach fails. 10 As it did previously, ALS alleges that the IDIQ Contract requires Defendants to award at 11 least 30% workshare to ALS. See FAC ¶ 64. In its prior Order, this Court found that it is “plain from 12 the text of the IDIQ Contract—Parsons Government was ‘not obligated to order any amount of 13 work’ and did not ‘guarantee [ALS] any amount of work.’ . . . These words are unambiguous and 14 make plain that the IDIQ Contract does not require Parsons Government to award ALS a 30% 15 workshare or any other specific amount.”³ MTD Order at 13. In what appears to be an effort to 16 introduce extrinsic evidence and therefore plead around the Court’s finding that the workshare 17 provision is unambiguous, ALS now alleges that “Defendants inserted ambiguity and conflict into 18 the IDIQ Contract.” FAC ¶ 109; see id. ¶¶ 107–16, 119 (additional allegations under the claim for 19 breach of contract). 20 The Court again finds that the IDIQ Contract does not require Defendants to award ALS 30% 21 of the total workshare as ALS asserts and that ALS has not sufficiently alleged facts to find 22 otherwise. As before, the text of the IDIQ Contract is plain: Defendants were “not obligated to order 23 any amount of work” and did not “guarantee [ALS] any amount of work.” See ECF No. 42-2 at 5.4 24 25 3 In the MTD Order, the Court found that ALS sufficiently alleged that Parsons Government and Parsons are 26 alter egos of one another. MTD Order at 9. As such, when the Court refers to its findings in the MTD Order regarding Parsons Government or Parsons, it shall be understood as findings as to both Parsons Government 27 and Parsons, i.e., Defendants. 4 Whenever the Court refers to the IDIQ Contract, ECF No. 42-2, the Court cites to the page number 28 1 ALS’s new allegations are relevant only as extrinsic evidence. For instance, although ALS alleges 2 that the parties mutually intended ALS to receive at least 30% of the workshare, ALS alleges that 3 this mutuality was “established in discussions.” See FAC ¶ 108 (emphasis added). Likewise, 4 allegations that concern Defendants’ revisions prior to the execution of the IDIQ Contract or what 5 was said during negotiations are also extrinsic evidence. See id. ¶ 110–11, 116. Insofar as these 6 newly supplied allegations are extrinsic evidence, they are irrelevant to consider when the contract 7 itself is unambiguous. See Cal. Civ. Code § 1638 (“The

language of a contract is to govern its interpretation, if the language is clear and explicit, and does not involve an absurdity.”). 9 ALS also alleges that Defendants “inserted ambiguity” into the IDIQ Contract, *id.* ¶ 109, but 10 this allegation is insufficient to establish ambiguity. ALS cannot allege ambiguity just by stating that 11 ambiguity exists—this is a “legal conclusion couched as a factual allegation,” which the Court need 12 not accept. See *Iqbal*, 556 U.S. at 678. Moreover, any form of negotiations between the parties 13 before the execution of the IDIQ Contract is also extrinsic evidence. 14 For the first time and through its Opposition, ALS argues that the IDIQ Contract contains 15 another ambiguous phrase: “organically over the life of the LMSI contract.” Opp’n at 10 (citing FAC 16 ¶¶ 57, 111). But this argument is inapposite, because the FAC itself does not allege that this phrase is 17 ambiguous. At best, the two paragraphs of the FAC that ALS cites in its Opposition include the 18 phrase only because it is part of the IDIQ Contract’s workshare provision. See FAC ¶¶ 57, 111 19 (quoting the IDIQ Contract’s workshare provision); ECF No. 42-2 at 9 (workshare provision). 20 Because the FAC does not allege ambiguity based on the phrase “organically over the life of the 21 LMSI contract,” the Court finds that ALS’s argument fails. (And even if it did, this would not 22 change the Court’s reading of the plain language of the contract.) 23 ALS advances another new argument that if the Court finds the 30% workshare provision 24 unambiguous, the IDIQ Contract would be rendered “illegal” and “void” for lack of consideration. 25 Opp’n at 6–7. But this contract formation-based argument is unavailing.⁵ There was consideration; 26 27 5 Defendants argue that ALS’s argument based on consideration was “rejected before.” Mot. at 1 (citing MTD 28 1 ALS was awarded additional missions. FAC ¶ 55. This is consistent with ALS’s concession in the 2 FAC that the IDIQ Contract “functioned” from 2019 to the first quarter of 2022, resulting in four 3 successful projects. *Id.*; see *Willard, Sutherland & Co. v. United States*, 262 U.S. 489, 494 (1923) 4 (concluding that a contract that was “not enforceable” at its inception “became valid and binding to 5 the extent that it was performed”) 6 ALS relies on *Willard, Sutherland & Co.* to argue that “Defendant(s) only paying for services 7 rendered is not enough to save the contract or minimum [30% workshare] requirement.” Opp’n at 8 16. But this case does not support ALS’s conclusion. There, the Supreme Court held that “for lack of 9 consideration and mutuality, the contract [at issue] was not enforceable.” *Willard, Sutherland & Co.*, 10 262 U.S. at 493. It appears that ALS leans on this part of the Supreme Court’s holding. The Supreme 11 Court, however, held in the immediately subsequent paragraph that “[w]hile the contract at its 12 inception was not enforceable, it became valid and binding to the extent that it was performed.” *Id.* 13 at 494; see FAC ¶ 113 (“The contract functioned as intended . . . by the Parties for two years”). 14 Ultimately, the Supreme Court affirmed the Court of Claim’s conclusion that the appellant was not 15 entitled to recover. *Willard, Sutherland & Co.*, 262 U.S. at 494. As such, it does not appear to the 16 Court that *Willard, Sutherland & Co.* advances ALS’s argument. 17 As before, ALS relies on the Federal Acquisition Regulation (“FAR”) to argue that the Court 18 should find the IDIQ Contract imposing an obligation on Defendants to award 30% of the 19 workshare. Opp’n at 13. But ALS has not

