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

OPINION

1 2 3 4 UNITED STATES DISTRICT COURT 5 NORTHERN DISTRICT OF CALIFORNIA 6 7 CANGRADE, INC., Case No. 25-cv-01381-NW 8 Plaintiff, ORDER GRANTING IN PART AND 9 v. DENYING IN PART MOTION TO DISMISS OR STRIKE 10 SYNOPSYS, INC., Re: ECF No. 68 Defendant. 11 12 13 On September 5, 2025, Defendant Synopsys, Inc. ("Synopsys") filed a motion to dismiss 14 Plaintiff Cangrade, Inc.'s ("Cangrade") second amended complaint.

ECF No. 68.1 Having 15 considered the parties' briefs and the relevant legal authority, the Court concludes oral argument is 16 not required, see N.D. Cal. Civ. L.R. 7-1(b), and GRANTS IN PART and DENIES IN PART 17 Synopsys's motion for the reasons set forth below. 18 I. BACKGROUND 19 This Order assumes the reader is familiar with the alleged facts as set forth in the Court's 20 August 1, 2025 Order granting in part and denying in part Synopsys's motion to dismiss the first 21 amended complaint and does not repeat them here.

ECF No. 54. 22 Cangrade filed its original complaint against Synopsys on February 10, 2025, alleging six 23 causes of action: (1) violation of the federal Defend Trade Secret Act ("DTSA"); (2) violation of 24 the California Uniform Trade Secrets Act ("CUTSA"); (3) breach of contract; (4) professional 25 negligence; (5) negligent interference with prospective economic relations; and (6) breach of 26 confidence.

See Compl., ECF No. 1. Synopsys filed a motion to dismiss, see ECF No. 21, and 27 1 Cangrade responded by filing an amended complaint that removed the claim for breach of 2 confidence. See ECF No. 30. Synopsys then filed a motion to dismiss the first amended 3 complaint. ECF No. 37.

On August 1, 2025, the Court granted in part and denied in part 4 Synopsys's motion to dismiss the first amended complaint. ECF No. 54. 5 On August 22, 2025, Cangrade filed a second amended complaint with five causes of 6 action: (1) violation of the federal DTSA; (2) violation of the CUTSA; (3) breach of contract; (4) 7 professional negligence; and (5) negligent interference with prospective economic relations.

ECF 8 No. 63. In its second amended complaint, the fourth and fifth causes of action have a parenthetical 9 stating "dismissed" next to the title. Id. Synopsys moved to dismiss or strike the second amended 10 complaint on several grounds.2 ECF No. 68. Cangrade opposed, see ECF No. 73, and Synopsys 11 filed a reply. ECF No. 74. 12 II. LEGAL STANDARD 13 A. Motion to

Dismiss Under Rule 12(b)(6) To survive a motion to dismiss, a plaintiff must plead “enough facts to state a claim to relief that is plausible on its face.” Bell Atl.

Corp. v. Twombly, 550 U.S. 544, 570 (2007). The Court must “accept all factual allegations in the complaint as true and construe the pleadings in the light most favorable to the [plaintiff].” Knievel v. ESPN, 393 F.3d 1068, 1072 (9th Cir. 2005). However, “the tenet that a court must accept a complaint’s allegations as true is inapplicable to threadbare recitals of a cause of action’s elements, supported by mere conclusory statements.” Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009).

If the Court dismisses the complaint, it must then decide whether to grant leave to amend. The Ninth Circuit has “repeatedly held that a district court should grant leave to amend even if no request to amend the pleading was made, unless it determines that the pleading could not possibly be cured by the allegation of other facts.” Lopez v. Smith, 203 F.3d 1122, 1130 (9th Cir.

2000) (citations and internal quotation marks omitted). B. Motion to Strike Under Rule 12(f) Under Federal Rule of Civil Procedure 12(f), a “court may strike from a pleading an insufficient defense or any redundant, immaterial, impertinent, or scandalous matter.” Fed. R. Civ. P. 12(f).

