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**JS-6**

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION

MASIMO CORPORATION, et al., ) Case No. 8:18-CV-02001-JVS-JDE  
Plaintiffs/Counterdefendants, )  
) FINDINGS OF FACT &  
v. ) CONCLUSIONS OF LAW  
)  
TRUE WEARABLES, INC., et al., ) Redacted  
Defendants/Counterclaimants )  
)  
)

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1 After Plaintiffs waived their right to a jury trial (Dkt. 398), the Court  
2 presided over a bench trial. See Dkts.552, 553, 555, 556, 557. The Court received  
3 direct testimony via declaration before holding in-person proceedings for cross-  
4 examination, redirect, and recross. At the conclusion of trial, the parties submitted  
5 closing briefs (Dkts. 576-1, 579-1) and the Court held closing argument. See Dkt.  
6 583. Under Rule 52(a) of Federal Rules of Civil Procedure, the Court now enters  
7 its findings of fact and conclusions of law.

8  
9 **I. Bench Trial Background**

10  
11 Plaintiffs' First Amended Complaint (Dkt. 42), Defendants' Answer and  
12 Counterclaims (Dkt. 46), and Plaintiffs' Answer to Counterclaims (Dkt. 49) are the  
13 operative pleadings. In sum, before trial the case was narrowed to encompass only  
14 the following claims and related defenses:

- 15 • Breach of contract: Whether Defendant, Dr. Marcelo Lamego, breached  
16 contracts with Plaintiffs, Masimo Corporation and Cercacor Labs, based on  
17 his employee confidentiality agreements, and whether those agreements are  
18 void as a restraint on trade;
- 19 • Breach of fiduciary duty: Whether Dr. Lamego breached his fiduciary duty  
20 of undivided loyalty to Cercacor based on representations made to the board  
21 of directors, and whether this claim is barred by the statute of limitations;
- 22 • Trade secret misappropriation: Whether Defendants misappropriated any of  
23 Trade Secrets 1, 5, 8, 9, 11, and/or 12 under Cal. Civ. Code § 3246.1  
24 (CUTSA), and whether related defenses apply;
- 25 • Patent infringement: Whether Defendants infringe Claim 9 of the U.S. Patent  
26 No. 10,194,848, and whether Claim 9 is invalid for obviousness; and  
27 • What, if any, equitable relief should be afforded to the parties?

28 See Dkt. 508 (Amended Joint Final Pretrial Conference Order).

1 **II. Party Background**

2  
3 Plaintiff Masimo Corporation is a leader in pulse oximetry, which involves  
4 measuring oxygen in the blood. Joe Kiani founded Masimo in 1989. Kiani believed  
5 he could solve the “motion problem” in pulse oximetry, which prevented accurate  
6 pulse oximetry measurements when the patient was moving, leading to false  
7 alarms. Mohamed Diab is a scientist who joined Masimo about six months after its  
8 founding. Diab designed circuits and wrote the software that Masimo used to  
9 develop pulse oximetry technology. A pulse oximeter works by attaching a sensor  
10 to a patient to detect a physiological signal. Light sources in the sensor transmit  
11 light through the patient’s tissue. The amount of light absorbed by the tissue and  
12 the corresponding detected signal can provide information about the patient’s  
13 blood flow and blood content such as oxygen saturation (“SpO<sub>2</sub>”). The detected  
14 signal is called a photoplethysmogram, photoplethysmograph, pleth, or “PPG” for  
15 short.

16 Historically, motion at the measurement site could corrupt the PPG and  
17 result in “noisy” and unreliable data. By the early 1990s, Kiani and Diab had  
18 discovered their first solution to the motion problem in pulse oximetry and had  
19 developed multiple algorithms for measuring oxygen saturation. Masimo named its  
20 technology Masimo “SET” for Signal Extraction Technology. Masimo also began  
21 working on an improved pulse rate algorithm. Masimo patented some of its  
22 technology and kept other aspects secret.

23 In 1998, Masimo Corp. spun off Cercacor (formerly known as Masimo  
24 Laboratories) to carry forward some portions of Masimo’s business that were still  
25 in research and development. Kiani became Cercacor CEO, and Diab became the  
26 first employee, where he continued to work closely with Masimo. Masimo and  
27 Cercacor have a cross-licensing agreement that allows them to work together  
28 confidentially on new technologies. For example, Cercacor has focused on glucose

1 and other non-invasive parameters. Masimo and Cercacor refer to these parameters  
2 as “rainbow” parameters and named the technology “rainbow SET.” Under the  
3 relevant cross-licensing agreement, Masimo uses Cercacor’s technology and pays  
4 Cercacor a license fee and royalties.

5 Defendant Dr. Marcelo Lamego holds a Ph.D. in Electrical and Electronics  
6 Engineering from Stanford University. Upon graduating from Stanford in 2000,  
7 Dr. Lamego obtained employment as an Algorithm Engineer at Masimo  
8 Corporation. Dr. Lamego signed his first confidentiality agreement at that time.  
9 See JTX-307. In 2000, Dr. Lamego worked at Masimo for approximately six  
10 months. From 2001 to 2003, he joined the Boston Consulting Group, in São Paulo,  
11 Brazil, where he also worked as a professor at the University of São Paulo,  
12 teaching in the MBA program for Management and Product Engineering.

13 In January 2003, Masimo re-hired Dr. Lamego as a Research Scientist. At  
14 that time, Dr. Lamego signed a second Masimo confidentiality agreement. See  
15 JTX-308. In 2005, Dr. Lamego signed a third Masimo confidentiality agreement.  
16 See JTX-309.

17 In February 2007, after Diab began having health problems, Kiani selected  
18 Dr. Lamego as Masimo Labs’ (now Cercacor) next Chief Technology Officer  
19 (CTO). To facilitate this transition, Masimo exposed Dr. Lamego to its technology,  
20 including providing access to Masimo’s confidential information, such as the  
21 rainbow SET source code. Dr. Lamego also shared an office with Diab. Dr.  
22 Lamego was one of twelve employees with access to all rainbow directories on  
23 Masimo’s network. See JTX-20; JTX-26. In his new role as CTO, Dr. Lamego  
24 signed another confidentiality agreement, agreeing that his work product would  
25 belong to Cercacor and that he would not use or disclose confidential information  
26 if he left Cercacor. See JTX-310.

27 From February 2007 to January 2014, Dr. Lamego served as Cercacor’s  
28 CTO. In this role, he was responsible for the engineering team and Cercacor’s

1 research and product development. Dr. Lamego was charged with assembling a  
2 team of engineers and scientists with the goal of applying the rainbow technology  
3 to non-invasively measure glucose. Dr. Lamego also worked toward developing an  
4 accurate, wireless-wearable sensor to non-invasively monitor patient parameters  
5 such as blood oxygen. In 2013, Masimo introduced the iSpO<sub>2</sub>, the first pulse  
6 oximeter for both Apple (iOS) and Android mobile devices, which connected  
7 through a cable and was marketed for consumer use only. See JTX-40. In January  
8 2014, Dr. Lamego left Cercacor based on disagreements with Cercacor's  
9 management. After he left, Dr. Lamego worked at Apple, Inc. from January 2014  
10 until July 2014.

11       Upon leaving Apple, Dr. Lamego and his wife, Tatiana Lamego, founded  
12 Defendant True Wearables ("TW"). Dr. Lamego has been the CEO of True  
13 Wearables ever since. At True Wearables, Dr. Lamego wanted to create an  
14 inexpensive, disposable, noninvasive monitoring device. To that end, he created  
15 the Oxxiom device. Dr. Lamego intended to keep the cost of the device low by  
16 distributing processing tasks between the device and another device, such as an  
17 iPhone. To create the Oxxiom, Dr. Lamego used off-the-shelf components, such as  
18 processors, batteries, and LEDs, which he believed would be suitable components  
19 for a single-use, disposable device, and would be efficient and affordable while  
20 performing adequately. Dr. Lamego announced the Oxxiom in January 2016 and  
21 shipped the first device in August 2018.

### 22 23 **III. Findings of Fact and Conclusions of Law**

#### 24 25 **A. Jurisdiction and Venue**

26       1. The Court has subject matter jurisdiction over this action pursuant to  
27 28 U.S.C. § 1331 because these claims arise under the federal patent laws. 35  
28 U.S.C. §§ 271, 281; 28 U.S.C. § 1338(a).

1           2.     This Court has supplemental jurisdiction over Masimo’s state law  
2 claims under 28 U.S.C. § 1367(a). Masimo’s state law claims are related to the  
3 patent infringement claim such that they form part of the same case or controversy  
4 under Article III of the United States Constitution.

5           3.     The Court has personal jurisdiction over the parties and venue is  
6 proper in this Court under 28 U.S.C. §§ 1391(b) and (c) and 1400(b) because Dr.  
7 Lamego resides in, and True Wearables has its regular and established place of  
8 business in, the County of Orange within the Central District of California.

9  
10           **B.     Witness Testimony**

11           4.     Throughout the course of the bench trial, the Court had the  
12 opportunity to observe each witness as they testified in open court. The Court  
13 carefully listened to each witness’s testimony and observed their demeanor, which  
14 helped inform the Court’s overall assessment of each witness’s credibility. The  
15 Court’s credibility assessments underpin several of the findings of fact set forth in  
16 this Order. In turn, those findings of fact inform the Court’s conclusions of law.  
17 The Court’s credibility findings were especially important with respect to claims or  
18 defenses that turned on Dr. Lamego’s credibility, as he was a central witness in the  
19 case. Where the Court’s conclusions turned on a finding of credibility (or lack  
20 thereof), those findings are stated herein.

21  
22           **C.     Breach of Contract**

23           5.     To prove breach of contract, Masimo must prove (1) the existence of a  
24 contract, (2) Masimo’s performance or excuse for nonperformance, (3) Dr.  
25 Lamego’s breach, and (4) that Masimo suffered harm as a result of the breach.  
26 Oasis W. Realty, LLC v. Goldman, 51 Cal. 4th 811, 821, 250 P.3d 1115, 1121  
27 (Cal. 2011).

28           6.     If a breach causes no actual harm, it may be redressable under

1 California law because “failure to perform a contractual duty is, in itself, a legal  
2 wrong.” Elation Sys., Inc. v. Fenn Bridge LLC, 71 Cal. App. 5th 958, 965 (2021)  
3 (nominal damages and equitable relief for breach of non-disclosure agreement  
4 appropriate despite no actual harm).

5 7. Masimo bears the burden of proving breach of contract by a  
6 preponderance of the evidence. Pugh v. See’s Candies, Inc., 203 Cal. App. 3d 743,  
7 760 (Ct. App. 1988).

8 8. Masimo has satisfied all four elements of breach of contract.

9 9. First, Dr. Lamego entered into three contracts with Masimo by signing  
10 confidentiality agreements in 2000, 2003, and 2005. See Dk. 447-1, AF 7–9; Miller  
11 Direct ¶¶ 15, 23, 24; JTX-307; JTX-308; JTX-309. Dr. Lamego also entered into a  
12 contract with Cercacor by signing a confidentiality agreement in 2008. See AF-10;  
13 JTX-310.

14 10. Second, Dr. Lamego signed the agreements “in consideration of the  
15 compensation and benefits from my employment,” and he does not dispute that  
16 Masimo provided the agreed upon compensation and benefits. Thus, Masimo has  
17 shown performance.

18 11. Third, Masimo has shown Dr. Lamego’s breach of the confidentiality  
19 agreements because those agreements prohibited Dr. Lamego from taking any  
20 Masimo confidential information or property. Specifically, Dr. Lamego agreed  
21 that, “After my employment with Masimo has terminated, I will not disclose or  
22 make use of any Confidential Information for any purpose, either on my own or on  
23 behalf of another business.” JTX-307, ¶ 2. “[T]he term Confidential Information  
24 means any information in any form that Masimo considers confidential, including  
25 business plans, customer files, sales and marketing reports, technical data, prices  
26 and costs, designs and formulas, software, databases, personnel and payroll  
27 records, mailing lists, accounting records, and other business information.” Id. Dr.  
28 Lamego also agreed that, “Upon termination of my employment for any reason, I



1 will immediately assemble all property of Masimo in my possession or under my  
2 control and return it unconditionally to Masimo.” Id. ¶ 11.

3 12. At trial, Dr. Lamego admitted that, upon leaving Cercacor in January  
4 2014, he kept certain documents, including:

- 5 • A recommendation letter from Kiani on behalf of Dr. Lamego (JTX-311 at  
6 Ex. 2);
- 7 • One page of a 2013 email exchange in which Kiani praised Dr. Lamego as  
8 the “leading scientist in the world on noninvasive blood constituent  
9 monitoring” (JTX-311 at Ex. 3; JTX-312 at Ex. 4);
- 10 • A recommendation letter from Diab on behalf of Dr. Lamego (JTX-311 at  
11 Ex. 4);
- 12 • A 2014 email exchange between Kiani and Gerry Hammarth (CFO of  
13 Cercacor) regarding the whereabouts of Dr. Lamego’s employment  
14 agreements (JTX-311 at Ex. 9);
- 15 • An email exchange between Masimo’s counsel and Dr. Lamego confirming  
16 Plaintiffs had copies of Dr. Lamego’s employment agreements and Dr.  
17 Lamego did not have access to them at Cercacor (JTX-311 at Ex. 9; JTX-  
18 312 at Ex. 9);
- 19 • A presentation Dr. Lamego gave at Masimo during his first two weeks of  
20 employment in 2000 discussing the Beer-Lamber Model, third party  
21 published works, extrapolations, and generalizations made in the subject of  
22 light transport in biological tissues (JTX-312 at Ex. 2);
- 23 • A 2010 email exchange in which Kiani called Dr. Lamego “one of the  
24 smartest, if not the smartest, person I know” (JTX-312 at Ex. 5);
- 25 • A 2010 email exchange in which Kiani praised Dr. Lamego and his Cercacor  
26 team after a presentation (JTX-312 at Ex. 6);
- 27 • A series of emails, without their attachments, disseminating workshops that  
28 Dr. Lamego prepared to give to Cercacor engineers (JTX-313 at

1 TRUE016662–81);

- 2 • A 2012 email exchange between Kiani and Dr. Lamego discussing Dr.  
3 Lamego’s potential attendance at an FDA meeting (JTX-313 at  
4 TRUE016694–96);
- 5 • Several 2012 email exchanges between Kiani and Dr. Lamego discussing  
6 Cercacor’s hiring process and hiring an engineer over Dr. Lamego’s  
7 objections, which also contain sensitive and confidential information such  
8 as: (1) engineer salaries; (2) the amount Cercacor spent acquiring a  
9 company; (3) the amount Cercacor spent researching non-invasive glucose;  
10 and (4) Kiani’s confidential assessment of the business risks posed by one of  
11 Cercacor’s competitors. (JTX-313 at TRUE016697–715)

12 See 3/18 Tr. 10:21–24, 11:16–19 (Dr. Lamego: “One hundred percent sure that I  
13 took it.”).

14 13. Dr. Lamego acknowledged that each of the emails he took includes an  
15 express confidentiality notice. Id. at 12:22–25; JTX-313. Dr. Lamego did not have  
16 permission to take these confidential documents. See 3/15 Tr. 129:13–131:11. The  
17 information contained therein qualifies as “Confidential Information” under the  
18 agreements.