remedied the defect identified in the MTD Order—that 20 “[i]t is far from clear to the Court that [] rewriting of the IDIQ Contract to make it comply with [the] 21 FAR is appropriate, and ALS has not shown that it is.” MTD Order at 16. Neither the FAC nor the 22 Opposition addresses this point. As such, the Court’s finding as to ALS’s reliance on the FAR 23 remains the same. 24 Insofar as the Court found—and again finds—that the workplace provision is unambiguous, 25 ALS’s remaining arguments based on “context” or other extrinsic evidence do not pass muster. See 26 Opp’n at 7 (arguing that the Court should consider the parties’ bargaining positions), 9–11 27 (referencing the Teaming Agreement, what Defendants’ employee Debbie Williams said, and what 28 Waterman wrote in an email), 11–12 (contending that “it defies logic [that] ALS would agree to give 1 Defendants a license to use its intellectual property . . . but not secure some sort of guaranteed return 2 for itself”). 3 For the foregoing reasons, the Motion is GRANTED as to the breach of contract cause of 4 action with respect to Defendants’ alleged failure to meet a purported 30% minimum workshare 5 requirement. Dismissal shall be without leave to amend, as the Court has found that this claim fails 6 twice. See *Manzarek*, 519 F.3d at 1031 (“Dismissal without leave to amend is improper unless it is 7 clear . . . that the complaint could not be saved by any amendment.”). 8 ii. ALS Has Not Adequately Pleaded Its Claim for Breach of Contract (First Cause of Action) Based on Defendants’ Misuse of Its Intellectual Property 9 Beyond the Scope of the Licensing Provision. 10 In the MTD Order, the Court found that ALS had adequately pleaded its claim for breach of 11 contract based on Defendants’ misuse of ALS’s intellectual property. The Court so found based on 12 Defendants’ offer to sell ALS’s Power Control Module (“PCM”) and the approach the court in 13 *Macom Tech. Sols. Holdings, Inc. v. Infineon Techs. AG*, 2016 WL 6495373, *22 (C.D. Cal. Oct. 31, 14 2016), *aff’d* in relevant part, 881 F.3d 1323 (Fed. Cir. 2018), adopted—that ALS, in context, alleged 15 “an implied negative covenant” in the parties’ licensing agreement. See MTD Order at 16–17 16 (addressing Defendants’ arguments that (1) ALS had not adequately alleged any use of ALS’s 17 intellectual property beyond that allowed by the IDIQ Contract and (2) the IDIQ Contract does not 18 actually prohibit using the intellectual property as alleged). This time, Defendants make two new 19 arguments regarding ALS’s breach of contract claim based on Defendants’ alleged misuse of ALS’s 20 intellectual property: (1) ALS has failed to allege whether there are any “trade secrets”⁶ and (2) ALS 21 has not alleged any harm or damages. Mot. at 10. The Court finds that ALS has not adequately 22 pleaded harm but that an amendment may cure the defect. 23 ALS does not need to allege that there are trade secrets to assert a claim for breach of 24 contract under the IDIQ Contract’s licensing provision. “To prevail on a cause of action for breach 25 26 6 Defendants guide the Court to Section V.G of its Motion to argue that ALS has failed to allege the existence 27 of trade secrets. But the cited section discusses declaratory relief; it is Section V.H that analyzes whether ALS has adequately identified its trade secrets. As such, the Court will consider the arguments laid out in Section 28 1 of contract, the plaintiff must prove (1) the contract, (2) the plaintiff’s performance of the contract or 2 excuse for nonperformance, (3) the defendant’s breach, and (4) the resulting damage to the 3 plaintiff.”

Richman v. Hartley, 224 Cal. App. 4th 1182, 1186 (2014). Here, ALS sufficiently alleged 4 a contract: the licensing provision of the IDIQ Contract. ECF No. 42-2 at 22 (Section H.8, 5 Intellectual Property); FAC ¶ 118 (referencing the licensing provision). The Court notes that the 6 licensing provision is not limited to trade secrets; it broadly encompasses, among other information, 7 “pre-existing inventions, technology, designs, . . . , and other information or materials” ECF