The purpose of a Rule 12(f) “motion to strike is to avoid the expenditure of time and money that must arise from litigating spurious issues by dispensing with those issues prior to trial.” Whittlestone, Inc. v. Handi-Craft Co., 618 F.3d 970, 973 (9th Cir. 2010). III. DISCUSSION In its second motion to dismiss or strike, Synopsys again makes a plethora of arguments (many of them repetitive of arguments Synopsys made in its first motion to dismiss or strike) as to why Cangrade’s causes of action should be dismissed or portions stricken.

The Court addresses each one by claim and argument advanced. A. Cangrade’s Claims for Professional Negligence and Negligent Interference with Economic Relations (Counts IV and V) First, the Court agrees with Synopsys that Cangrade’s claims for professional negligence and negligent interference with economic relations (Counts IV and V) should not appear in Cangrade’s complaint as they were dismissed without leave to amend per the Court’s prior Order.

See ECF No. 54 at 8-10. Synopsys’s motion to strike is GRANTED in this respect and these portions of Cangrade’s second amended complaint are STRICKEN. B. Cangrade’s Claims for Willful Trade Secret Misappropriation (Counts I and II) In its second amended complaint, Cangrade newly requests “an award of exemplary damages as permitted by the relevant law.” Second Am.

Compl. (“SAC”), ECF No. 63 at 32. Cangrade adds new allegations in support of this request under both its federal DTSA claim and CUTSA claim. Id. ¶¶ 131, 141. Specifically, Cangrade alleges: 25 Based on the information available to Cangrade, Synopsys' actions in publishing Cangrade's source code were knowing, intentional, and 26 willful, entitling Cangrade to an award of exemplary damages under 18 U.S.C. § 1836(b)(3)(C) / Cal. Civ.

Code § 3426.3. 27 Id. Synopsys moves to dismiss Cangrade's DTSA and CUTSA claims, or first and second causes 1 of action respectively, to the extent they seek exemplary damages or redress for willful trade secret 2 misappropriation. ECF No. 68 at 13-18. 3 As an initial matter, the Court finds Rule 12(b)(6), not Rule 12(f) is the appropriate 4 procedural vehicle here.

Under Rule 12(f), a "court may strike from a pleading an insufficient 5 defense or any redundant, immaterial, impertinent, or scandalous matter." Fed. R. Civ. P. 12(f). 6 Synopsys's argument that Cangrade cannot seek exemplary damages does not readily fit within 7 any of these categories. Additionally, "Rule 12(f) does not authorize district courts to strike 8 claims for damages on the ground that such claims are precluded as a matter of law." 9 Whittlestone, Inc., 618 F.3d at 974–75.

While Synopsys does not argue that Cangrade's 10 exemplary damages claims fail as a matter of law, Synopsys does argue that they fail because 11 Cangrade fails to plausibly allege that an individual actor, or an officer, director, or managing 12 agent of Synopsys, engaged in willful or malicious conduct. ECF No. 68. And "the proper 13 medium for challenging the sufficiency of factual allegations in a complaint is through Rule 14 12(b)(6) not Rule 12(f)." In re Yahoo!

Inc. Customer Data Sec. Breach Litig., 313 F. Supp. 3d 15 1113, 1147 (N.D. Cal. 2018) (cleaned up). 16 As to the merits of the argument, Synopsys contends that Cangrade's exemplary damages 17 claims fail because Cangrade failed to allege that an officer, director, or agent committed an act of 18 oppression, fraud, or malice. ECF No. 68 at 15-16.3 Cangrade responds that the statutory 19 language does not impose such a requirement, nor can one be imported from other statutory 20 sections relating to punitive damages.

ECF No. 73 at 16-22. Cangrade's interpretation of the law 21 is incorrect, and the Court finds Cangrade's allegations insufficient. 22 Under the CUTSA, "if willful and malicious misappropriation exists, the court may award 23 exemplary damages in an amount not exceeding twice any award" for actual loss or unjust 24 enrichment. Cal. Civ. Code § 3426.3(c). By statute, a plaintiff may only recover exemplary 25 damages if it is shown "by clear and convincing evidence that the defendant has been guilty of 26 27 3 Synopsys also argues Cangrade exceeded the scope of leave granted by the Court's previous 1 oppression, fraud, or malice." Cal. Civ.