19 14. Additionally, as explained below in the context of the trade secrets  
20 claim, Dr. Lamego took certain confidential trade secret information for his own  
21 use, and used that information at his new company, True Wearables.

22 15. Fourth, Masimo has shown that it suffered harm as a result of the  
23 breach. Dr. Lamego’s breach of three confidentiality agreements harmed Masimo,  
24 because its confidential information is valuable, and because Dr. Lamego’s breach  
25 threatens Masimo’s competitive advantage and the exclusivity of its confidential  
26 information. Dr. Lamego’s breach of his confidentiality agreement harmed  
27 Cercacor, because Cercacor places significant value on its confidential information,  
28 and because Dr. Lamego’s breach causes Cercacor to lose the competitive

1 advantage from maintaining the exclusivity of its confidential information.

2 Defense: Void Contracts

3 16. In defense of the breach of contract claims, Dr. Lamego has not  
4 proven his counterclaim, that is, the confidentiality agreements are void because  
5 they restrained Dr. Lamego from engaging in a lawful profession, trade, or  
6 business under Cal. Bus. & Prof. Code § 16600.

7 17. The provisions that Masimo seeks to enforce relate to removing  
8 confidential information and company property; those provisions do not restrain  
9 Dr. Lamego from engaging in a lawful profession, trade, or business.

10 18. Even assuming other provisions in the agreements could impose such  
11 restrictions, those provisions would not void the entire agreement. See Cal. Bus. &  
12 Prof. Code § 16600 (improper restraint voids agreement “to that extent,” but the  
13 remainder of agreement remains enforceable); Lawrence Crane Enters., Inc. v.  
14 Abrams, No. CV 11-7797-DMG (AGRx), 2013 WL 12123997, at \*5 (C.D. Cal.  
15 Jan. 28, 2013) (voiding some non-compete contract provisions as violating public  
16 policy under § 16600 did not void other provisions “prohibit[ing] the use of  
17 confidential and proprietary information, including trade secrets, except in the  
18 course of employment with Plaintiffs”); Cal. Civ. Code § 1599 (“Where a contract  
19 has several distinct objects, of which one at least is lawful, and one at least is  
20 unlawful, in whole or in part, the contract is void as to the latter and valid as to the  
21 rest.”).

22 19. Defendants have failed to show that the agreements are unenforceable  
23 as to the breached provisions. Thus, Masimo’s narrow breach of contract claims  
24 are not barred by Cal. Bus. & Prof. Code § 16600.

25  
26 **D. Breach of Fiduciary Duty**

27 20. To prove a breach of fiduciary duty, Cercacor must prove (1)  
28 existence of a fiduciary duty; (2) breach of the fiduciary duty; and (3) damage

1 proximately caused by the breach. Gutierrez v. Girardi, 194 Cal. App. 4th 925, 932  
2 (2011).

3 21. Corporate officers owe fiduciary duties to the corporation. Oakland  
4 Raiders v. Nat'l Football League, 131 Cal. App. 4th 621, 632 (2005). "Inherent in  
5 each of these relationships is the duty of undivided loyalty." Wolf v. Superior Ct.,  
6 107 Cal. App. 4th 25, 30 (2003).

7 22. Cercacor bears the burden of proving breach of fiduciary duty by a  
8 preponderance of the evidence. Kanbar v. Kaufman, No. C 07-2123 VRW, 2008  
9 WL 11408996, at \*14 (N.D. Cal. Oct. 22, 2008), aff'd, 372 F. App'x 694 (9th Cir.  
10 2010).

11 23. Cercacor has satisfied all three elements of breach of fiduciary duty.

12 24. First, it is undisputed that, as Cercacor's Chief Technical Officer, Dr.  
13 Lamego owed Cercacor a fiduciary duty of undivided loyalty. Accord JTX-301 at  
14 1 (Dr. Lamego acknowledging "fiduciary responsibilities as the Chief Technical  
15 Officer of Cercacor").

16 25. Second, Cercacor has proven breach of that duty in connection with  
17 an October 24, 2013 presentation that Dr. Lamego, then-CTO of Cercacor, gave to  
18 the Board of Directors. Because the harm that flows from this breach relates to the  
19 parameters deemed the "Chem 5 panel," the Court's analysis of this claim focuses  
20 on the Chem 5 panel. See Lamego ¶ 30 (the Chem 5 panel included the following  
21 parameters: [REDACTED]  
22 [REDACTED])

23 26. Dr. Lamego's presentation discussed the feasibility of technology that  
24 Cercacor engineers had been developing for noninvasively measuring 20 blood  
25 parameters, including the Chem 5 panel. See Merritt Direct ¶ 22; JTX-83.

26 27. As early as 2007, Dr. Lamego began working on solving noninvasive  
27 glucose, which was deemed the "Hummingbird Project." See Kiani ¶ 87; JTX-718.  
28 In 2010, Dr. Lamego proposed a hybrid device/sensor to noninvasively measure

1 glucose. Kiani ¶ 177 (quoting JTX-746 (executive summary)).

2 28. In 2011, before glucose was solved, Dr. Lamego told Kiani he was  
3 resigning from Cercacor. Kiani ¶¶ 145–46; JTX-1083. Kiani encouraged Dr.  
4 Lamego to stay, and Dr. Lamego agreed to stay “until feasibility is proved or  
5 disproved for Gu,” i.e., glucose. Kiani ¶ 147; JTX-1083.

6 29. Dr. Lamego kept working on glucose and informed Kiani that he  
7 made great progress on noninvasively measuring glucose and several other  
8 parameters that normally require a blood draw. Kiani ¶ 167. Dr. Lamego told Kiani  
9 that a number of these new parameters were ready to start building into products  
10 and obtaining regulatory clearances. Id. ¶ 168.

11 30. As a result, Kiani asked Dr. Lamego to present his progress on the  
12 new parameters to Cercacor’s Board of Directors, which resulted in the relevant  
13 October 24, 2013 presentation. See JTX-73; Kiani ¶ 169; Diab ¶ 241; Chen ¶¶  
14 91–92. Dr. Lamego delivered the presentation using PowerPoint slides. JTX-305;  
15 JTX-306; 3/17 Tr. 158:15–18, 159:24–160:4; 3/18 Tr. 86:3–8.

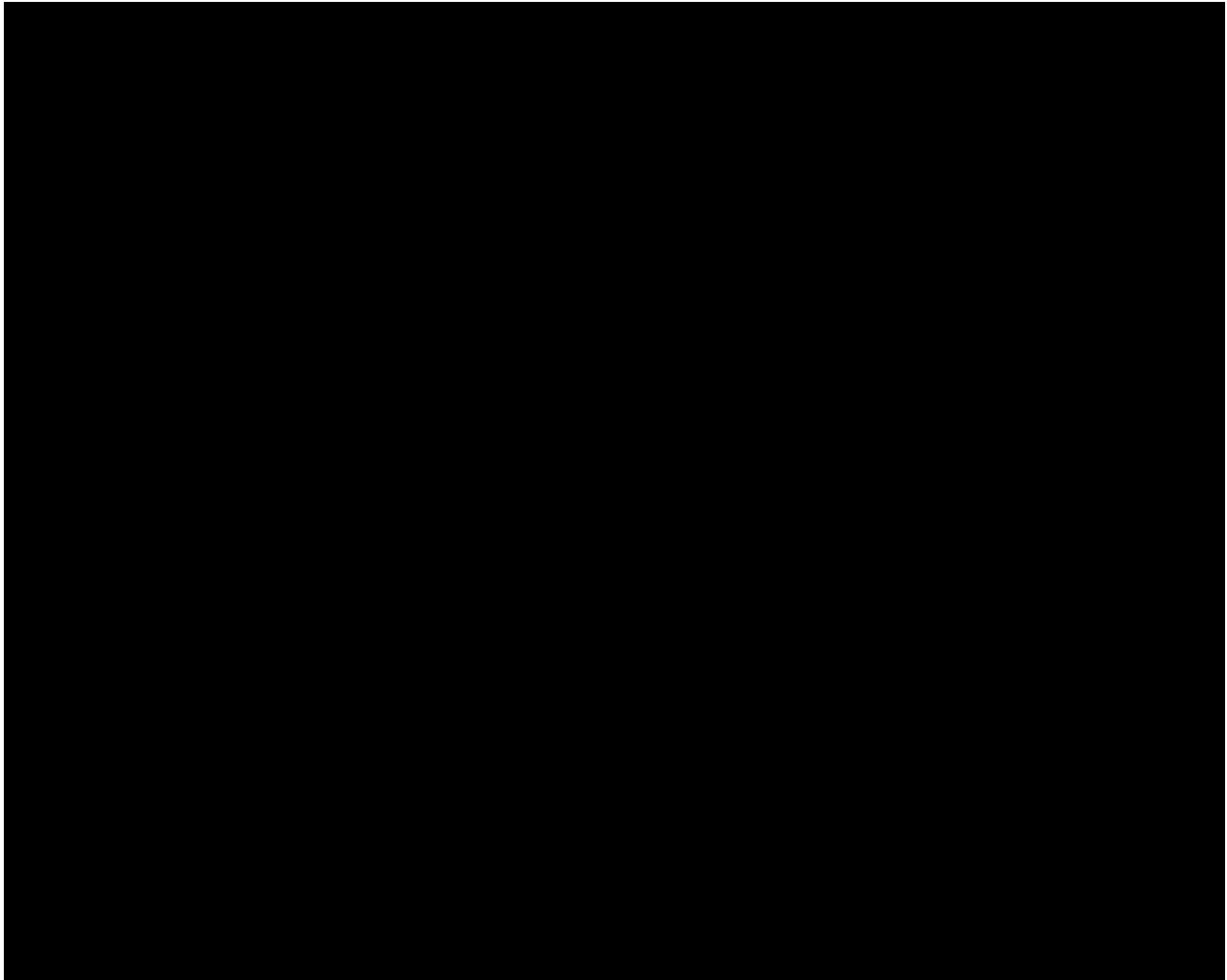
16 31. Kiani and Diab attended the presentation. JTX-934; Diab ¶ 240;  
17 Kiani ¶ 169. Hammarth also attended the presentation as CFO and corporate  
18 secretary. JTX-953; Hammarth ¶¶ 31–33. Others on Dr. Lamego’s team who  
19 reviewed the slides before Dr. Lamego’s presentation, including Sean Merritt,  
20 Cristiano Dalvi, Ferdyan Lesmana, Jeroen Poeze, Hung Vo, Jesse Chen, Mathew  
21 Paul, Kevin Pauly, and Hoi Wong, did not attend the presentation and thus lack  
22 personal knowledge regarding what Dr. Lamego said during the presentation.

23 32. During the presentation, Dr. Lamego told the board about his progress  
24 on the new parameters. JTX-73; 3/15 Tr. 92:20–93:3. Dr. Lamego said the  
25 parameters, including glucose, could be measured using Cercacor’s sensor,  
26 originally designed for glucose. JTX-73 at MASM0087868; JTX-306 at  
27 MASM0113841–42; Kiani ¶¶ 170–171, 173.

28 33. Dr. Lamego explained that he successfully measured glucose using

1 “patient-dependent calibration,” whereas he measured the other parameters using  
2 global calibration. See JTX-73 at MASM0087868; JTX-306 at  
3 MASM0113841–42, MASMO0113900; JTX-746; Kiani ¶¶ 170, 174–75; Diab  
4 ¶¶242, 244.

5 34. Kiani was excited by Dr. Lamego’s reported results and  
6 corresponding proposal to deliver a commercial product measuring fifteen new  
7 parameters in one year, as shown below. JTX-73 at MASM0087894,  
8 MASM0087808, MASM0087868; Kiani ¶¶ 180–83, 187; Diab ¶ 243.



1 35. Although Dr. Lamego conveyed enthusiasm about the feasibility of  
2 the tested parameters during the presentation, at trial he explained that when he  
3 said the parameters were feasible, he meant only that his results merited further  
4 investigation and development. See Lamego ¶ 27; Merritt ¶ 25.

5 36. Dr. Lamego’s presentation advises that, “[m]ore clinical studies are  
6 required to validate all the 20 noninvasive parameters measured by the glucose AP  
7 sensor;” and “[t]hese are preliminary results and a clinical data collection with a  
8 larger subject population is needed to confirm the results and assess overall  
9 performance.” See Merritt ¶ 26; JTX-306 at MASM0113900–14. Kiani explained  
10 that additional clinical studies are always required to support regulatory  
11 submissions for new products. Kiani ¶ 180.