8 No. 42-2 at 22. Moreover, Defendants provide no authority requiring ALS to specifically identify its

9 trade secrets in order to allege a claim for breach of contract. See Mot. at 10 (relying instead on 10 CUTSA and DTSA). As such, the Court finds that ALS is not obligated to allege its trade secrets for 11 its breach of contract claim under the IDIQ Contract’s licensing provision.⁷ 12 But the Court finds that ALS has not sufficiently alleged harm. Although ALS alleges that it 13 has been damaged in an amount “conservatively estimated to exceed \$15,000,000,” FAC ¶ 122, ALS 14 does not allege under what recovery theory, e.g., lost profits, it seeks this amount, nor does it 15 otherwise describe how it was damaged. Because the alleged amount is speculative, the claim for 16 breach of contract for misuse of ALS’s intellectual property fails. See Vestar Dev. II, LLC v. Gen. 17 Dynamics Corp., 249 F.3d 958, 962 (9th Cir. 2001) (finding the plaintiff’s allegation for damages for 18 \$48,000,000 “too speculative” in the motion to dismiss stage for breach of contract claim). 19 For these reasons, the Motion is GRANTED as to breach of contract cause of action with 20 respect to misuse of intellectual property. ALS is granted leave to amend and provide plausible 21 factual allegations regarding harm in support. 22 iii. ALS Has Not Adequately Pleaded a Claim for Breach of Contract (First Cause of Action) Based on Defendants’ Breach of the Confidentiality 23 Provision. 24 In the FAC, ALS adds a new allegation that Defendants breached the confidentiality 25 provision of the IDIQ Contract. FAC ¶ 120. Defendants seek to dismiss this claim on the ground that 26 27 28 7 1 ALS has not “allege[d] what information Defendants supposedly disclosed to which ‘other third 2 parties.’” Mot. at 10. The Court touched on this argument in the MTD Order. See MTD Order at 16– 3 17 (finding ALS’s allegation about Defendants’ offer to sell the PCM to customers unrelated to the 4 execution of the IDIQ Contract sufficient for the claim). Nevertheless, the Court finds that ALS has 5 not adequately alleged harm. 6 Drawing reasonable inferences in ALS’s favor, ALS has adequately pleaded that Defendants 7 exceeded the IDIQ Contract’s confidentiality provisions. Defendants have offered the PCM, which 8 ALS alleges is a trade secret, for sale since at least December of 2021. See FAC ¶¶ 86, 89. 9 Defendants also listed ALS’s Aquila Deck Adapter and the ‘114 Patent as “Parsons Product[s]” on 10 their website. Id. ¶ 83; but see id. ¶ 66 (quoting the IDIQ Contract’s confidentiality provision, which 11 prohibits disclosure on, among other things, publicity and advertising materials). These allegations 12 are sufficient to overcome Defendants’ challenge. Moreover, the Court does not find that ALS is 13 obligated to provide further specificity on to whom Defendants disclosed ALS’s confidential 14 information, and Defendants provide no

binding authority that compels this Court to find otherwise. 15 The Court, however, finds that ALS has not alleged harm. As discussed above, ALS's 16 allegation that it has been damaged for at least \$15,000,000, *id.* ¶ 122, is speculative. 17 As such, the Court GRANTS the Motion as to this claim based on Defendants' breach of the 18 confidentiality provision. ALS is granted leave to amend. 19

B. ALS Has Not Sufficiently Alleged a Claim for Breach of Implied Joint Venture/Partnership Agreement (Second Cause of Action). 20 21 In its FAC, ALS adds a new allegation that Defendants breached an implied joint 22 venture/partnership agreement. Defendants seek to dismiss this claim on the ground that the IDIQ 23 Contract expressly prohibits a joint venture/partnership agreement. *Mot.* at 11. In response, ALS 24 argues that (1) the IDIQ Contract does not cover the scope of the parties' partnership agreement; (2) 25 Defendants "publicly, and unequivocally, announced the creation of the partnership in a press 26 release dated March 4, 2020," (3) even if the IDIQ Contract is found to have covered the agreement, 27 the implied partnership arose "at a different time" than the IDIQ Contract; and (4) ALS may plead in 28 the alternative and thereby survive the challenge. *Opp'n* at 15–17. This claim fails. 1 As an initial matter, it is clear that the IDIQ Contract expressly covers the same relationship 2 that ALS seeks to characterize as an implied venture/partnership. As ALS must concede, the IDIQ 3 Contract states that it "does not create any employer-employee, agency, joint employer, joint venture 4 or partnership relation between" the parties. ECF No. 42-2 at 15 (under the heading "Independent 5 Contractor Relationship") (emphases added). This provision makes it plain that the relationship 6 between the parties is that of "independent contractor," not joint venture or partnership. See ECF No. 7 42-2 at 21. And the integration clause makes clear that the relationship leading up to the contract is 8 all captured by the IDIQ Contract. See ECF No. 42-2 at 21 ("There are no terms, conditions, or 9 provisions, whether oral or written, between the parties hereto, other than those herein contained."). 10 Because the IDIQ Contract expressly establishes that there is an independent contractor relationship 11 between the parties, and not an implied venture/partnership, the Court finds that ALS's claim for 12 breach of implied agreement fails on this basis.⁸ See *Retired Emps. Assn. of Orange Cnty., Inc. v. 13 Cnty. of Orange*, 52 Cal. 4th 1171, 1181 (2011) (holding that "the law does not recognize implied 14 contract terms that are at variance with the terms of the contract as expressly agreed."). 15 In view of this, at the hearing, counsel for ALS asserted that this claim rested on a two 16 alternative theories: first, that the parties' course of conduct prior to the IDIQ contract negotiations 17 established an implied venture/partnership which, by law, could not be extinguished with the IDIQ 18 Contract, *Opp'n* at 16 (citing Cal. Corp. Code § 16801); second, that if the IDIQ Contract was 19 construed not to include a 30% workshare requirement, it failed for lack of consideration, and the 20 parties' relationship defaulted to an implied venture/partnership. 21 In support of the first theory—that the parties established an implied venture/partnership 22 prior to contract negotiations—ALS points generally to "several announcements publicly discussing 23 24 8 Moreover, ALS's argument that it is merely pleading in the alternative is similarly unavailing. ALS relies on 25 *Lever Your Bus. Inc. v.*