Code § 3294(a). A corporate entity cannot engage in 2 oppression, fraud, or malice for the purposes of exemplary damages unless "on the part of an 3 officer, director, or managing agent of the corporation." Cal. Civ. Code § 3294(b) ("With respect 4 to a corporate employer, the advance knowledge and conscious disregard, authorization, 5 ratification or act of oppression, fraud, or malice must be on the part of an officer, director, or 6 managing agent of the corporation"); see also Taiwan Semiconductor Mfg.

Co. v. Tela 7 Innovations, Inc., No. 14-CV-00362-BLF, 2014 WL 3705350, at *6 (N.D. Cal. July 24, 2014) 8 ("[A] company simply cannot commit willful and malicious conduct—only an individual can."). 9 Therefore, Cangrade must plead that an officer, director, or managing agent of Synopsys 10 committed an act of oppression, fraud, or malice. 11 Cangrade's second amended complaint does not meet this standard.

Rather than 12 specifically plead that an officer, director, or managing agent of Synopsys committed an act of 13 oppression, fraud, or malice, Cangrade focuses on extraneous facts. For example, Cangrade 14 alleges that a Synopsys employee (who is not an officer, director, or managing agent) "uploaded 15 and disclosed Cangrade's proprietary software source code to GitHub, and it became accessible on 16 the public GitHub repository." SAC ¶ 31.

Cangrade then alleges that this action "was not the 17 only act of breach of confidentiality in which its employee was involved." Id. ¶ 36. The import of 18 other breaches of confidentiality unrelated to Cangrade is unclear. Instead, Cangrade alleges that 19 "[o]nce data has been placed into the hands of a bad actor who has already acted to publish it once, 20 any assurance of its secrecy has been destroyed." Id. ¶ 50.

This is insufficient to meet the 21 standard. What Cangrade does not allege is telling. Cangrade does not allege that a Synopsys 22 officer, director, or managing agent maliciously concealed the disclosure of Cangrade's source 23 code or otherwise acted fraudulently. 24 Similarly, Cangrade's allegations that "Synopsys conducted two investigations into the 25 data breach" and "refused to provide Cangrade with any information regarding the outcome of 26 those investigations" do not meet the standard.

Id. ¶ 48. Instead, Cangrade must plead that an 27 officer, director, or managing agent of Synopsys committed an act of oppression, fraud, or malice. 1 The Court GRANTS Synopsys's motion to dismiss Cangrade's DTSA4 and CUTSA 2 claims, or first and second causes of action respectively, to the extent they seek exemplary 3 damages or redress for willful trade secret misappropriation.

Cangrade is granted leave to amend 4 these claims only to add allegations that an officer, director, or managing agent of Synopsys 5 committed an act of oppression, fraud, or malice. 6 C. Cangrade's Request for Unjust Enrichment Damages (Counts I and II) 7 In the Court's prior order granting Synopsys's first motion to dismiss in part, Cangrade's 8 trade secret misappropriation claims were dismissed with leave to amend for failing to allege 9 damages with sufficient factual detail.

ECF No. 54 at 14-15. In response, Cangrade amended its complaint to add several paragraphs of factual allegations as to damages under a heading titled the same. SAC ¶¶ 89-111. In its latest motion to dismiss, Synopsys argues that Cangrade's amended allegations fail to plausibly allege unjust enrichment. ECF No. 68 at 18-20, 25-27. Synopsys asserts that Cangrade failed to identify a benefit conferred upon Synopsys as a result of the alleged misappropriation.

Id. at 20 ("Cangrade has not pled any 'profit' or 'calculable benefit' Synopsys realized from the unauthorized act of publishing, only money it received for the authorized act of auditing." (emphasis in original)). In trade secret misappropriation cases, a "complainant may recover damages for the actual loss caused by misappropriation" or "for the unjust enrichment caused by misappropriation that is not taken into account in computing damages for actual loss." Cal. Civ.

Code § 3426.3(a); see also 18 U.S.C. § 1836(b)(3)(B). The term "unjust enrichment" is generally "synonymous with restitution." Ajaxo Inc. v. E*Trade Fin. Corp., 187 Cal. App. 4th 1295, 1305 (2010). The phrase "is used in law to characterize the result or effect of a failure to make restitution of or for property 4 While neither party cites to binding authority that imports the exemplary damages requirement that an "officer, director, or managing agent" commit an act of oppression, fraud, or malice from the California Civil Code to the DTSA, it is appropriate to impose that requirement here because the DTSA exemplary damages provision is similar to that in the CUTSA.