12 37. At trial, Dr. Lamego admitted that, although he did not believe  
13 Cercacor could meet the dates set forth in the timeline he presented to the board, he  
14 did not reveal this to the board. Compare JTX-306 at MASM0113926 (timeline),  
15 with 3/18 Tr. 87:6–91:14 (“THE COURT: Did you believe that would occur? . . .  
16 THE WITNESS: I don’t believe that we will be able to have that [done] . . . .”;  
17 “THE COURT: Did you believe that date? THE WITNESS: To tell you the truth,  
18 no.”; “THE COURT: Did you believe that was a realistic date? THE WITNESS: I  
19 did not believe that this was possible even with the tests we had . . . . THE  
20 COURT: At this meeting of the board, did you tell the board members that date is  
21 not realistic? THE WITNESS: Well, I did not say that . . . .”).

22 38. At trial, Dr. Lamego also criticized the data he had presented  
23 favorably to the board, stating that the data look like the product of a random  
24 number generator. 3/17 Tr. 173:1–5 (“[J]ust looking at the scatter plot you can see  
25 there’s no clinical accuracy. You don’t have to be an engineer to understand that  
26 those scatter plots are almost random number generators.”).

27 39. By representing feasibility of the parameters to the board, alongside  
28 specific manufacturing and regulatory timelines, even when Dr. Lamego believed

1 the data was not clinically accurate and the timelines were not realistic, Dr.  
2 Lamego breached his duty of loyalty to Cercacor.

3 40. Fourth, Cercacor has proven damages proximately caused by Dr.  
4 Lamego's breach.

5 41. Before Masimo decided whether to license from Cercacor any of the  
6 parameters tested by Dr. Lamego, Masimo tasked its board member and practicing  
7 clinical anesthesiologist, Dr. Steven Barker, with reviewing Dr. Lamego's findings.  
8 Kiani ¶¶ 186–87; Barker ¶ 9; 3/16 Tr. 89:13–24. Dr. Barker did so and  
9 recommended that Masimo license the Chem 5 panel from Cercacor, but not  
10 license the glucose parameter (SpGu). See Barker ¶¶ 21–22; Lamego ¶ 30; 3/16 Tr.  
11 87:5–15; JTX-1160.

12 42. In evaluating Masimo's market opportunity, Barker relied on and  
13 made recommendations based upon Dr. Lamego's representation of accuracy of the  
14 parameters. 3/16 Tr. 90:6–10. Barker's conclusions were based on his impression  
15 as a practicing clinician and anesthesiologist who would use the measurements on  
16 patients. 3/16 Tr. 82:9–25; see also id. 88:23–90:10.

17 43. Kiani shared Dr. Barker's recommendation with Dr. Lamego and sent  
18 him Barker's report. Dr. Lamego responded: "Great!!! Thank you!" JTX-1159;  
19 JTX-1160; Kiani ¶ 193. Throughout this process, Dr. Lamego did not tell Barker,  
20 Kiani, or anyone else that his timeline was unrealistic or that the data lacked  
21 clinical significance. 3/18 Tr. 91:24– 93:15 (Dr. Lamego testified: "I didn't believe  
22 based on the data we had that that dat[a] was clinically significant.").

23 44. Relying on Dr. Lamego's presentation, the board authorized the  
24 additional resources requested by Dr. Lamego to meet his proposed timeline,  
25 including approving hiring new engineers. JTX-73 at MASM0087808; Kiani ¶¶  
26 184–85; 3/15 Tr. 96:1-13. These resources would not have been approved for a  
27 product where feasibility remained in question. Kiani ¶ 182.

28 45. Also relying on Dr. Lamego's representations, Masimo approved



1 licensing the Chem 5 panel from Cercacor for licensing fees totaling \$2.5 million,  
2 which eventually had to be returned due to lack of feasibility. JTX-1368; JTX-936;  
3 Kiani ¶¶ 189–92, 210; Barker ¶¶ 18, 23; Hammarth ¶ 32.

4 46. By causing Cercacor to expend additional resources in furtherance of  
5 Dr. Lamego’s claimed feasibility and proposed timeline, in which he himself did  
6 not believe, and by causing Cercacor to later return the Chem 5 panel licensing fees  
7 to Masimo, Dr. Lamego’s breach of fiduciary duty proximately harmed Cercacor.  
8 See Kiani ¶¶ 206–07; Diab ¶ 248; Hammarth ¶ 37; JTX-826.

9 Defense: Statute of Limitations

10 47. In defense of Cercacor’s breach of fiduciary duty claim, Dr. Lamego  
11 has not proven that the statute of limitations bars this claim.

12 48. California applies a four-year statute of limitations to claims for  
13 breach of fiduciary duty. In re Brocade Commc’ns Sys., Inc. Derivative Litig., 615  
14 F. Supp. 2d 1018, 1036 (N.D. Cal. 2009) (citing Cal. Code Civ. P. § 343).

15 49. “Under the ‘discovery rule,’ the statute of limitations begins to run  
16 when a plaintiff discovers, or has reason to discover, the cause of action.” See  
17 Klang v. Pflueger, No. 13-1971, 2014 WL 4922401, at \*6 (C.D. Cal. July 10,  
18 2014) (Selna, J.).

19 50. “A plaintiff seeking to utilize the discovery rule must plead facts to  
20 show his or her inability to have discovered the necessary information earlier  
21 despite reasonable diligence.” Fox v. Ethicon Endo-Surgery, Inc., 35 Cal. 4th 797,  
22 815, 110 P.3d 914, 925 (Cal. 2005). “Indeed, it would be difficult to describe a  
23 cause of action filed by a plaintiff, before that plaintiff reasonably suspects that the  
24 cause of action is a meritorious one, as anything but frivolous.” Id.

25 51. Defendants have not shown that by April/May 2014, or at the latest  
26 August 2014, Cercacor should have reasonably suspected that Dr. Lamego  
27 breached his duty of loyalty, and thus the four-year statute of limitation began to  
28 run.

1           52. Although Dr. Lamego resigned from Cercacor to join Apple a few  
2 months after giving his October 2013 presentation, see Kiani ¶ 195; JTX-303, an  
3 employee leaving for a competitor does not in and of itself provide a sufficient  
4 reason for an employer to discover breach of fiduciary duty generally. And in this  
5 case, it would not have given Cercacor a reason to discover that Dr. Lamego’s  
6 feasibility data was not clinically accurate and that Dr. Lamego knew it. Although  
7 Kiani, Diab, and other Cercacor engineers were surprised that Dr. Lamego left,  
8 Diab ¶ 247; Kiani ¶ 203; 3/18 Tr. 154:25–155:2, this does not trigger a claim for  
9 breach of fiduciary duty.

10           53. Relatedly, Plaintiffs did not know that, around the time of the October  
11 2013 presentation, Dr. Lamego emailed Apple CEO Tim Cook concerning helping  
12 Apple solve Glucose. Plaintiffs did not learn of the email until this litigation, so it  
13 could not have put Plaintiffs on notice concerning this claim. Kiani ¶ 194; 3/17 Tr.  
14 131: 8–10. Further, nothing suggests that Plaintiffs should have reasonably  
15 discovered the email earlier.

16           54. Cercacor’s decision to retest Dr. Lamego’s data also does not trigger  
17 the discovery rule. After Dr. Lamego left Cercacor, under Merritt’s direction,  
18 Cercacor retested the feasibility of the parameters Dr. Lamego presented to the  
19 board. Kiani ¶ 203; 3/18 Tr. 156:10–17; Merritt ¶¶ 31–36; JTX-405.

20           55. Following retesting, Cercacor observed that the correlation results  
21 were much lower than what Dr. Lamego presented. Kiani ¶ 204. Merritt began to  
22 question the integrity of the data. 3/18 Tr. 157:3–158:12.

23           56. Cercacor was unable to validate feasibility on any of the parameters  
24 presented by Dr. Lamego, so it decided it may have to refund Masimo’s \$2.5  
25 million license-fee payment. Kiani ¶¶ 206–09; JTX-826 at MASM0113485;  
26 JTX-29 at MASM0113478–79; JTX-938 at MASM0129823; Diab ¶¶ 248–49;  
27 Hammarth ¶¶ 35–40.

28           57. Although Cercacor conducted further investigation, which confirmed

1 by April/May 2014 and no later than August 2014 that progress on these  
2 parameters and potential technologies was different than what Dr. Lamego  
3 presented, Merritt ¶¶ 4, 36; JTX-826, 3/16 Tr. 59:15–18, nothing gave Cercacor a  
4 reason to suspect that this was because Dr. Lamego misrepresented the clinical  
5 accuracy of the data (i.e., breached his duty of loyalty), as opposed to some other  
6 data- or test-driven reason.<sup>1</sup>

7 58. The fact that Dr. Lamego admitted, years later at trial, that he never  
8 believed Cercacor could meet the dates he proposed or in the integrity of the data  
9 he presented, could not have given rise to a reason to suspect, in 2014, that Dr.  
10 Lamego breached his duty of loyalty. Accordingly, the discovery rule does not bar  
11 the claim as of April/May or August 2014.

12 59. This is especially true where Plaintiffs were given other  
13 contemporaneous indicia of Dr. Lamego’s continuing loyalty to his former  
14 employer. Kiani ¶¶ 201, 202, 204, 205; 3/15 Tr. 10:7–12, 16:1–4, 111:2–3. For  
15 example, when Dr. Lamego left Cercacor for Apple, he told Kiani he was going to  
16 be working on something completely different; and, when Dr. Lamego left Apple,  
17 Dr. Lamego’s close friend Dalvi reported to Kiani that Dr. Lamego left because  
18 Apple asked him to compete with Masimo. Kiani ¶¶ 205, 215.

19 60. Plaintiffs allege that, under the discovery rule, the statute of  
20 limitations on this claim did not begin to run until January 2016, when Dr. Lamego  
21 announced his founding of True Wearables and planned release of the Oxxiom  
22 device. Because this information would have triggered a reason to suspect Dr.  
23 Lamego’s loyalty to his former employer, and because Defendants present no  
24 earlier date on which the statute reasonably should have begun to run based on the  
25

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26  
27 <sup>1</sup> During closing argument, Defendants noted that, in reviewing Dr.  
28 Lamego’s analysis, Merritt did not conclude that Dr. Lamego did anything  
intentionally wrong. 5/16 Tr. 29:7-11.

1 discovery rule, this claim is timely.

2  
3 **E. Trade Secrets**

4 61. To prove a claim for misappropriation under the California Uniform  
5 Trade Secrets Act (CUTSA), Masimo must prove (1) the existence and ownership  
6 of a trade secret, and (2) misappropriation of the trade secret. Cal. Civ. Code §  
7 3426.1.

8 62. Under CUTSA, a trade secret is information that: (1) derives  
9 independent economic value, actual or potential, from not being generally known  
10 to the public or to other persons who can obtain economic value from its disclosure  
11 or use; and (2) is the subject of efforts that are reasonable under the circumstances  
12 to maintain its secrecy. Cal. Civ. Code § 3426.1(d).

13 63. “The standard to show that trade secrets derive [independent]  
14 economic value is not a high standard.” Cisco Sys., Inc. v. Chung, 462 F. Supp. 3d  
15 1024, 1052 (N.D. Cal. 2020). “To have independent economic value, a trade secret  
16 must be sufficiently valuable and secret to afford an actual or potential economic  
17 advantage over others.” Id.

18 64. “The [generally known] inquiry is not whether the alleged trade secret  
19 has been publicly disclosed at all, but whether it has become ‘generally known to  
20 the relevant people, i.e., potential competitors or other persons to whom the  
21 information would have some economic value[.]’” Kittrich Corp. v. Chilewich  
22 Sultan, LLC, No. CV 12-10079-GHK-ARGx, 2013 WL 12131376, at \*4 (C.D.  
23 Cal. Feb. 20, 2013) (quoting DVD Copy Control Ass’n, Inc. v. Bunner, 116 Cal.  
24 4th 241, 251 (2004)).

25 65. Masimo bears the burden of proving trade secret misappropriation by  
26 a preponderance of the evidence. Sargent Fletcher, Inc. v. Able Corp., 110 Cal.  
27 App. 4th 1658, 1667 (2003).

28 66. As an initial matter, the Court finds that Masimo has proven that

1 Asserted Trade Secrets 1 (partial), 8, 9, and 12 meet the requirements of Cal. Civ.  
2 Code § 3426.1(d)(2), because Masimo made reasonable efforts to maintain their  
3 secrecy. For the reasons explained below, alleged TS5 and TS11 do not qualify for  
4 trade secret protection.

5  
6 **Trade Secret 1:** [REDACTED]

7 67. Trade Secret 1 is: [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]

14 68. Masimo has demonstrated the existence and ownership of TS1 with  
15 respect to pulse rate and oxygen saturation. For example, ADS-1022 explains how  
16 Masimo uses TS1 in the Masimo SET pulse-rate algorithm. See JTX-491 at 6;  
17 McNames ¶¶ 48–68; see also 3/15 Tr. 200:23–201:21 (Diab testifying that ADS-  
18 1022 discloses TS1 [REDACTED]<sup>2</sup>

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19  
20  
21 <sup>2</sup> To the extent Defendants’ objection to Diab’s direct testimony implicates this  
22 trial testimony because it references paragraph 99 of Diab’s direct testimony, see Dkt. 501 at 5,  
23 the objection is overruled. Defendants object on the basis that it lies “beyond the scope of Diab’s  
24 previously served Expert Disclosure of Mohamed Diab pursuant to Fed. R. Civ. P. 26(a)(2)(C)  
25 (June 21, 2021) [available at Dkt. 573-4].” Dkt. 501 at 5. But the scope of Diab’s expert  
26 disclosure includes but is not limited to the fact that he “ha[s] developed physiological parameter  
27 measurement technologies for over 30 years,” including “development of signal processing  
28 technologies to extract physiological data reliably and efficiently from detected signals from  
multiple light sources after it passes through patient tissue.” Dkt. 573-4 ¶ 3; see also *id.* ¶¶ 4–8  
(explaining measuring oxygen saturation and pulse rate). Diab further disclosed that he “ha[s]  
worked on algorithms to process and filter PPGs and related parameters for over 30 years while  
at Masimo.” *Id.* ¶ 9. Accordingly, Diab’s testimony concerning [REDACTED]  
falls within this scope.