Sacred Hoops & Hardwood, Inc., No. 5:19-cv-01530-CAS(KKx), 2020 WL 2465658 (C.D. Cal. May 11, 2020)—which Defendants also cite, Mot. at 10—but this case does not advance ALS’s 26 view. See *Lever Your Bus. Inc.*, 2020 WL 2465658, at *4 (“[T]here is no cause of action for implied contract where there exists between the parties a valid express contract covering the same subject matter.”). Having 27 found that the IDIQ Contract’s Independent Contractor Relationship provision expressly and explicitly covers the very subject matter at issue, the Court finds that ALS’s “pleading in the alternative” argument in support 28 1 the ‘Partnership,’” FAC ¶ 125, but the only specific announcement it alleges in the FAC—a press 2 release about the parties’ “strategic space partnership,” *id.*—occurred after the IDIQ Contract and 3 therefore does not support the idea that a partnership was established and announced prior to the 4 IDIQ Contract negotiations began. Compare *id.* ¶ 54 (“The IDIQ Subcontract Agreement was 5 eventually executed on July 1, 2019.”) and ECF No. 42-2 at 15 (the “Independent Contractor 6 Relationship” provision) with ECF No. 42-3 (press release dated March 4, 2020). As such, this 7 argument does not compel this Court to find that a partnership relationship between the parties has 8 been adequately alleged. Therefore, in the absence of any other plausible allegations, the Court finds 9 that ALS has not plausibly alleged that the parties formed a legally binding partnership prior to the 10 IDIQ Contract. 11 The second theory—that the IDIQ Contract “defaults to” a 50%-50% implied 12 venture/partnership if the Court finds no 30% workshare requirement—also fails. The Court has 13 already addressed that ALS has failed to establish that the absence of the 30% workshare 14 requirement—or any other reason—means that the IDIQ Contract fails for lack of consideration. 15 Section I.A.i, *supra*. Since the IDIQ Contract is valid, the Court does not need to reach the question 16 of whether a contract that fails for lack of consideration “defaults to” a 50%-50% implied 17 venture/partnership and should be treated as such. 18 Because ALS has failed to establish that it has properly alleged the existence of an implied 19 venture/partnership under any theory, the Motion is GRANTED as to the second cause of action 20 breach of implied joint venture/partnership agreement. This claim will be dismissed without leave to 21 amend, as further amendments would be futile in light of ALS’s continued failure to assert any 22 additional facts in support of this claim. 23 C. ALS Has Adequately Pleaded Its Claim for Fraud (Third Cause of Action). 24 The Court previously found that ALS adequately alleged its claim for fraudulent inducement 25 based on Defendants’ pre-IDIQ Contract conduct.⁹ MTD Order at 18–19 (relying on *Waterman’s* 26 27 9 Fraud and fraudulent inducement, which ALS raised in the initial Complaint, ECF No. 1, share the same elements. See *Engalla v. Permanente Med. Grp., Inc.*, 15 Cal.4th 951, 974 (1997) (“The elements of fraud . . . 28 1 December 27, 2018 email, predating the final negotiations for the IDIQ Contract); see FAC ¶¶ 46, 50

2 (*Waterman’s* email predates the proposal submitted to the U.S. Air Force, and the final negotiations 3 began after Defendants were awarded the LMSI Contract). In response to the new allegations in the 4 FAC that ALS has made for its breach of contract claim, FAC ¶¶ 110, 111,

Defendants argue that 5 ALS cannot allege justifiable reliance and harm because it was “aware” of Defendants’ attempts to 6 change the IDIQ Contract’s language during negotiations.¹⁰ Mot. at 12. The Court does not find that 7 this is what these paragraphs allege.^{11, 12} 8 For clarity, as this Court previously found, ALS has adequately pleaded reliance based on 9 Defendants’ pre-IDIQ Contract conduct. ALS alleges in the FAC—as it did in the initial 10 Complaint—that before the parties executed the IDIQ Contract, Defendants acted in ways that 11 induced ALS to believe that the IDIQ Contract contained a 30% workshare provision and/or that the 12 Defendants would adhere to one. See *id.* ¶¶ 46 (describing Waterman’s December 2018 email 13 containing “30% labor workshare” next to ALS’s name), 52–53 (the parties entered into a Letter 14 Subcontract Agreement, under which Defendants paid ALS \$40,000 to perform work). ALS alleges 15 that it relied on Defendants’ statements regarding 30% workshare and chose to spend man hours and 16 pursue the LMSI contract with Defendants. *Id.* ¶ 38. Such allegations permit a reasonable inference 17 18 are: (a) misrepresentation (false representation, concealment, or nondisclosure); (b) knowledge of falsity (or ‘scienter’); (c) intent to defraud, i.e. to induce reliance; (d) justifiable reliance; and (e) resulting damage.”) 19 (internal quotation marks omitted); MTD Order at 18 (citing *Engalla* for elements of fraudulent inducement). 20 10 Because Defendants focus only on justifiable reliance and damage in its Motion, and in light of the MTD Order finding that the other elements are satisfied, the Court will evaluate only whether ALS has sufficiently 21 alleged justifiable reliance and damage. 11 During the hearing, Defendants, focused on ALS’s allegations of Defendants’ conduct during negotiations, 22 argued that in light of the facts of this case, the IDIQ Contract’s integration clause precludes reliance. Even if this claim was based on the allegations of Defendants’ conduct during negotiations, integration clauses, as 23 Defendants conceded, do not automatically preclude reliance, and Defendants have not provided any binding 24 authority holding that integration clauses necessarily defeat fraud claims. Moreover, Defendants’ integration provision argument during the hearing relied solely on the newly added “awareness” allegations and not the 25 other allegations contained in the FAC that led the Court to find reliance in its prior Order. Accordingly, the Court’s finding that ALS has adequately alleged reliance remains unchanged. 26 12 Contrary to what it has alleged in the FAC, ALS engaged with Defendants’ challenge based on paragraphs 110 and 111 and asserted that Defendants’ conduct during negotiations can be a basis for its fraud claim. If 27 ALS wishes to proceed on this ground in the next amended complaint, it may do so. The Court notes, however, that the FAC’s allegations of fraud based on Defendants’ conduct during negotiations do not satisfy 28 1 to be drawn in ALS’s favor at the pleadings stage. Moreover, the reasonableness of ALS’s reliance is 2 a question of fact. See *City Sols. v. Clear Channel Communs., Inc.*, 365 F.3d 835, 840–41 (9th Cir. 3 2004) (“Except in the rare case where the undisputed facts leave no room for a reasonable difference 4 of opinion, the question of whether a plaintiff’s reliance is reasonable is a question of fact.”) 5 (emphasis in original). 6 ALS has also adequately pleaded damages. ALS has sufficiently alleged the bases upon 7 which it seeks damages for its fraud claim: (1) ALS gave Defendants access and

