

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF  
CALIFORNIA

Cangrade, Inc. v. Synopsys, Inc.

Cangrade · No. 25-cv-01381-NW · Decided January 16, 2026

SUMMARY

The United States District Court for the Northern District of California grants in part and denies in part Synopsys, Inc.'s motion to dismiss or strike Cangrade, Inc.'s second amended complaint. The court strikes the professional negligence and negligent interference claims, dismisses the requests for exemplary damages and relief for willful trade secret misappropriation with leave to amend, and denies the motion in all other respects. The court permits amendment limited to allegations concerning an officer, director, or managing agent's oppressive, fraudulent, or malicious conduct.

CASE DETAILS

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COURT                 | United States District Court for the Northern District of California                                                                                                                                                                                                                                                                                                                                                                                        |
| WRITING FOR THE COURT | Noel Wise                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| JURISDICTION          | United States District Court for the Northern District of California                                                                                                                                                                                                                                                                                                                                                                                        |
| DECIDED               | January 16, 2026                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| DOCKET                | 25-cv-01381-NW                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| DISPOSITION           | other                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| PROCEDURAL POSTURE    | Defendant moved under Federal Rules of Civil Procedure 12(b)(6) and 12(f) to dismiss or strike portions of plaintiff's second amended complaint.                                                                                                                                                                                                                                                                                                            |
| STANDARD OF REVIEW    | On a Rule 12(b)(6) motion, the court accepts factual allegations as true and construes the pleadings in the plaintiff's favor, but disregards conclusory allegations and determines whether the complaint states a facially plausible claim. Rule 12(f) permits striking an insufficient defense or redundant, immaterial, impertinent, or scandalous matter, but does not authorize striking claims for damages merely because they are legally precluded. |
| PRECEDENTIAL VALUE    | unpublished federal district court order; persuasive rather than binding outside the case                                                                                                                                                                                                                                                                                                                                                                   |

TOPICS

motions to dismiss

pleadings

trade secrets

misappropriation of trade secrets

damages

## PRACTICE AREAS

civil procedure

trade secrets

commercial litigation

damages

contracts

## QUESTIONS PRESENTED

1. Whether the professional-negligence and negligent-interference claims should remain in the second amended complaint after having been dismissed without leave to amend.
2. Whether the claims for exemplary damages or redress for willful trade-secret misappropriation were adequately pleaded under the DTSA and CUTSA.
3. Whether Cangrade adequately pleaded entitlement to unjust-enrichment damages for trade-secret misappropriation.
4. Whether the trade-secret claims were barred by the parties' agreement or the economic-loss rule at the motion-to-dismiss stage.

## HOLDINGS

1. Claims for professional negligence and negligent interference with economic relations that had previously been dismissed without leave to amend may not appear in the second amended complaint and were properly stricken.
2. To seek exemplary damages or redress for willful and malicious trade-secret misappropriation against a corporate defendant, the plaintiff must plead that an officer, director, or managing agent of the corporation committed an act of oppression, fraud, or malice.
3. Cangrade adequately pleaded unjust-enrichment damages by alleging that Synopsys retained a substantial auditing fee while publishing the source code and that Cangrade was entitled to disgorgement of fees received from Paylocity.
4. The court declined to dismiss the trade-secret claims on the grounds that the parties' agreement precluded them or that the economic-loss rule barred them, because those arguments presented factual issues or had already been rejected.

## KEY QUOTATIONS

*“Rule 12(f) does not authorize district courts to strike claims for damages on the ground that such claims are precluded as a matter of law.” (at 8)*

*“Therefore, Cangrade must plead that an officer, director, or managing agent of Synopsys committed an act of oppression, fraud, or malice.” (at 10)*

*“Whether Cangrade has ‘pled any ‘profit’ or ‘calculable benefit’” gained from the unauthorized act of publishing, as Synopsys insists in its motion is a factual issue more appropriately resolved on summary judgment.” (at 15)*

## FACTUAL BACKGROUND

Cangrade alleged that Synopsys misappropriated and publicly disclosed Cangrade's proprietary source code after auditing it, and sought damages under the federal Defend Trade Secrets Act and California Uniform Trade Secrets Act. Cangrade alleged that Synopsys retained a fee for auditing the source code and sought exemplary and unjust-enrichment damages. The court found that Cangrade did not allege that a Synopsys officer, director, or managing agent committed oppression, fraud, or malice, but held that the unjust-enrichment allegations were sufficient at the pleading stage.

## PROCEDURAL HISTORY

Cangrade filed suit asserting federal and state trade-secret claims, breach of contract, professional negligence, and negligent interference with prospective economic relations. After the court dismissed portions of the first amended complaint, Cangrade filed a second amended complaint. The court granted in part and denied in part Synopsys's renewed motion to dismiss or strike, striking the previously dismissed negligence and interference claims and dismissing the exemplary-damages and willful-misappropriation aspects of the trade-secret claims with leave to amend.

## DISPOSITION

other

## CASES CITED

- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007)
- Knievel v. ESPN, 393 F.3d 1068, 1072 (9th Cir. 2005)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Lopez v. Smith, 203 F.3d 1122, 1130 (9th Cir. 2000)
- Whittlestone, Inc. v. Handi-Craft Co., 618 F.3d 970, 973-975 (9th Cir. 2010)
- In re Yahoo! Inc. Customer Data Sec. Breach Litig., 313 F. Supp. 3d 1113, 1147 (N.D. Cal. 2018)
- Taiwan Semiconductor Mfg. Co. v. Tela Innovations, Inc., No. 14-CV-00362-BLF, 2014 WL 3705350, at \*6 (N.D. Cal. July 24, 2014)
- Ajaxo Inc. v. E\*Trade Fin. Corp., 187 Cal. App. 4th 1295, 1305, 1313 (2010)
- Robinson Helicopter Co. v. Dana Corp., 34 Cal. 4th 979, 989 (2004)
- InteliClear, LLC v. ETC Glob. Holdings, Inc., 386 F. Supp. 3d 1155 (N.D. Cal. 2019)