1 Cercacor’s source code also contains a complete implementation of TS1 with  
2 respect to pulse rate and SpO<sub>2</sub> (oxygen saturation). See McNames ¶¶ 71–82; 3/17  
3 Tr. 56:25–58:2; JTX–76; Chen ¶¶ 79–81; see also Silvaco Data Sys. v. Intel Corp.,  
4 184 Cal. App. 4th 210, 222, 109 Cal. Rptr. 3d 27, 39 (2010) (source code is a trade  
5 secret), as modified on denial of reh’g (May 27, 2010), and disapproved on other  
6 grounds by Kwikset Corp. v. Superior Ct., 51 Cal. 4th 310, 246 P.3d 877 (2011).

7 69. Masimo has not demonstrated the existence and ownership of this  
8 trade secret as it relates to perfusion index (pulse strength/blood flow).

9 70. Diab testified that he was involved in developing this technique,  
10 which was designed to improve the pulse rate algorithm, but he did not identify  
11 development or use of the technique with respect to perfusion index. See generally  
12 Diab ¶ 62; compare id. at ¶ 63 (discussing his [REDACTED] concept for pulse  
13 rate), with id. ¶ 67 (discussing concept in context of oxygen saturation).

14 71. Although Diab testified that this [REDACTED]  
15 [REDACTED]  
16 [REDACTED] id. ¶ 69, no evidence was presented concerning applying  
17 this technique to improve perfusion index accuracy. The Court assumes that if  
18 Masimo had employed it in this specific manner, this evidence would be readily  
19 available, as it was for pulse rate and oxygen saturation.

20 72. For the portion of TS1 that has been established, Masimo has also  
21 demonstrated that it derives independent economic value from being secret.

22 73. Dr. McNames explained that TS1 provides a “competitive edge to  
23 Masimo” because “Masimo uses it to ensure that the measured parameters are  
24 robust in the presence of noise.” McNames ¶ 70. Further, [p]ulse oximetry  
25 measurements are sensitive to movement and data is easily corrupted,” so  
26 “[d]esigning algorithms that are robust to outliers improves performance.” Id.  
27 “There is value in having better performance than the competition.” Id.

28 74. Therefore, the Court agrees with Dr. McNames that “Trade Secret 1

1 has value from not being used by competitors.” Id. Likewise, Diab explained that  
2 the ability of Masimo’s pulse oximeters to provide more accurate results makes  
3 them superior to competitor products. See, e.g., Diab ¶¶ 83–85; accord Diab Rule  
4 26 Disclosure ¶ 11 (Dkt. 573-4).

5 75. Masimo has met its burden to demonstrate that Defendants  
6 misappropriated the established portion of TS1.

7 76. “Plaintiffs alleging trade secret misappropriation may prove such  
8 misappropriation by circumstantial as well as direct evidence.” Brocade Commc’ns  
9 Sys., Inc. v. A10 Networks, Inc., 873 F. Supp. 2d 1192, 1212 (N.D. Cal. 2012), on  
10 reconsideration in part, No. C 10-3428 PSG, 2012 WL 12925716 (N.D. Cal. July  
11 8, 2012).

12 77. To establish misappropriation, transfer of “the information need not  
13 be in writing but may be in the employees’ memory.” Mattel, Inc. v. MGA Ent.,  
14 Inc., 782 F. Supp. 2d 911, 967 (C.D. Cal. 2011) (citing Greenly v. Cooper, 77 Cal.  
15 App. 3d 382, 392, 143 Cal. Rptr. 514, 521 (1978)).

16 78. Diab testified that, “over many months, [he] provided Dr. Lamego the  
17 details” of TS1, including [REDACTED]  
18 [REDACTED] Diab ¶ 97;  
19 see also id. at 122. Further, Diab explained that Dr. Lamego had access to ADS-  
20 1022. Id. ¶ 98.

21 79. Although Masimo did not present direct evidence of misappropriation,  
22 strong circumstantial evidence supports a finding of misappropriation. For  
23 example, at trial, Defendants’ expert, Dr. Chris Daft, admitted that the Oxxiom  
24 [REDACTED] and that  
25 this improves the performance of the Oxxiom. 3/18 Tr. 194:17–195:11.

26 80. Additionally, the Oxxiom pulse rate algorithm [REDACTED]  
27 [REDACTED] McNames ¶ 91. The function  
28 “calculatesAverageMeasurements” calls the function [REDACTED] using the

1 [REDACTED] Id. ¶ 92. [REDACTED]

2 [REDACTED] See Diab ¶¶ 63, 120, 123; see also McNames ¶ 64 (term not used  
3 elsewhere); accord Daft ¶ 105; 3/18 Tr. 195:18–197:8 (Daft, same); 3/22 Tr.  
4 50:20–51:23 (Baer, same). This “fingerprint” found in the Oxxiom source code  
5 supports misappropriation. See generally McNames ¶ 64; 3/22 Tr. 118:6–119:20.

6 81. Defendants attempted to distinguish Oxxiom’s code from TS1, but the  
7 Court finds persuasive Dr. McNames’s testimony that Masimo’s [REDACTED]  
8 takes [REDACTED]

9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED] 3/22 Tr. 119:13–18.

12 82. Accordingly, the Court concludes that Defendants misappropriated  
13 TS1.

14 83. In the context of is trade secrets analysis, the Court sustains  
15 Defendants’ objections to the McNames testimony that was not disclosed in his  
16 June 21, 2021 expert report. See Dkt. 501, at 16–20. Although the Court set dates  
17 for rebuttal report (see Dkt. 141), no rebuttal report was produced of which the  
18 Court is aware. Accordingly, the rebuttal opinions that were apparently introduced  
19 for the first time at trial violate Rule 26(e)(2). Plaintiffs have not provided any  
20 analysis suggesting why this information could come in for the first time at trial,  
21 and it is therefore excluded. See Fed. R. Civ. P. 37(c).

22 84. The Court finds unpersuasive Defendants’ argument that TS1 was  
23 generally known to the public or other persons who can obtain economic value  
24 from its disclosure or use, particularly in the relevant field.

25 85. Defendants’ expert Baer did not offer an opinion to rebut Plaintiffs’  
26 evidence on this point. 3/22 Tr. 47:9–15.

27 86. The Court disagrees with Defendants’ expert Daft that JTX-463, U.S.  
28 Patent No. 9,675,286 assigned to Masimo, publicly disclosed [REDACTED]



1 [REDACTED] TS1 [REDACTED] Cf. Daft ¶  
2 104 [REDACTED] ADS-1022 (JTX-  
3 491) and Cercacor source code are “a matter of general knowledge to persons in  
4 the signal processing and pulse oximetry industry”). The Court finds this opinion  
5 conclusory and therefore unhelpful. See, e.g., Cellspin Soft, Inc. v. Fitbit, Inc., No.  
6 4:17-CV-05928-YGR, 2022 WL 2784467, at \*1 (N.D. Cal. June 15, 2022)  
7 (declining to give weight to conclusory expert opinion). In contrast, the Court finds  
8 helpful the detailed testimony cited above concerning the uniqueness of Masimo’s  
9 [REDACTED]

10 87. None of Daft’s other cited references disclose TS1. See Daft ¶ 106;  
11 3/18 Tr. 193:5–194:16 [REDACTED]  
12 199:9–205:5 [REDACTED]  
13 [REDACTED] 3/18 Tr. 194:1–16 [REDACTED]  
14 [REDACTED]

15 88. The Court agrees with McNames that the Oxxiom contains all of the  
16 elements of the established portion of TS1. See McNames ¶¶ 83–97.

17 89. Because the Court finds persuasive McNames’s opinion on TS1, the  
18 Court disagrees with Daft that the Oxxiom lacks the TS1 elements [REDACTED]  
19 [REDACTED] and [REDACTED]  
20 [REDACTED] Daft ¶ 116.

21 90. Based on the foregoing, the Court finds that Defendants  
22 misappropriated the established portion of TS1.

23  
24 **Trade Secret 5:** [REDACTED]

25 91. Trade Secret 5 is: [REDACTED]

26 [REDACTED]  
27 [REDACTED]  
28 [REDACTED]

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92. Kiani testified that Masimo maintained the confidentiality of TS5 until 2019, when it publicly announced the Radius PPG (for the professional care field) in 2019, and Masimo Sleep (for consumer). Kiani ¶¶ 127–28; 3/15 Tr. 138:8–139:5.

93. If the Radius PPG embodies TS5, then the Court find that TS5 either does not constitute a trade secret or it does not derive independent economic value from being secret in light of other wireless, wearable pulse oximeters and/or sensors available at the relevant time. That Masimo believes it created a device superior to prior devices does not mean this stated “plan” qualifies as a trade secret.

94. For example, the Mendelson Publication, published in 2005, discloses a wireless and wearable pulse oximeter that can be used inside and outside the patient care field. JTX-251. Although this device uses IEEE 802.11b rather than Bluetooth, the Court agrees with Daft that, because Bluetooth was being incorporated in medical devices starting in 2003, “the public and those who can obtain economic value from Trade Secret 5 would have been well aware that Bluetooth could also be used in connection with the device disclosed in this publication.” Daft ¶ 129.

95. As another example, the Morris Publication, published in 2008, discloses a wireless wearable pulse oximeter that uses Bluetooth. JTX-249. The disclosed device could be used by “home users, researchers, clinicians, etc.” See *id.* Fig. 3 & ¶¶ 21, 25, 29.

96. Daft provided an additional example of a commercially available

1 wireless wearable pulse oximeters. Daft ¶ 131 (e.g., Nonin Onyx II Model 9560,  
2 JTX-2997).<sup>3</sup>

3 97. To the extent Masimo attempts to distinguish such devices from the  
4 Radius PPG and Oxxiom because the devices are not disposable, TS5 does not  
5 mention disposability.

6 98. Plaintiffs argue that the publications and products relied on by Daft do  
7 not show Masimo's [REDACTED] but this argument is  
8 unpersuasive because TS5 does not identify any such [REDACTED]  
9 besides what Plaintiffs have disclosed as the trade secret. Plaintiffs may not expand  
10 the definition now. To the extent the [REDACTED] were to fill [REDACTED]  
11 by creating an improved device, as stated, this cannot be a trade secret because  
12 such devices were publicly known.

13 99. Masimo cites no authority supporting the proposition that having a  
14 plan to create an improved device vis-a-vis other available devices can constitute a  
15 trade secret. See Agency Solutions.Com, LLC v. TriZetto Grp., Inc., 819 F. Supp.  
16 2d 1001, 1017 (E.D. Cal. 2011) (“Ideas or concepts are not, in and of themselves,  
17 trade secrets. [Likewise,] [p]roprietary ways of doing the same thing that others in  
18 the same field do are not trade secrets.” (citations omitted)).

19 100. Because Masimo has not shown the existence and ownership of a  
20 trade secret, there can be no misappropriation. See Cal. Civ. Code § 3426.1.

21  
22 **Trade Secret 8:** [REDACTED]

23 101. Trade Secret 8 is: [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

26  
27 <sup>3</sup> The Court overrules Plaintiffs’ hearsay objection to Daft’s reference to this  
28 website. Experts may rely on hearsay to form their opinions. Further, the cited material falls  
under the residual exception of Federal Rule of Evidence 807.

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 102. Masimo has demonstrated the existence and ownership of TS8.

5 103. Jesse Chen developed this algorithm when he was working on the  
6 [REDACTED] Chen ¶ 66. The algorithm measures SpHb despite being disturbed by  
7 motion. Id.; see also JTX-1041 (attaching [REDACTED] Matlab template),  
8 JTX-1042 (Matlab file), JTX-2503 (Cercacor software). The purpose of the  
9 algorithm is to filter noise from the signal measured by the photodetector, thereby  
10 removing parts of the signal unrelated to pulse rate. Chen ¶ 69. [REDACTED]

11 [REDACTED] Id. ¶ 70. [REDACTED]

12 [REDACTED]

13 [REDACTED] Id.

14 104. Masimo has also demonstrated that TS8 derives independent  
15 economic value from being secret. Dr. McNames explained persuasively that “[a]n  
16 accurate pulse rate for a noninvasive monitor is important to users and clinicians,”  
17 and therefore TS8 “has value from not being used by competitors.” McNames ¶  
18 124; see also 3/16 Tr. 105:3–106:21 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 105. The fact TS8 would not work for [REDACTED] does not undermine  
22 Masimo’s showing of ongoing potential value of this trade secret (e.g., Masimo  
23 could decide to use it in a future device or implementation).

24 106. Masimo has met its burden to demonstrate that Defendants  
25 misappropriated TS8.

26 107. Although Masimo did not present direct evidence of misappropriation,  
27 strong circumstantial evidence supports a finding of misappropriation. For  
28 example, McNames explained how the Oxxiom uses TS8. McNames ¶¶ 187–97.

1 Defendants did not cross-examine McNames on TS8, and the Court accepts his  
2 direct testimony as credible.

3 108. Additionally, U.S. Patent Application No. 16/198,335 (the “335  
4 Application”), JTX-452, which is assigned to True Wearables and lists Dr. Lamego  
5 as an inventor, discloses TS8. See McNames ¶¶ 126–92, 194, 196. [REDACTED]

6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED] Defendants’ use of this code demonstrates that they recognized the  
11 efficiency of the approach. McNames ¶ 197.