license to use its 8 trade secrets, patents, and other technologies and (2) ALS invested and expanded its business to 9 “honor” the increased workload under the IDIQ Contract. FAC ¶ 138. Such allegations withstand 10 challenge at the pleadings stage. 11 Thus, the Motion is DENIED as to the cause of action for fraud. 12 D. ALS Has Not Adequately Pleaded Its Claim for Breach of the Implied Covenant of Good Faith and Fair Dealing (Fourth Cause of Action). 13 14 Whereas ALS had previously advanced this claim on the basis that Defendants refused to 15 complete Past Performance Evaluation Forms, see ECF No. 31 at 25 (acknowledging that its two 16 other grounds—violation of the 30% workshare provision and violation of the licensing provision— 17 are “redundant” of its breach of contract claim); MTD Order at 19 (noting that ALS conceded that 18 the other theories it had asserted were “improper”), this time, ALS advances on all three grounds for 19 breach of the covenant of good faith and fair dealing: (1) failure to provide ALS 30% of the 20 workshare; (2) advertisement and offer for sale ALS’s intellectual property to third parties; and (3) 21 refusal to complete Past Performance Evaluation Forms for the ALS to obtain a General Services 22 Administration (“GSA”) Oasis Plus Award. FAC ¶ 144. Previously, the Court found that the claim 23 was valid on the third ground but did not consider the sufficiency of the allegations regarding 24 damages. See MTD Order at 19. Defendants argue that ALS has not sufficiently alleged harm, and 25 the Court agrees. The Court finds none of ALS’s three theories viable. 26 For a claim for breach of the implied covenant of good faith and fair dealing, the following 27 must be alleged: (1) the parties entered into a contract; (2) plaintiff did all, or substantially all of the 28 significant things that the contract required (or was excused from performance); (3) defendant acted 1 in such a way that prevented plaintiff from receiving the benefit under the contract; (4) defendant did 2 not act fairly and in good faith; and (5) plaintiff was harmed. Jud. Council of Cal. Civ. Jury 3 Instructions (“CACI”) No. 325 (Breach of Implied Covenant of Good Faith and Fair Dealing— 4 Essential Factual Elements). “If the allegations do not go beyond the statement of a mere contract 5 breach and, relying on the same alleged acts, simply seek the same damages or other relief already 6 claimed in a companion contract cause of action, they may be disregarded as superfluous as no 7 additional claim is actually stated.” *Careau & Co. v. Sec. Pac. Bus. Credit, Inc.*, 222 Cal. App. 3d 8 1371, 1395 (1990). 9 The first ground—which the Court had not evaluated previously—fails because, as discussed 10 above, the IDIQ Contract precludes a finding of a contract between the parties obligating Defendants 11 to assign 30% of the workshare to ALS. See Section I.A.i, *supra*; cf. *Racine & Laramie, Ltd. v. Dep’t 12 of Parks & Recreation*, 11 Cal. App. 4th 1026, 1031 (1992) (a claim for a breach of the covenant of 13 good faith and faith “rests upon the existence of some specific contractual obligation.”). Absent a 14 contractual obligation to assign 30% of the workshare to ALS, the Court finds that ALS has not 15 adequately alleged a breach of the implied covenant of good faith and fair dealing based on its 16 understanding of the workshare provision. Having so found twice now, the Court does not see that 17 any further amendment will cure this defect and therefore denies leave to amend. 18 The second ground—which the Court had not considered before—likewise fails because 19 ALS