Compare 18 U.S.C. § 1836(b)(3)(C) and Cal. Civ. Code § 3426.3(c); InteliClear, LLC v. ETC Glob. Holdings, Inc., or benefits received under such circumstances as to give rise to a legal or equitable obligation to account therefor." Id. (citation and emphasis omitted).

In the context of a trade secrets action, "unjust enrichment is typically measured by the defendant's profits flowing from the misappropriation." Id. "[W[here a defendant has not realized a profit or other calculable benefit as a result of his or her misappropriation of a trade secret, unjust enrichment is not provable within the meaning of section 3426.3, subdivision (b)." Id. at 1313.

Here, in support of entitlement to unjust enrichment damages, Cangrade alleges: Synopsys was unjustly enriched by its misappropriation of Cangrade's trade secrets, by retaining a large fee for auditing the source code, while publishing it. It would be unjust for Synopsys to benefit from its illegal conduct.

Under 18 U.S.C. § 1836(b)(3)/ Cal. Civ. Code § 3426.3, Cangrade is entitled to disgorgement of the fees Synopsys received from Paylocity. SAC ¶¶ 131, 140. This is sufficient to satisfy the notice pleading of Rule 8(a), which requires only "a demand for the relief sought, which may include relief in the alternative or different types of relief." Fed.

R. Civ. P. 8(a). Whether Cangrade has “pled any ‘profit’ or ‘calculable benefit’” 14 gained from the unauthorized act of publishing, as Synopsys insists in its motion is a factual issue 15 more appropriately resolved on summary judgment. ECF No. 68 at 20. 16 D. Synopsys’s Remaining Arguments 17 Synopsys argues that “Cangrade’s amended trade secret claims should also be dismissed 18 because the parties’ Agreement precludes them.” Id. at 21.

This too is a factual issue that is 19 inappropriate for resolution on a motion to dismiss. 20 Finally, Synopsys asserts that, as amended, Cangrade’s trade secret claims are barred by 21 the economic loss rule because they are “indistinguishable from its breach of contract claim.” Id. 22 at 22.

The Court previously rejected this argument in its prior order stating: 23 Cangrade’s claims for trade secret misappropriation are not barred by 24 the economic loss rule. First, while the issue appears to be an unsettled one, Cangrade persuasively argues that the economic loss 25 rule does not extend to statutory claims like those under the DTSA and CUTSA.

Opp’n at 17-19. The economic loss rule does not apply 26 when conduct “also violates a duty independent of the contract.” Robinson Helicopter Co., 34 Cal. 4th at 989 (citation omitted). Here, 27 both the DTSA and the CUTSA impose duties independent of the 2018), on reconsideration in part, 386 F. Supp. 3d 1155 (N.D. Cal. 1 2019) (finding a Computer Fraud and Abuse Act claim not barred by 5 the economic loss rule).

ECF No. 54 at 10. The Court will not entertain this argument again. ° IV. CONCLUSION For the reasons stated, the Court GRANTS in part and DENIES in part Synopsys’s motion ° to dismiss or strike the second amended complaint as follows: ° e Synopsys’s motion to strike Cangrade’s claims for professional negligence and ’ negligent interference with economic relations (Counts IV and V) is GRANTED and ° these portions of Cangrade’s second amended complaint are STRICKEN. ° e Synopsys’s motion to dismiss Cangrade’s trade secret misappropriation claims under the DTSA and CUTSA (Counts I and II) to the extent they seek exemplary damages or " redress for willful trade secret misappropriation is GRANTED with leave to amend.

Cangrade may amend these claims only to add allegations that an officer, director, or managing agent of Synopsys committed an act of oppression, fraud, or malice. S e Synopsys’s motion to dismiss or strike is DENIED in all other respects. Any amended complaint consistent with this order shall be filed within 21 days. IT IS SO ORDERED. 17 Dated: January 16, 2026.

4 18,. 19 Noél Wise 20 United States District Judge 21 22 23 24 25 26 27 28