12 109. Defendants attempted to distinguish Oxxiom’s code from TS8, but on  
13 cross-examination, Baer admitted that the Oxxiom implements a [REDACTED]  
14 [REDACTED] 3/22 Tr. 57:8–60:3.

15 [REDACTED] Baer also agreed that the Oxxiom  
16 calculates [REDACTED] 3/22 Tr.  
17 60:1–15.

18 110. Based on these specific similarities, the Court finds unpersuasive  
19 Daft’s attempt to distinguish the Oxxiom code from TS8 as being “[REDACTED]”  
20 Attempting to distinguish Defendants’ use of a “[REDACTED]” whereas  
21 Masimo uses an “empirical approach” is unhelpful because it does not address  
22 misappropriation in this case legally or factually. In the context of this case, which  
23 is what matters, it is a distinction without a difference. See McNames ¶ 202.

24 111. The Court finds unpersuasive Defendants’ arguments that various  
25 publications show that TS8 is generally known. None of the publications, including  
26 Masimo patents, shows that TS8 is generally known to the public or to other  
27 persons who can obtain economic value from its disclosure or use, particularly in  
28 the field of noninvasive blood content estimators. See U.S. Patent Nos. 6,002,952

1 (JTX-2895), 5,632,272 (JTX-2894), and 8,498,684 (JTX-2896).

2 112. Based on the foregoing, the Court finds that Defendants  
3 misappropriated TS8.

4  
5 **Trade Secret 9:** [REDACTED]

6 113. Trade Secret 9 is: [REDACTED]

7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]

11 114. Masimo has demonstrated the existence and ownership of TS9.

12 115. As discussed herein, companies use various algorithms in pulse  
13 oximeters. TS9 requires knowing to select a particular pair of algorithms from  
14 among many available algorithms. Diab ¶¶ 127–29<sup>4</sup>; McNames ¶¶ 216–17.

15 116. First, [REDACTED] algorithm is used to determine if a  
16 detected pulse [REDACTED]

17 [REDACTED] Chen ¶ 78. Second, the [REDACTED] is discussed above  
18 with respect to TS8.

19 117. Masimo included this trade secret in ADS-1022, the design  
20 specification document discussed above with respect to TS1. See JTX-491 at  
21 MASM0140671–80; see Diab ¶ 158 (ADS-1022 explains [REDACTED]

22 [REDACTED]

23 118. Masimo has shown that TS9 derives independent economic value  
24 from being secret.

25 119. Specifically, TS9 provides a competitive edge in calculating pulse rate

26  
27 <sup>4</sup> The Court overrules Defendants’ objection to the paragraphs of Diab’s direct  
28 testimony cited in support of the TS9 analysis. See Dkt. 501 at 5. The cited paragraphs fall  
within the scope of Diab’s Rule 26(a)(2)(C) disclosure. See Dkt. 573-4 ¶¶ 9–10, 14.

1 using [REDACTED]. When designing algorithms, there are hundreds of  
2 different possible approaches. The only way to determine whether an algorithm  
3 will be successful is to test it with real data. Collecting data is expensive and  
4 requires time. See McNames ¶¶ 245–46; Diab ¶¶ 160–61, 163–65. Therefore,  
5 keeping this test-based combination secret is valuable to Masimo.

6 120. Masimo has met its burden to demonstrate that Defendants  
7 misappropriated TS9.

8 121. This is because the Oxxiom uses the [REDACTED] recited in  
9 TS9. McNames ¶¶ 261–69.<sup>5</sup> The Oxxiom source code supports this conclusion.  
10 McNames ¶¶ 249, 261–68.

11 122. The Oxxiom uses a [REDACTED] to compare the incoming data.  
12 [REDACTED] 3/22 Tr.  
13 119:21–120:21.

14 123. The Oxxiom also uses a [REDACTED] as discussed  
15 above for TS8.

16 124. Defendants’ patent applications also use the combination of the  
17 [REDACTED] See, e.g., JTX-3245  
18 (U.S. Patent Publication 2021/0022676A1 (the “’676 Publication”)); see also  
19 McNames ¶ 247.

20 125. The ’676 Publication discloses [REDACTED]  
21 [REDACTED] It also discloses [REDACTED]  
22 [REDACTED] McNames ¶¶ 249–53;  
23 see also JTX-141 at TRUE048117–18, TRUE048120–21, TRUE048254,  
24 TRUE048261.

25 126. The ’676 Publication follows the same approach as described in the  
26 \_\_\_\_\_

27 <sup>5</sup> The Court sustains Defendants’ objection to ¶ 262 insofar as that paragraph  
28 references “other versions of the Oxxiom App.” that were not disclosed in the June 21, 2021  
McNames Report.

1 Cercacor Real-Time Pulse Rate Flow Chart, [REDACTED]

2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED] Dr. Lamego's adoption of this approach appears  
5 to be copied from the Cercacor Real-Time Pulse-Rate algorithm. See McNames ¶¶  
6 254–58.

7 127. The Court finds it was not a coincidence that Dr. Lamego selected the  
8 same [REDACTED] from amongst the vast number published in the  
9 literature for his implementation at True Wearables.

10 128. McNames persuasively explained that the '676 Publication discloses a  
11 [REDACTED] algorithm as well. McNames ¶¶ 247–59.

12 129. As discussed previously, Defendants use [REDACTED]  
13 [REDACTED] with respect to TS8. McNames ¶ 268. Daft did not directly address  
14 McNames's analysis of the [REDACTED] of TS9 for the Oxxiom code  
15 or Defendants' patent applications. Instead, as he did for other trade secrets, Daft  
16 opined that True Wearables uses a [REDACTED] approach rather than analyzing  
17 empirical data. Daft ¶¶ 236–37.

18 130. Based on the foregoing, the Court concludes that the '676 Publication  
19 discloses, and the Oxxiom uses, TS9.

20 131. That Dr. Lamego used a different programming language in  
21 developing the Oxxiom does not change this conclusion. Algorithms are not  
22 limited to a single implementation, and there are multiple ways to express an  
23 algorithm in source code. 3/22 Tr. 41:14–41:25. A difference in programming  
24 language alone carries little weight when viewed against the evidence of  
25 misappropriation.

26 132. The Court finds that the publications proffered by Defendants' experts  
27 do not destroy the trade secret. In granting Masimo's preliminary injunction  
28 motion, the Court already held, and the Federal Circuit affirmed, that a publication



1 does not mean the subject matter is generally known under CUTSA. Dkt. 257 at  
2 12-13.

3 133. For example, at trial, Defendants asked Chen about [REDACTED]  
4 [REDACTED] but he had never seen it. 3/16 Tr. 116–18.

5 134. McNames explained that the [REDACTED] does not disclose [REDACTED]  
6 [REDACTED] 3/17 Tr. 65:5–19; see JTX-2898. Rather, it  
7 discloses [REDACTED] 3/17 Tr. 65:20–24.

8 Further, McNames explained that the patent is not about analyzing [REDACTED]  
9 [REDACTED]  
10 3/17 Tr. 63:25–66:23.

11 135. Daft’s analysis does not demonstrate that TS9 was publicly available.  
12 For example, the pictures from Masimo’s website show the use of five algorithms  
13 in parallel, [REDACTED] Daft ¶¶ 216, 220. Those algorithms did not include the  
14 [REDACTED] 3/22 Tr. 28:13–29:22.

15 136. Further, Daft mistakenly identified [REDACTED]  
16 [REDACTED] Daft ¶ 218 [REDACTED]  
17 [REDACTED] 3/22 Tr. 28:5–7 [REDACTED]  
18 [REDACTED] 3/17 Tr. 5:5–18 [REDACTED]  
19 [REDACTED]

20 137. Daft testified that there are so many pulse oximetry algorithms,  
21 numbering in the thousands, that the number is unknowable. 3/22 Tr. 22:24–23:5.  
22 Given this vast number, Daft provided no reason to select, or showed an example  
23 of a published reference selecting, [REDACTED] TS9.

24 138. The vast number of available algorithms would lead to billions of  
25 possible combinations. Accordingly, the Court finds it implausible that Dr.  
26 Lamego would independently arrive at the same combination.

27 139. Based on the foregoing, the Court finds that Defendants  
28 misappropriated TS9.

1           **Trade Secret 11: Fundamentals of Development**

2           140. Trade Secret 11 is: [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8           141. Masimo has not demonstrated the existence and ownership of TS11.

9           142. TS11 was generally known to persons who can derive economic  
10 benefit from its use or disclosure. TS11, as defined by Masimo, is so broad that it  
11 encompasses nearly all commonplace uses of mathematical models in medical  
12 science and biology over the last century. Goldstein ¶ 22.

13           143. TS11 is so broad that it would cover standard mathematical tools  
14 (mathematical models and least-squares optimization) that are used extensively in  
15 every scientific sub-field.

16           144. These methods are so basic that they are part of the nationwide high  
17 school data science curriculum established by the College Board. See JTX-3431;  
18 Goldstein ¶ 24. Many of these optimization problems are generally known and  
19 described in industry literature, including textbooks. See, e.g., Lamego ¶ 64, JTX-  
20 2847 (textbook purchased for Cercacor employees).

21           145. It is commonplace for any course on signal processing, statistics,  
22 electrical engineering, or medical data science to contain units on optimization,  
23 including least-squares methods. A good reference for learning about least-squares  
24 minimization methods is the video “Introduction to residuals and least-squares  
25 regression,” available on the Khan Academy website. See JTX-2842; Goldstein ¶¶  
26 27, 28.

27           146. Optimization principles in the fields of noninvasive monitoring and  
28 signal processing (which are overlapping fields) were well-known to employees

1 who worked in the industry. See, e.g., Paul (TW) ¶ 3.<sup>6</sup> For example, when Paul was  
2 a Cercacor employee, and prior to 2014, he regularly read industry publications  
3 and books on optimization principles. Id. ¶ 30. Paul noted that Dr. Lamego  
4 purchased a textbook on optimization called Convex Optimization. Id. (referring to  
5 JTX-2847).

6 147. Paul testified credibly that he understood he could take the  
7 optimization principles discussed in Convex Optimization, as well as other  
8 literature, and apply those principles in the context of noninvasive monitoring and  
9 signal processing. Id. ¶ 31. He understood that optimization principles were  
10 applicable to many fields, including noninvasive monitoring and signal processing.  
11 Id.

12 148. Least-squares optimization, [REDACTED]  
13 [REDACTED] is widely known as a tool in biological  
14 sensing at large. Virtually every process in data science requires [REDACTED]  
15 [REDACTED] For example, “Fitting Models to  
16 Biological Data using Linear and Nonlinear Regression” by Motulsky and  
17 Christopoulos (2003), covers this process. See JTX-453; Goldstein ¶ 31.

18 149. More specifically, the entirety of TS11 is disclosed in the widely used,  
19 generally known book, “Design of Pulse Oximeters” by J. G. Webster (1997).  
20 JTX-454. This book has been cited over 900 times. Goldstein ¶ 32.

21 150. McNames did not rebut this proposition with any detail. McNames ¶  
22 195 (offering conclusory opinion that “the book ‘Design of Pulse Oximeters,’  
23 edited by J G Webster, does not disclose the approach used by Cercacor and True  
24 Wearables”).

---

25  
26 <sup>6</sup> The Court overrules Plaintiffs’ Rule 701 objection (Dkt. 526-9) to this statement  
27 because Paul’s statement is permissible to the extent he is speaking based on his own personal  
28 knowledge as someone who works in the relevant industry. The Court does not construe Paul’s  
testimony as opinion testimony from an undisclosed expert witness.

1 151. Webster explains how [REDACTED] can be used as inputs  
2 to linear regression methods that minimize a cost function in a least-squares sense  
3 between data and the indexed model. In Section 9.3, after providing a standard  
4 formula for minimizing a loss function in the least-squares sense (JTX-454, p. 147,  
5 equation 9.33), Webster explains why least-squares regression was so well suited  
6 to pulse oximetry: “Furthermore doing a linear regression over the sample points  
7 not only eliminates the noise caused by patient movement of the oximeter, it also  
8 decreases waveform noise caused by other sources.” See Goldstein ¶ 34.

9 152. Further, in 1997, a standard implementation of pulse oximetry taken  
10 directly from Webster’s book includes the efficacy and use of setting up  
11 optimization problems for non-invasive monitoring applications by comparing

12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED] Id. ¶ 37.

16 153. Thus, Webster discloses TS11 in its entirety and this disclosure was  
17 generally known to persons who can derive economic benefit from its use or  
18 disclosure.

19 154. The Court finds unpersuasive the testimony from McNames stating  
20 that TS11 is not disclosed or generally known in the relevant field. See McNames  
21 ¶¶ 313–22.

22 155. Second, even assuming for the sake of argument that Masimo’s  
23 description of TS11 includes something more than was generally known, Masimo  
24 has not shown what that is.

25 156. McNames testified that workshops presented by Dr. Lamego contain  
26 “aspects” of TS11, but he could not point to anything encompassing the entirety of  
27 the claimed technique. McNames observed that neither Masimo nor Cercacor  
28 practices TS11. McNames Direct ¶ 287; 3/16 Tr. 195:1–196:17.

1 157. Because TS11 cannot qualify as a trade secret, the Court does not  
2 reach misappropriation.

3  
4 Trade Secret 12: [REDACTED] (“TSS”)

5 158. [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12  
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17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

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1 159. Masimo has demonstrated the existence and ownership of TS12.

2 160. The Court previously explained TS12 in detail in the order granting  
3 Masimo’s Motion for a Preliminary Injunction. See Dkt. 257 at 1–8. The Court  
4 incorporates that discussion by reference.

5 161. Broadly, the TSS is a framework for linear and quadratic optimization  
6 algorithms that solve some linear and quadratic programming problems much  
7 faster than established algorithms, such as those provided by Matlab. McNames ¶  
8 353. The TSS framework demonstrates how problems [REDACTED]  
9 [REDACTED] can be solved [REDACTED]  
10 [REDACTED] JTX-79; McNames ¶¶ 353–66.