has not sufficiently pleaded harm from Defendants' advertisement and offer for sale of ALS's 20 intellectual property. ALS has alleged a contract: the confidentiality provision of the IDIQ Contract, 21 which prohibits disclosure of the parties' "confidential or proprietary information" "to any third 22 party," including through "publicity and advertising material." FAC ¶ 66. ALS has pleaded its 23 performance. Id. ¶ 65 ("ALS granted Defendants an irrevocable . . . right and license to use . . . 24 ALS'[s] pre-existing inventions . . ."). ALS has also pleaded that Defendants did not act in good 25 faith by alleging that Defendants exceeded the scope of the confidentiality provision by not only 26 disclosing and offering for sale ALS's intellectual property, id. ¶ 90, but also by distributing 27 materials that included ALS's proprietary information and presenting them as their own, e.g., id. ¶¶ 28 78–79, 81–83. Through such allegations, ALS has adequately pleaded that its claim for breach of the 1 implied covenant of good faith and fair dealing goes "beyond the statement of a mere contract 2 breach." Cf. *Careau & Co.*, 222 Cal. App. 3d at 1395. ALS, however, has not alleged how it was 3 harmed beyond what appears to be a speculative monetary sum. Id. ¶ 145 (estimating damage in an 4 amount over \$15,000,000). As such, the Court finds that ALS's second theory for breach of the 5 implied covenant of good faith and fair dealing is not viable. The Court grants leave to amend the 6 FAC to add sufficient allegations of harm. 7 The third ground—against which Defendants advance a new argument—also fails because 8 ALS has not sufficiently pleaded harm from Defendants' refusal to complete the Past Performance 9 Evaluation Forms. For clarity, the Court stands by its previous finding that Defendants had an 10 obligation to complete the evaluation forms. Defendants argue that they "could not have entered past 11 performance evaluations" into the Contractor Performance Assessment Reporting System 12 ("CPARS") because neither of them is an "Assessing Official"—"a Government employee" 13 "responsible who for preparing, reviewing, signing, and processing the evaluations." See Mot. at 14 14 (quoting from GUIDANCE FOR THE CONTRACTOR PERFORMANCE ASSESSMENT REPORTING SYSTEM 15 (CPARS) ("CPARS Guidance") § 3.5.4 (July 2024), 16 <https://www.cpars.gov/cparsweb/assets/documents/CPARS-Guidance.pdf>). But this information is 17 beyond the four corners of the FAC, and Defendants have not requested this Court take judicial 18 notice of it. However, the Court agrees with Defendants that ALS alleges only "speculative" harm. 19 See Opp'n at 21 ("ALS . . . would have received additional contracts and work.") (emphasis added). 20 ALS's reliance on *Am. Ad Mgmt., Inc. v. Gen. Tel. Co. of Cal.*, 190 F.3d 1051 (9th Cir. 1999) does 21 not compel a different finding. Cf. id. at 1059 (finding alleged harm not speculative because the 22 alleged injury flew "directly" from the defendant's conduct). Accordingly, the Court finds that this 23 basis for this claim fails. The Court grants leave to amend the FAC as to the facts that give rise to 24 finding more than speculative harm. 25 Separately, Defendants ask the Court to dismiss ALS's request for punitive damages. 26 Because ALS has not properly alleged that it is entitled to any damages, the Motion is GRANTED as 27 to ALS's request for punitive damages. Cf. *State Farm Auto. Ins. Co. v. Coates*, 933 F.2d 1015, 1991 28 WL 89977, at *1 ("[I]t need not appear that the plaintiff can obtain the specific relief demanded as 1

long as the court can ascertain from the face of the complaint that some relief can be granted.”) 2 (quoting *Doe v. United States Dep’t of Justice*, 753 F.2d 1092, 1104 (D.C. Cir. 1985). 3 The Motion is GRANTED without leave to amend as to ALS’s theory based on the 30% 4 workshare provision, as the Court does not see that another round of amendment will cure the above- 5 identified defects. See *Manzarek*, 519 F.3d at 1031. The Motion is GRANTED with leave to amend 6 as to the remaining two grounds. 7 E. ALS Has Not Adequately Pleaded Its UCL Claim (Fifth Cause of Action). 8 Previously, the Court found that ALS’s UCL claim fell short for failing to allege loss of 9 money or property because of Defendants’ sale of ALS’s intellectual property on their website. 10 MTD Order at 20–21. ALS has attempted to address this defect and simultaneously raise a new 11 theory under the UCL’s fraudulent prong. But the FAC has not cured the previously identified 12 defect, and the fraudulent business practices theory fails. As such, the Court’s finding remains 13 unchanged. 14 Like last time, ALS raises several arguments as to why the UCL claim should survive. See 15 Opp’n at 22 (“(1) failure to satisfy their obligation to assign a 30% workshare to ALS, (2) breach of 16 contract in selling ALS’s products on their website, (3) failure to submit positive Past Performance 17 Evaluations for ALS, and (4) fraudulent business practices.”); FAC ¶¶ 149–52 (alleging the second, 18 third, and fourth of the above-listed reasons as bases for ALS’s UCL claim). Because the Court has 19 found that there was no obligation to assign a 30% workshare to ALS, Section I.A.i, *supra*, the Court 20 evaluates whether ALS’s UCL claim survives under the second, third, and fourth theories. These 21 theories fall short. 22 ALS has again failed to adequately allege that it lost money or property because of 23 Defendants’ conduct. The FAC is silent on whether ALS lost money or property because of 24 Defendants’ offer to sell its intellectual property. See, e.g., FAC ¶ 90 (alleging only that ALS’s 25 intellectual property was offered for sale and not whether a sale was made); see Opp’n at 22 (arguing 26 that Defendants “likely sold” ALS’s products). ALS’s allegations of harm from Defendants’ refusal 27 to complete the Past Performance Evaluation Forms are conclusory. See *id.* at 21 (“ALS . . . would 28 have received additional contracts and work.”). Such allegations or arguments are still insufficient. 1 See MTD Order at 21 (“ALS does not allege that it lost any sales or has suffered any diminution of 2 goodwill.”). 3 Similarly, ALS’s argument in support of its claim under the “fraudulent” prong of the UCL 4 does not withstand scrutiny. Although ALS argues that “Defendants’ fraudulent business practices 5 resulted in damages to ALS because it took business which otherwise would have gone to ALS, and 6 caused ALS to shift its entire business model away from other profitable areas,” Opp’n at 22, the 7 FAC does not contain any allegation of what business it would have had if Defendants acted 8 otherwise or what other less profitable business model it had to embrace.¹³ Absent such allegations, 9 the Court finds that ALS does not have standing for a UCL claim.¹⁴ 10 The Motion is therefore GRANTED as to this cause of action without leave to amend, as 11 ALS has failed to establish a UCL claim twice. See *Manzarek*, 519 F.3d at 1031. 12 F. ALS Has Not Adequately Pleaded Its Declaratory Relief Claim (Sixth Cause of Action). 13 14 ALS again seeks a judicial determination that the IDIQ Contract