11 162. The TSS uses [REDACTED]  
12 [REDACTED] Generally, [REDACTED] used to  
13 determine when [REDACTED].  
14 McNames ¶¶ 367–68.

15 163. The TSS can [REDACTED] solution more quickly than  
16 known linear or quadratic program solvers. The speed difference can be significant  
17 depending on the specifics of the problem to be solved. McNames ¶ 369.

18 164. Because the TSS is able to provides solutions much faster than  
19 alternatives, it makes real time processing feasible on devices with lower  
20 processing power or energy usage constraints. Thus, there is a competitive  
21 advantage to knowing how to use the TSS to estimate an optimization variable in  
22 biosensing applications to [REDACTED].  
23 See McNames ¶ 374; Diab ¶¶ 226–27; Chen ¶¶ 52–57.

24 165. Accordingly, Masimo has shown that TS12 derives independent  
25 economic value from being secret.

26 166. The Court finds unpersuasive Defendants’ argument that various  
27 publications show TS12. None of these publications shows that TS12 is generally  
28 known to the public or to other persons who can obtain economic value from its

1 disclosure or use, particularly in the field of noninvasive blood content estimators.

2 167. In the order granting Masimo's Motion for a Preliminary Injunction,  
3 the Court previously rejected Defendants' reliance on two IEEE papers found by  
4 Goldstein, Defendants' expert, during this litigation. Dkt. 257 at 12–13. Both this  
5 Court and the Federal Circuit rejected Goldstein's reliance on those articles. The  
6 articles did not show that the TSS was generally known in the pertinent field. Id.;  
7 see also Dkt. 302 at 4–5, Dkt. 424 at 7–8.

8 168. Masimo also has shown that Defendants misappropriated TS12.

9 169. Dr. Lamego's handwritten notebook from True Wearables includes a  
10 page marked "TRADE SECRET #3." JTX-314 at TRUE052893\_A. The problem  
11 and solution depicted therein rely on the TSS method and framework. McNames ¶  
12 441; see also id. at ¶ 442, JTX-314 at TRUE052895–96, TRUE052898 (another  
13 example), JTX-315 at TRUE052591\_A (same).

14 170. Dr. Lamego also filed patent applications including the TSS.  
15 McNames ¶ 465; 3/18 Tr. 48:3–49:25.

16 171. In granting Masimo's Motion for a Preliminary Injunction, the Court  
17 analyzed Defendants' use of TS12 in the '158 Application in detail. See Dkt. 257  
18 at 14–16. The Court incorporates that discussion by reference. See also McNames  
19 ¶¶ 375–83, 389–96 (comparing TSS with '158 Application).

20 172. True Wearables' '504 Application, which relies on the '158  
21 Application for priority, also describes the TSS. JTX-2203 at TRUE028814;  
22 JTX-2204; AF-19; McNames ¶ 376.

23 173. In prosecuting the '504 Application, Dr. Lamego argued to the Patent  
24 Office that the TSS is novel, nonobvious, and patent eligible. McNames ¶ 465;  
25 3/18 Tr. 49:5–50:19; JTX-314 at TRUE052893\_A; JTX-2367 at TRUE049688–89.

26 174. Although Dr. Lamego believes that whatever he could remember in  
27 his head from his time with Plaintiffs became his, 3/17 Tr. 131:17–132:6, this  
28 belief is contrary to trade secret law.

1 175. Accordingly, the Court finds that Defendants misappropriated TS12.

2 Harm

3 176. Where the Court has found misappropriation as to certain trade  
4 secrets, the Court also finds harm to Masimo flowing from the misappropriation.  
5 Specifically, Masimo faces an ongoing threat that Dr. Lamego will use, disclose,  
6 and destroy the trade secrets or try to claim them as his own. For example, as  
7 stated, Dr. Lamego prosecuted patent applications that contain some of the trade  
8 secrets. See JTX-2203; JTX-2367.

9 177. The evidence establishes that Masimo’s trade secrets were discovered  
10 after extensive research, brainstorming, experimentation and testing, repeated trial  
11 and error, and years of collecting physiological data on thousands of patients to test  
12 Masimo algorithms. These efforts occurred over the course of more than a decade  
13 while Masimo invested over one hundred million dollars in research and  
14 development. These discoveries resulted in various new technological products that  
15 no other company has replicated, even after more than ten years. Diab ¶ 228. Loss  
16 of these trade secrets would be harmful.

17 178. Given the circumstances surrounding the development of Masimo’s  
18 trade secrets, the Court finds it would be highly improbable for any engineer or  
19 group of engineers to quickly recreate any of Masimo’s trade secrets, much less  
20 several of them together. Diab ¶¶ 229–39.

21 179. Protecting its trade secrets is key to Masimo’s success. 3/22 Tr.  
22 123:12–17. The Court credits Masimo’s concern that this misappropriation could  
23 lead to the trade secrets eventually being disclosed to Masimo’s competitors (e.g.,  
24 Apple, Medtronic). This is especially true where Dr. Lamego remains in close  
25 contact with former colleagues who now work for a competitor. 3/18 Tr. 108:9–12,  
26 126:4–13; 133:20–134:4; 132:17–19; 134:5–11.

27 \\\

28 \\\



1           Willfulness & Maliciousness

2           180. If a defendant willfully and maliciously misappropriates a trade secret,  
3 the Court may award exemplary damages in an amount up to twice Masimo’s  
4 recovery for Defendants’ unjust enrichment arising from the misappropriation. Cal.  
5 Civ. Code § 3426.3(c).

6           181. “[T]he existence of willful and malicious misappropriation is  
7 ordinarily considered a fact that [the finder of fact] must find by clear and  
8 convincing evidence. Mattel, Inc. v. MGA Entm’t, Inc., 801 F. Supp. 2d 950, 952  
9 (C.D. Cal. 2011).

10          182. If willful and malicious misappropriation is shown, the Court  
11 calculates exemplary damages as a form of equitable relief. See id. at 953.

12          183. Further, if the Court finds willful and malicious misappropriation, it  
13 “may award reasonable attorney’s fees and costs to the prevailing party. Cal. Civ.  
14 Code § 3426.4. Recoverable costs include “a reasonable sum to cover the services  
15 of expert witnesses, who are not regular employees of any party, actually incurred  
16 and reasonably necessary in either, or both, preparation for trial or arbitration, or  
17 during trial or arbitration, of the case by the prevailing party.” Id.

18          184. The Court finds that Plaintiffs have not carried their burden to  
19 demonstrate by clear and convincing evidence that Dr. Lamego’s misappropriation  
20 was willful and malicious.

21          185. Although Dr. Lamego expressed disagreement with Plaintiffs’  
22 business practices, he also displayed confusion about what information he could  
23 continue to use versus what information constitutes protected trade secrets. See  
24 3/17 Tr. 131:22–132:6 (“it’s very difficult for you to try to separate your tasks  
25 from your know-how”); 3/17 Tr. 131:14–16 (mistakenly believing “my know-how  
26 is my property”); 3/17 Tr. 131:14–21 (“What I have absorbed in my mind, my  
27 knowledge, is my know-how, right?”).

28          186. Further, although Dr. Lamego criticized Plaintiffs, this hyperbolic

1 criticism is more akin to puffery about the claimed superiority of True Wearables  
2 than evidence of maliciousness and willfulness. See, e.g., JTX-51 (“our technology  
3 is so good that it is upsetting the competition, and this is priceless”); 3/18 Tr.  
4 58:14-59:15 (Dr. Lamego sought to “build something that would not compete with  
5 Masimo. It would remove Masimo from the map in terms of the pulse oximeter  
6 product.”), 60:21–61:12 (discussing JTX-304, where Dr. Lamego denigrates  
7 Masimo to Fidelity’s CEO, knowing that Fidelity was a large Masimo investor).

8 187. After carefully observing Dr. Lamego’s demeanor at trial, and  
9 considering the entirety of his testimony, including testimony in response to direct  
10 questions from the Court, the Court concludes that Dr. Lamego is a disgruntled  
11 employee who can be overly dramatic, but this does not equate with finding by  
12 clear and convincing evidence that he took anything willfully and maliciously.

### 13 Defenses

14 188. Where the Court finds misappropriation, the Court rejects Defendants’  
15 independent development defense because Defendants failed to corroborate or  
16 support that defense with any credible evidence.

17 189. Dr. Lamego presented no corroborating evidence of his unsupported  
18 claim of independent development. Indeed, Dr. Lamego claims he shredded the  
19 “copious notes” he allegedly made showing his “independent development” of  
20 Oxxiom. 3/18 Tr. 43:6–20; see also 3/18 Tr. 23:10–24:19, 27:4–25. The Court  
21 does not find this testimony credible. This finding is based upon the Court’s  
22 assessment of Dr. Lamego’s demeanor, including his refusal to answer questions in  
23 a direct manner, and repeatedly raising extraneous issues.

24 190. As stated, Dr. Lamego mistakenly believes that whatever Masimo  
25 trade secrets he can remember in his head are his to use or disclose. 3/17 Tr.  
26 131:17–132:6. Dr. Lamego stated that he cannot separate the “know how” in his  
27 brain. Id.

28 191. But where he took proprietary information, even if he made certain

1 changes for his own device, misappropriation still exists where the trade secret  
2 forms the kernel of the accused subject matter. See SkinMedica, Inc. v. Histogen  
3 Inc., 869 F. Supp. 2d 1176, 1197 (S.D. Cal. 2012) (quoting American Can Co. v.  
4 Mansukhani, 742 F.2d 314, 328–29 (7th Cir. 1984) (“[A] party may not use  
5 another’s trade secret even with independent improvements or modifications so  
6 long as the product or process is substantially derived from the trade secret.”)).

7 192. As further stated, with an unknowable number of algorithms for pulse  
8 oximetry, see 3/18 Tr. 182:12–183:18; 3/22 Tr. 22:24–23:5, the Court finds it  
9 implausible that Dr. Lamego could independently arrive at the same set of trade  
10 secret algorithms found in TS1, TS8, TS9, and TS12.

11 193. Further, as stated in the Court’s orders on Plaintiffs’ Motion for a  
12 Preliminary Injunction and Defendants’ Motion for Partial Summary Judgment,  
13 California trade secret law forecloses Defendants’ arguments concerning whether  
14 the trade secrets were “readily ascertainable.” Unlike federal law, in California, the  
15 legislature expressly declined to include the phrase “readily ascertainable” in the  
16 definition of trade secret. See Ann. Cal. Civ. Code § 3426.1 (1984 Legislative  
17 Committee Comments).

18 194. Thus, under the CUTSA, ready ascertainability is only a defense  
19 insofar as the defendant actually gained knowledge of the trade secret by use of  
20 those materials which make the trade secret readily ascertainable. See Imax Corp.  
21 v. Cinema Techs., Inc., 152 F.3d 1161, 1168 n.10 (9th Cir. 1998); Medtronic  
22 MiniMed, Inc. v. Nova Biomedical Corp., 2009 WL 10672947, at \*1 (C.D. Cal.  
23 Aug. 14, 2009); Sargent Fletcher, Inc. v. Able Corp., 110 Cal. App. 4th 1658,  
24 1669, 3 Cal. Rptr. 3d 279, 286 (2003) (“Proof that defendant’s use resulted from  
25 independent derivation . . . is evidence that there was no improper use on its  
26 part.”).

27 195. Assuming any asserted trade secret is readily ascertainable, for this to  
28 be relevant, Defendants “must still show that Defendants made use of that means

1 of ascertainment to have a defense under the CUTSA.” Dkt. 257 at 12; accord Dkt.  
2 356 at 23. Defendants have presented no such evidence so there is no basis for the  
3 Court to reconsider this ruling. Thus, the Court declines to disturb it.

4 196. Defendants have not proven that the information contained in the  
5 misappropriated trade secrets was readily ascertainable and that Dr. Lamego  
6 ascertained it from publicly available sources rather than proprietary sources from  
7 his time working for Plaintiffs.

8 197. Defendants’ laches defense fails where they have failed to show (1)  
9 Masimo unreasonably delayed asserting or diligently pursuing a claim for  
10 misappropriation of trade secrets; and (2) any delay prejudiced Defendants. See  
11 Johnson v. City of Loma Linda, 24 Cal. 4th 61, 77 (Cal. 2000).

12  
13 **F. The ’848 Patent**  
14 **Infringement**

15 198. Determining utility patent infringement is a two-step process. Cybor  
16 Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1454 (Fed. Cir. 1998). “First, the court  
17 determines the scope and meaning of the patent claims asserted, and then the  
18 properly construed claims are compared to the allegedly infringing device.” Id.  
19 (citations omitted).

20 199. “Whether an accused device or method infringes a claim either  
21 literally or under the doctrine of equivalents is a question of fact.” Schoell v. Regal  
22 Marine Indus., Inc., 247 F.3d 1202, 1207 (Fed. Cir. 2001).

23 200. At trial, Plaintiffs sought to prove that the Oxxiom<sup>7</sup> device infringes  
24 Claim 9 of U.S. Patent No. 10,194,848 (the “’848 Patent”), which discloses a non-  
25 invasive physiological sensor cover. See JTX-7. The claimed sensor cover is

26 \_\_\_\_\_  
27 <sup>7</sup> The Oxxiom comes in two models, the “Sports and Aviation” and prescription  
28 “Rx” model. See JTX-3047, JTX-245. For purposes of the Court’s infringement analysis, the two  
models are the same.

1 “capable of being used with a non-invasive physiological sensor, such as a pulse  
2 oximetry sensor” for measuring oxygen content in the blood. See id., Abstract.  
3 Some embodiments “reduce or eliminate false readings from the sensor when the  
4 sensor is not in use, for example, by blocking a light detecting component of a  
5 pulse oximeter sensor when the pulse oximeter sensor is active but not in use.” Id.  
6 In certain embodiments, the sensor cover also “prevent[s] damage to the sensor”  
7 and can prevent contamination. Id. at 2:36–41.

8 201. Claim 9 discloses:

9 [9a] A sensor cover for use with a pulse oximeter sensor, the sensor cover  
10 comprising:

11 [9b] a cover portion configured to be adhered to a pulse oximeter sensor and  
12 removed before use of the pulse oximeter sensor; and

13 [9c] a protruding portion that protrudes from the pulse oximeter sensor to  
14 facilitate removal of the sensor cover, wherein:

15 [9d] the sensor cover is removable from the pulse oximetry sensor,

16 [9e] the cover portion, when adhered to the pulse oximeter sensor,

17 covers one or more sensing components of the pulse oximeter sensor

18 while the pulse oximeter sensor is active and blocks at least a portion

19 of light from one or more emitters of the pulse oximeter sensor from

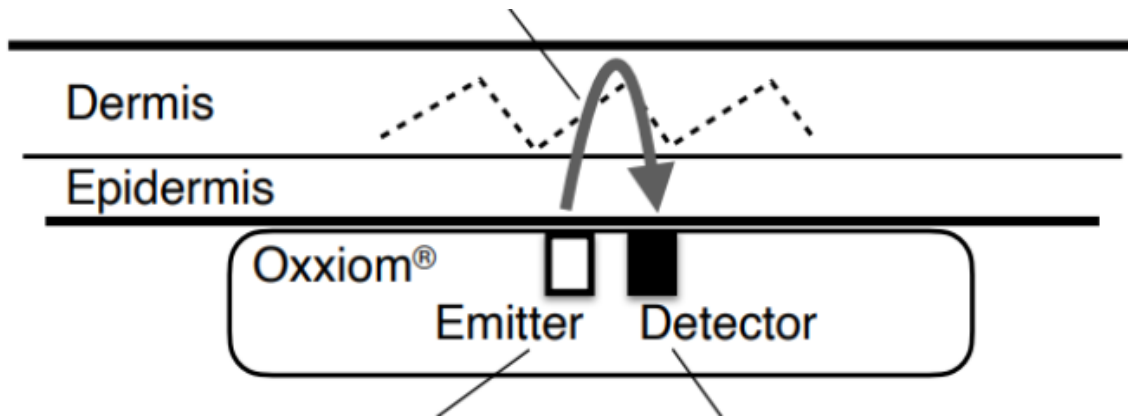
20 being received by a detector of the pulse oximeter sensor.

21 JTX-7, Claim 9 (emphasis added).

22 202. The Oxxiom is a wireless, disposable, single-use device. JTX-3047;  
23 JTX-245. It operates through the reflection of red and infrared light through  
24 physiological tissue. JTX-3047. It adheres to a user’s skin with an LED emitter and  
25 photodiode detector positioned against the skin. Id.; see also JTX-245. The device  
26 reads certain physiological measurements and displays the results through a paired  
27 iOS application.

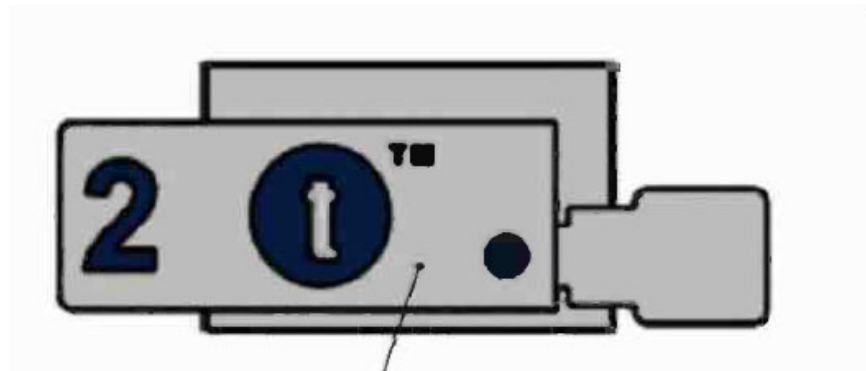
28 203. As depicted below, the Oxxiom operates by the emitter emitting red

1 and infrared light, which penetrates blood-infused skin (dermis) and interacts with  
2 a pulsating signal from the user's heart. Some of the light is absorbed by the user's  
3 tissue and pulsating blood flow. The light absorbs differently based on  
4 characteristics of the user's blood such as oxygen saturation and pulse rate. Some  
5 of the light is reflected back to the detector, which detects intensity changes in the  
6 red and infrared wavelengths of the reflected light. These changes permit the  
7 device and associated application to determine and display physiological data.



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15  
16 JTX-245.

17 204. The Oxxiom user guide instructs the user to press a blue dot (depicted  
18 below as a black dot in the bottom right-hand corner) until a green light turns on,  
19 which brings the device into standby mode. Stone ¶ 44.



20  
21  
22  
23  
24  
25  
26  
27 JTX-245.

28 205. Once in standby mode, the user is then instructed to remove Tab 2. Id.

1 ¶ 45. Next, the user is instructed to place the Oxxiom device on their skin, and to  
2 pair the device with the app. After pairing, physiological data will be displayed in  
3 waveform. Id. ¶ 46.

4 206. Defendants’ expert, Dr. Robert Stone, opined that the Oxxiom does  
5 not infringe Claim 9. Stone ¶ 47. Specifically, Stone opined that the Oxxiom does  
6 not meet limitation 9e because it does not contain a sensor cover that, while the  
7 sensor is active, blocks at least a portion of light from one or more emitters from  
8 being received by the detector. Id. ¶ 50.

9 207. Plaintiffs’ expert, Jack Goldberg, opined that the Oxxiom meets every  
10 limitation of Claim 9. See Goldberg ¶¶ 116–63; JTX-238.F. The Court agrees with  
11 Goldberg, except with respect to claim element 9e, which is discussed below.

12 208. In support of non-infringement, Stone testified that Tab 2 of the  
13 Oxxiom, as shown above, is not a “sensor cover,” as disclosed in Claim 9, because  
14 it is intended to protect adhesive that is a permanent part of the Oxxiom. Id. ¶ 53.  
15 Without Tab 2, the adhesive would collect environmental debris and no longer  
16 adhere to the user’s skin. Id. Tab 2 also provides a contrasting background for the  
17 printed labeling and pictorial instruction. Id. ¶ 43.

18 209. The Court finds Stone’s opinion regarding the intention behind Tab 2  
19 irrelevant to Claim 9 because that claim does not contain the same “configured to”  
20 language relevant to other disputes in this case. See, e.g., Dkt. 356 at 4, 11–12  
21 (Summary Judgment Order), Dkt. 93 at 16–20 (Claim Construction Order).

22 210. Stone also opined that Tab 2 cannot be an infringing sensor cover  
23 because it does not prevent light from reaching a detector on the Oxxiom. Rather,  
24 Stone explained that, when Tab 2 is in place, it diffuses light from the emitter and  
25 scatters it back to the detector (i.e., the emitter light bounces off the back of Tab 2  
26 and returns to the detector). Id. ¶ 53.

27 211. Stone did not opine, however, that all of the light bounces back to the  
28 detector. Because the claim requires only a portion of the light to be blocked, the

1 Court finds this opinion unpersuasive.

2 212. Next, Stone opined that, because Tab 2 is removed before the device  
3 is active (i.e., paired with an app to give readings), it does not meet Claim 9’s  
4 limitation that the sensor cover is blocking light from reaching the detector when  
5 the sensor is “active.” Id. ¶ 63.

6 213. Stone observed that the Oxxiom user guide requires removing Tab 2  
7 before activating the device. Id. But Stone distinguishes between when the device  
8 is “activated,” i.e., by pressing the blue dot to bring the device into standby mode,  
9 and “active” as required by Claim 9, which means being capable of taking  
10 measurements or readings. Id. ¶ 64.

11 214. Thus, Stone concluded that, when used as directed, “[t]he Oxxiom  
12 devices are not truly ‘active’ (i.e., capable of making readings or able to measure)  
13 until after tab 2 has been removed. Tab 2 thus does not, and is not configured to,  
14 prevent the photodiode detector of the Oxxiom devices from receiving light when  
15 the sensor is active. By the time the Oxxiom devices are active, tab 2 is no longer  
16 present.” Id. ¶ 65.

17 215. In contrast, Goldberg, opined that, as soon as a user presses the blue  
18 dot to activate the device (i.e., bringing it into standby mode), it is “active” within  
19 the meaning of Claim 9 because, at that time, there is signal activity on the printed  
20 circuit board (PCB). See Goldberg ¶¶ 146–153 (the processor is running, the LEDs  
21 are being driven, the analog-to-digital converter that converts signals from the  
22 photodetector is converting); JTX-238.F at 1–37.

23 216. Alternatively, Goldberg opined that, even if “active” is construed to  
24 mean “able to measure,” Tab 2 “covers one or more sensing components of the  
25 pulse oximeter sensor while the pulse oximeter sensor is active” because the  
26 Oxxiom’s photodiode detector “measures changes in light intensity and is therefore  
27 ‘able to measure.’” Goldberg ¶ 154; JTX-238.F at 17–25.

28 217. The Court finds Goldberg’s analysis unpersuasive because it fails to



1 apply the plain and ordinary meaning of “active” as disclosed in Claim 9.

2 218. First, Goldberg states that the plain and ordinary meaning of “active”  
3 is “powered on.” See Goldberg ¶¶ 144–58; 3/16 Tr. 150:23–151:8. But during  
4 claim construction addressed at the summary judgment stage, the Court resolved  
5 the parties’ dispute concerning the plain and ordinary meaning of “active.”

6 219. Specifically, the Court construed “active” as “able to measure.” Dkt.  
7 356 at 15. “Thus, ‘active’ refers to the sensor cover taking measurements, or being  
8 unable to do so when blocked by the claimed sensor cover.” Id.

9 220. Accordingly, Goldberg’s first opinion is unreliable because it does not  
10 apply the plain and ordinary meaning of “active” as used in the patent. See Liquid  
11 Dynamics Corp. v. Vaughn Co., Inc., 449 F.3d 1209, 1224 n.2 (Fed. Cir. 2006)  
12 (district courts have discretion to exclude expert testimony “as irrelevant because it  
13 [is] based on an impermissible claim construction”).

14 221. Although the Court previously construed “active” as used in Claims 1  
15 and 10, the Court observes that “active” is used consistently throughout the claims  
16 and there is no reason to construe it differently here. See Phillips v. AWH Corp.,  
17 415 F.3d 1303, 1314 (Fed. Cir. 2005) (“claim terms are normally used consistently  
18 throughout the patent” so “the usage of a term in one claim can often illuminate the  
19 meaning of the same term in other claims”). Further, Claim 10 depends from Claim  
20 9, further supporting the conclusion that “active” means the same thing in both  
21 claims.

22 222. Second, even where Goldberg assumed that “active” means “able to  
23 measure,” as construed by the Court, his alternative opinion that the sensor is able  
24 to measure changes in light intensity is unreliable because it disregards the Court’s  
25 construction of “readings.”

26 223. Although the Court did not state explicitly *what* the sensor had to be  
27 “able to measure,” or what kind of “measurements” were being taken, the Court  
28 now makes explicit what was implicit in the summary judgment order: “able to

1 measure” means “able to measure readings.”

2 224. In the summary judgment order, the Court construed “readings” as  
3 having its plain and ordinary meaning, which the parties disputed. The Court  
4 resolved that dispute and construed the plain and ordinary meaning of “readings”  
5 as disclosed in the patent as “physiological measurements,” which “can include  
6 actual patient physiological measurements as well as false measurements that may  
7 be triggered.” Dkt. 356 at 10.

8 225. Taken together, “active” in limitation 9e means “able to measure  
9 physiological measurements,” not changes in light intensity. Accordingly,  
10 Goldberg’s testing does not demonstrate that the Oxxiom meets limitation 9e.

11 226. As a further alternative opinion, Goldberg opined that, even if  
12 “active” is “narrowly construed to mean ‘able to make physiological  
13 measurements,’ the Oxxiom would still satisfy limitation 9e” because, even after  
14 the Oxxiom is paired with the user’s device, Tab 2 “continues to block a portion of  
15 the light from the emitter from being received by the detector.” Goldberg ¶¶  
16 159–63.

17 227. This opinion assumes that the user either pairs the device with the app  
18 before removing Tab 2, or at some point after pairing the device and then removing  
19 Tab 2, the user re-attaches Tab 2. But activating the device before removing Tab 2,  
20 or re-attaching Tab 2 after the device has been activated, is contrary to the  
21 Oxxiom’s user guide. See JTX-245.

22 228. At trial, Masimo attempted to show that these two possible uses give  
23 rise to infringement because users do not always follow instructions. See 3/22 Tr.  
24 84:15–85:20 (on cross-examination, Stone agreed that users do not always follow  
25 instructions); see also Goldberg ¶ 170 (easier to pair device with app before  
26 affixing Oxxiom to skin and removing Tab 2).

27 229. In further support of this infringement theory, Masimo submitted a  
28 tutorial video prepared by Defendants that demonstrates pairing an Oxxiom with

1 the app (i.e., making it active) before removing Tab 2. JTX-136; 3/16 Tr.  
2 174:15–21.

3 230. Both parties’ experts agreed that, even if a user followed the Oxxiom  
4 instructions exactly, the user may still reapply Tab 2 when removing the Oxxiom  
5 to wash their hands or take a shower. 3/16 Tr. 174:22–175:7 (Goldberg); 3/22 Tr.  
6 86:11–87:3 (Stone). But Goldberg admitted his own testing, which involved re-  
7 attaching Tab 2, used Oxxiom in a manner contrary to the instructed use. 3/16 Tr.  
8 152:21-154:20.