contains a 30% minimum 15 guaranteed workshare. As it did in the MTD Order, the Court finds that this claim fails. 16 For a court to consider a claim for declaratory relief there must be an “actual controversy” 17 between the parties. *Chesebrough-Pond’s, Inc. v. Faberge, Inc.*, 666 F.2d 393 (9th Cir. 1982). 18 In light of the Court’s finding that the IDIQ Contract does not contain a 30% minimum 19 guaranteed workshare, Section I.A.i, *supra*, this claim fails. There is no longer any active 20 controversy between the parties in light of the Court’s rulings. To the extent that there was a dispute 21 as to the specific form of relief that ALS sought in the FAC as pleaded, that dispute is now resolved. 22 23 24 13 During the hearing, ALS’s counsel informed the Court that in further support of the UCL claim, he could speak with his client to provide more information about loss of potential business. But the Court believes that 25 further amendment will be futile, especially in light of ALS’s failure to adequately allege this claim twice. 14 For clarity, the Court does not accept Defendants’ argument that ALS must have shown “not only that it 26 lost money or property, but also that the money or property was acquired by [Defendants].” *Mot.* at 16 (citing *Sharpe v. Puritan’s Pride, Inc.*, 466 F. Supp. 3d 1066, 1071 (N.D. Cal. 2020)). The California Supreme Court 27 in *Kwikset Corp. v. Superior Court*, 51 Cal. 4th 310, which the court in *Sharpe* cited, held that a plaintiff’s economic injury “without any corresponding gain by the defendant” nevertheless “satisf[ies] the plain 28 1 Thus, the Motion is GRANTED as to the claim for declaratory relief without leave to amend. 2 G. ALS Has Not Sufficiently Alleged a Claim for Misappropriation of Trade Secrets under the California Uniform Trade Secrets Act (Seventh Cause of Action). 3 4 In its FAC, ALS adds a new claim for misappropriation under the CUTSA. Defendants argue 5 that ALS’s misappropriation claim under the CUTSA should be dismissed because ALS has not 6 “alleged which of its alleged information is supposedly a ‘trade secret’ versus what is in a patent. . . . 7 In fact, ALS completely comingles the two—referring to ‘trade secrets’ and ‘patents’ together.” *Mot.* 8 at 19. The Court finds that further specificity is needed to determine which of ALS’s alleged trade 9 secrets meet the definition of a trade secret. 10 To prevail under the California Uniform Trade Secrets Act, the following must be satisfied: 11 (1) the plaintiff owned a trade secret, (2) the defendants acquired, disclosed, or used the plaintiffs’ 12 trade secret through improper means, and (3) the defendant’s actions damaged the plaintiff. *Sargent 13 Fletcher, Inc. v. Able Corp.*, 110 Cal. App. 4th 1658, 1665 (2003) (citing Cal. Civ. Code § 3426.1). 14 In turn, a trade secret is information that “(1) [d]erives independent economic value, actual or 15 potential, from not being generally known to the public or to other persons who can obtain economic 16 value from its disclosure or use, and (2) [i]s the subject of efforts that are reasonable under the 17 circumstances to maintain its secrecy.” Cal. Civ. Code § 3426.1(d). In other words, a trade secret “is 18 valuable because it is unknown to others.” *DVD Copy Control Assn. v. Bunner*, 116 Cal. App. 4th 19 241, 251 (2004). 20 Under the DTSA, a trade secret is similarly defined as 21 all forms and types of financial, business, scientific, technical, economic, or 22 engineering information, including patterns, plans, compilations, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, 23 or codes, whether

tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in writing 24 if— 25 (A) the owner thereof has taken reasonable measures to keep such information secret; and 26 27 (B) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through 28 1 pdrisocpleors umree aonr su sbey o, fa tnhoet hinefro prmerastoionn w; ho can obtain economic value from the 2 18 U.S.C. § 1839(3). “Confidentiality provisions constitute reasonable steps to maintain secrecy.” 3 InteliClear, LLC v. ETC Glob. Holdings, Inc., 978 F.3d 653, 660 (9th Cir. 2020). 4 ALS has not sufficiently alleged the existence of its trade secrets. The FAC lists five 5 categories of trade secrets: (1) the designs and specifications for the Aquila Deck Adapter, (2) the 6 designs and specifications for the Aquila Standard Adapter, (3) the designs and specifications for the 7 2.6M Dual-Manifest Adapter Fitting, (4) the designs for the Aquila Multi-manifest System, and (5) 8 the PCM. FAC ¶¶ 70 (listing the first four as trade secrets over which ALS purportedly asserted 9 ownership in its Data Rights Assertion document), 86 (“the PCM is a Trade Secret owned by ALS”). 10 ALS alleges that it “derives substantial benefit by maintaining the confidentiality of the Trade 11 Secrets in its database.” Id. ¶ 71. ALS also describes the ways in which it keeps the confidentiality of 12 this information. See id. ¶¶ 73 (listing, among other things, restricting access to physical servers, 13 requiring coded passwords, and imposing strict confidentiality standards as its “careful, substantial, 14 and reasonable steps to safeguard the secrecy of its Trade Secrets”), 87 (“ALS safeguarded [the 15 PCM] from disclosure by clearly placing ALS Proprietary statement and markings on all documents 16 and communications with Parsons.”). But with respect to the question of any similarities between the 17 asserted trade secrets and the ‘114 Patent, which is properly considered as part of the consideration 18 of the confidentiality factor under the CUTSA and the DTSA, ALS’s allegations are insufficient. 19 During the hearing, Defendants argued that ALS has conflated at least one of its alleged trade secrets 20 (Aquila Multi-manifest System) with the ‘114 Patent. See ¶ 70 (“This unique hardware, software and 21 operations [Aquila Multi-manifest System] are combined into systems with flight proven hardware 22 (like the APSU [‘114 Patent]). . . .”) (emphasis added). The Court agrees and notes that ALS has not 23 alleged exactly which feature of its property is a trade secret, i.e., bundling and interfacing versus 24 designs. As such, the Court GRANTS the Motion with leave to amend.15 25 26 27 15 As discussed at the hearing, prior to the filing of an amended complaint, ALS shall file a trade secret information statement. The Court will issue a separate Order detailing what should be included in a trade 28 1 under the Defend Trade Secrets Act (Eighth Cause of Action). 2 The Court finds that the analysis for ALS’s claim for misappropriation under the CUTSA 3 applies to its analysis under the DTSA. See InteliClear, LLC, 978 F.3d at 657 (observing that 4 “[c]ourts have analyzed [the federal FTSA and the state CUTSA] claims together because the 5 elements are substantially similar”). 6 Accordingly, the Court GRANTS the Motion as to ALS’s claim under the DTSA with leave 7 to amend. 8 I. ALS Has Not Adequately Pleaded Its Unjust Enrichment Claim (Ninth Cause of 9

Action). 10 ALS raises a claim for unjust enrichment for the first time in the FAC. This claim fails. 11 “There is no cause of action in California for unjust enrichment. Unjust enrichment is 12 synonymous with restitution.” *Levine v. Blue Shield of Cal.*, 189 Cal. App. 4th 1117, 1138 (cleaned 13 up). Similarly, under the DTSA, unjust enrichment is available as a type of remedy, not as a 14 standalone cause of action. See 18 U.S.C. § 1836(b)(3)(B)(i)(II) (permitting awarding “damages for 15 any unjust enrichment caused by the misappropriation of the trade secret that is not addressed in 16 computing damages for actual loss”). 17 As such, the Motion is GRANTED without leave to amend as to ALS’s claim for unjust 18 enrichment based on Defendants’ alleged misappropriation in violation of the CUTSA and the 19 DTSA. ALS may, however, seek unjust enrichment as a remedy for other claims. 20 II. Conclusion 21 For the reasons stated herein, the Court ORDERS as follows: 22

1. The RJN is GRANTED.

23

2. The Motion is GRANTED IN PART.

24 a. The following claims are DISMISSED WITHOUT LEAVE TO AMEND: 25 i. ALS’s breach of contract claim (first cause of action) against Defendants 26 with respect to the failure to meet a purported 30% minimum workshare 27 requirement; 28 1 ii. ALS’s claim for breach of implied joint venture/partnership agreement 2 (second cause of action); 3 iii. ALS’s breach of the implied covenant of good faith and fair dealing 4 (fourth cause of action) with respect to the failure to meet a purported 30% 5 minimum workshare requirement; 6 iv. ALS’s UCL claims (fifth cause of action); 7 v. ALS’s declaratory relief claim (sixth cause of action); and 8 vi. ALS’s claim for unjust enrichment (ninth cause of action). 9 b. The following claims are DISMISSED WITH LEAVE TO AMEND: 10 i. ALS’s breach of contract claim (first cause of action) against Defendants 11 with respect to the licensing provision; 12 ii. ALS’s breach of contract claim (first cause of action) with respect to the 13 confidentiality provision; 14 iii. ALS’s breach of the implied covenant of good faith and fair dealing 15 (fourth cause of action) with respect to misuse of ALS’s intellectual 16 property; 17 iv. ALS’s breach of the implied covenant of good faith and fair dealing 18 (fourth cause of action) with respect to failure complete performance 19 evaluations; 20 v. ALS’s request for punitive damages under the breach of the implied 21 covenant of good faith and fair dealing (fourth cause of action); 22 vi. ALS’s misappropriation of trade secrets claim under the CUTSA (seventh 23 cause of action); and 24 vii. ALS’s misappropriation of trade secrets claim under the DTSA (eighth 25 cause of action). 26 c. ALS’s fraud claim may proceed. 27 3. ALS shall file a trade secret information statement. The Court will issue a separate Order 28 detailing what should be included in a trade secret information statement. 1 4. ALS 1s granted leave to file an amended complaint. The Court’s separate Order regarding 2 ALS’s trade secret information statement will include a timeline for the parties to file an 3 amended complaint and any responsive pleadings. 4 5 || ITISSO ORDERED. 6 Mf 7 Dated: February 25, 2025

8 MAAME EWUSI-MENSAH FRIMPONG

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

Retrieved from lawtools.ai · <https://lawtools.ai/cases/state/united-states-district-court-for-the-central-district-of-california-united-states-district-court-for/2025/hkm-enterprises-inc-d-b-a-adaptive-launch-solutions-v-9sl7e3mo>