9 231. Masimo put forth no evidence of an Oxxiom user operating Oxxiom  
10 in a manner contrary to the instructed use that resulted in infringement—either by  
11 pairing the device with the app before removing Tab 2, or by re-attaching Tab 2  
12 later. Therefore, no evidence shows that Tab 2 blocked a portion of the emitter  
13 light when the sensor was active (i.e., when the device was paired).

14 232. Although Masimo pointed to the tutorial video (JTX-1426) to suggest  
15 that Defendants performed the steps in the same manner as Goldberg’s tests  
16 (Goldberg ¶ 170), that video was labeled as confidential (JTX-1426), and more  
17 importantly, was made before the ’848 Patent issued. 3/16 Tr. 157:15–17,  
18 160:2–15. Thus, it cannot provide evidence of infringement. Id. Further, Masimo  
19 introduced no evidence that any customer or member of the public ever saw the  
20 video. Id. at 157:18-20. This is insufficient to demonstrate infringement.

21 233. To prove induced infringement, Masimo must establish direct  
22 infringement by an Oxxiom customer and that Defendants induced that  
23 infringement. Minn. Mining & Mfg. Co. v. Chemque, Inc., 303 F.3d 1294, 1304-05  
24 (Fed. Cir. 2002). But the Federal Circuit has cautioned against relying on expert  
25 testimony that a device is capable of infringement because the “natural and  
26 intuitive way” to use the device would infringe. See ACCO Brands, Inc. v. ABA  
27 Locks Mfrs. Co., 501 F.3d 1307, 1312 (Fed. Cir. 2007).

28 234. In ACCO, the Federal Circuit granted JMOL following a jury verdict

1 of infringement over the patentee’s argument that the jury was entitled to accept  
2 expert testimony that, “at least some of the time, all users of [the accused device]  
3 would use it in an infringing manner.” Id.

4 235. The Federal Circuit held that “a patentee must either point to specific  
5 instances of direct infringement or show that the accused device necessarily  
6 infringes the patent in suit.” Id. at 1313. Where the accused device could be  
7 operated in either an infringing or noninfringing manner, the court explained that  
8 “the accused device does not necessarily infringe the [asserted] patent. Id.

9 236. Where the patentee failed to point to any instance of customer  
10 infringement, and the only example proffered at trial was by the expert using the  
11 product in an infringing manner, the court ruled this was insufficient to prove  
12 infringement. Id.

13 237. Further, where the accused infringer instructed its customers to use the  
14 product in the noninfringing manner, there was “no basis for concluding that [the  
15 accused product] users directly infringe the patent.” Id.

16 238. Additionally, a “hang card” depicting the infringing use that was  
17 sometimes given to users by a third party, and of which the accused infringer had  
18 no knowledge, was also insufficient to demonstrate infringement. Id.

19 239. The Federal Circuit clarified that its “broad legal statement” in a prior  
20 case, that “an accused device may be found to infringe a product claim ‘if it is  
21 reasonably capable of satisfying the claim limitations, even though it may also be  
22 capable of non-infringing modes of operation,’” does not “alter the requirement  
23 that [a patentee] must prove specific instances of direct infringement or that the  
24 accused device necessarily infringes the patent in suit.” Id. (quoting Hilgraeve  
25 Corp. v. Symantec Corp., 265 F.3d 1336, 1343 (Fed. Cir. 2001)).

26 240. “Hypothetical instances of direct infringement are insufficient.” Id. at  
27 1313; see also Dynacore Holdings Corp. v. U.S. Philips Corp., 363 F.3d 1263,  
28 1274-76 (Fed. Cir. 2004) (affirming summary judgment of no infringement where

1 patentee failed to show any actual individual acts of direct infringement, therefore  
2 patentee could not prove indirect infringement); Fujitsu Ltd. v. Netgear Inc., 620  
3 F.3d 1321, 1329 (Fed. Cir. 2010) (summary judgment proper where no actual  
4 instances of customers operating optional feature that could infringe).

5 241. Here, Masimo brings an infringement claim and Defendants bring a  
6 declaratory relief claim for no infringement. In actions seeking declaratory  
7 judgment of noninfringement, the patentee still bears the burden of establishing  
8 infringement by the accused infringer. Medtronic, Inc. v. Mirowski Family  
9 Ventures, LLC, 571 U.S. 191, 199 (2014).

10 242. Although Masimo proved that True Wearables offers the Oxxiom for  
11 sale in the United States, JTX-1318, and that True Wearables used the Oxxiom  
12 when performing functional tests on the device, JTX-2801, Masimo has not shown  
13 any specific instance of direct infringement of element 9e by an Oxxiom user or a  
14 True Wearables employee. Therefore, Masimo cannot prove that induced  
15 infringement as a matter of law.

16 243. Because element 9e is missing, Masimo has not proven by a  
17 preponderance of the evidence that the Oxxiom includes each and every element  
18 recited in Claim 9 of the '848 Patent. 35 U.S.C. § 271(a). Accordingly,  
19 Defendants do not literally infringe the '848 Patent when they make, use, offer to  
20 sell, and sell the Oxxiom in the United States.

21 244. Masimo has waived any reliance on the doctrine of equivalents so the  
22 Court need not make any findings relating to that doctrine.

23 245. Accordingly, the Court finds against Masimo on its direct  
24 infringement claim and finds for Defendants on their counterclaim and affirmative  
25 defense of no infringement.

### 26 **Invalidity**

27 246. Although the Court finds no infringement and thus need not reach  
28 invalidity, for appeal purposes the Court provides its findings on invalidity.

1           247. A patent is invalid for obviousness only “if the differences between  
2 the subject matter sought to be patented and the prior art are such that the subject  
3 matter as a whole would have been obvious at the time the invention was made to a  
4 person having ordinary skill in the art to which said subject matter pertains.” 35  
5 U.S.C. § 103(a).

6           248. Whether a patent is invalid as obvious is a question of law based on  
7 underlying facts. TriMed, Inc. v. Stryker Corp., 608 F.3d 1333, 1341 (Fed. Cir.  
8 2010) (citations omitted).

9           249. “Under § 103, the scope and content of the prior art are to be  
10 determined; differences between the prior art and the claims at issue are to be  
11 ascertained; and the level of ordinary skill in the pertinent art resolved.” Graham v.  
12 John Deere Co. of Kansas City, 383 U.S. 1, 17 (1966).

13           250. A court may also take into account “[s]uch secondary considerations  
14 as commercial success, long felt but unsolved needs, failure of others, [copying,  
15 and unexpected results].” Id. at 17-18; Ruiz v. A.B. Chance Co., 234 F.3d 654,  
16 662-63 (Fed. Cir. 2000).

17           251. “[A] patent composed of several elements is not proved obvious  
18 merely by demonstrating that each of its elements was, independently, known in  
19 the prior art.” KSR Int’l Co. v. Teleflex Inc., 550 U.S. 398, 418-19 (2007). Instead,  
20 “[a] party seeking to invalidate a patent on obviousness grounds must demonstrate  
21 by clear and convincing evidence that a skilled artisan would have been motivated  
22 to combine the teachings of the prior art references to achieve the claimed  
23 invention, and that the skilled artisan would have had a reasonable expectation of  
24 success in doing so.” Ivera Med. Corp. v. Hospira, Inc., 801 F.3d 1336, 1344 (Fed.  
25 Cir. 2015) (citations omitted).

26           252. A motivation to combine prior art references may be found  
27 considering the nature of the problem to be solved. Ruiz v. A.B. Chance Co., 357  
28 F.3d 1270, 1276 (Fed. Cir. 2004).

1 253. “Whether a motivation to combine references has been demonstrated  
2 is a question of fact.” McGinley v. Franklin Sports, Inc., 262 F.3d 1339, 1351  
3 (Fed. Cir. 2001).

4 Level of Ordinary Skill in the Art

5 254. A person of ordinary skill in the art (“POSA”) of the ’848 Patent  
6 would have at least a B.S. in electrical or biomedical engineering or a related field,  
7 with at least two years’ experience designing patient monitoring systems, or an  
8 equivalent amount of work experience. Goldberg ¶ 110.

9 Scope and Content of Prior Art

10 255. Prior art is within the scope of a patent “and can be applied in an  
11 obviousness combination if it either (1) is from the same field of endeavor,  
12 regardless of the problem addressed or (2) is reasonably pertinent to the particular  
13 problem with which the inventor is involved.” Unwired Planet, LLC v. Google  
14 Inc., 841 F.3d 995, 1000 (Fed. Cir. 2016) (quotations omitted).

15 256. The Court finds that each of the four references on which Stone relied  
16 for the proposed obviousness combinations falls within the scope and content of  
17 relevant prior art.

18 257. Sweitzer (JTX-412) discloses a pulse oximeter. Pompei (JTX-415)  
19 discloses a bandage mount system. Larrabee (JTX-413) discloses a light-shielded  
20 tube holder for blood washing. Agnes (JTX-414) discloses a brushless motor with  
21 a housing to align the stator and position sensor. The Court discusses each of these  
22 references in more detail below.

23 258. Sweitzer, U.S. Patent No. 7,486,977, is directed toward “[a] single  
24 use, self-contained, self-powered disposable oximeter, in the form of a patch or a  
25 bandage strip.” JTX-412. The Sweitzer pulse oximeter “activates when the backing  
26 paper for its adhesive is peeled off” allowing it “to be removably attached to the  
27 patient.” The pulse oximeter includes an electronics layer “sandwiched by two  
28 protective barrier layers.” See id. at Abstract, Summary of the Invention, 2:1–3,

1 9:51–54, 10:7–23; see also Goldberg ¶¶ 191, 194.

2 259. Pompei, U.S. Patent No. 6,140,549, is directed toward a bandage  
3 holder for “removably retaining a bandage between two facing wrapping sheets.”  
4 JTX-415, Abstract; see also Goldberg ¶ 199. Pompei discloses that a primary  
5 object of the invention is “to provide for an improved mount for an easily  
6 accessible covered bandage that can be applied to a wound using one hand.”  
7 JTX-415 at 1:54–63, Fig. 1; Goldberg ¶ 200.

8 260. Larrabee, U.S. Patent No. 4,136,818, is directed toward a “device for  
9 holding a transparent tube in an optical sensor while excluding light from external  
10 sources” for use with a blood-washing apparatus. JTX-413. Larrabee explains that  
11 the device for holding a transparent tube is automatically positioned to exclude  
12 external light “upon insertion of the tube into the optical sensor.” See id. at  
13 Abstract, Fig. 1, 3:62–67; Goldberg ¶¶ 202–03. Larrabee explains that his invention  
14 “automatically shields the optical sensor from external light when the tube is  
15 inserted into the optical path between the diode and the transistor.” JTX-413 at  
16 1:65–2:3, 3:36–59; Goldberg ¶ 205.

17 261. The blood washing apparatus discussed in Larrabee is a reusable  
18 laboratory device. The cover is a permanent fixture, not removable from the sensor  
19 portion of the blood washing apparatus and is described as “pivotally mounted on  
20 optical sensor 1 by hinge pin 15.” JTX-413 at 4:3–4. Larrabee’s cover “shield[s]  
21 the optical sensor from external light, allowing it to accurately detect the flow of  
22 opaque fluid in tube T in the optical path between the diode and transistor.”  
23 JTX-413 at 4:25–30; Goldberg ¶ 206.

24 262. Agnes, U.S. Patent No. 6,661,140, is directed toward an  
25 “electronically commutated brushless motor including a housing for accurately  
26 angularly aligning a position sensor relative to a position of a stator.” JTX-414 at  
27 Abstract, Fig. 3. Agnes’s sensor cap is intricately shaped, hollow, and made from  
28 plastic. JTX-414 at 5:54–60, Fig. 3. Agnes’s sensor cap is not removable by the



1 user, and neither the sensor cap nor the optical sensor of Agnes is disposable. The  
2 external light blocking character of the Agnes sensor cap is described as: “The  
3 sealed chamber protects optical sensor 74 from contamination by dirt, dust, oil and  
4 moisture, and accidental triggering by external light sources.” JTX-414 at 5:58–60  
5 (emphasis added); Goldberg ¶ 209.

6 263. The Patent Office considered both Sweitzer and Pompei during  
7 prosecution of the ’848 Patent, and during the prosecution of a related application.  
8 Goldberg ¶¶ 210–11, 215; JTX-648 at MASM0003326–31, MASM0003381–409;  
9 JTX-774 at MASM0094045–51.

10 264. The Examiner recognized that the “general state of the prior art” was  
11 “directed to one of blocking external light while admitting measurement light or  
12 towards measurement systems which ... disregard data when the systems determine  
13 that a sensor is not placed at the measurement site.” Goldberg ¶ 213; JTX-648 at  
14 MASM0003312.

15 265. Stone agreed with Goldberg that both Larrabee and Agnes disclose  
16 covers that block only external light while allowing measurement light. Goldberg  
17 ¶ 214; 3/22 Tr. 79:9–21 (Stone). Thus, both Larrabee and Agnes are examples of  
18 the type of prior art considered by the Examiner when allowing Claim 9. *Id.*

19 266. Because Stone’s prior art combination is analogous to prior art  
20 considered by the Examiner, the Court gives weight to the Examiner’s conclusion  
21 that the combination of Sweitzer, Pompei, and prior art that blocks only external  
22 light neither “disclose[s] nor would render obvious” Claim 9. JTX-648 at  
23 MASM0003331.

#### 24 Motivation to Combine

25 267. Defendants did not demonstrate a motivation to combine Sweitzer and  
26 Pompei with Larrabee or Agnes. Stone admitted that the combination of Sweitzer  
27 and Pompei does not disclose limitation 9e. Stone (invalidity) ¶ 90. But Stone  
28 proposed adding to that combination covers from Larrabee and Agnes. 3/22 Tr.

1 79:3–8.

2 268. No evidence suggests that the problem solved by the Asserted Patent  
3 was known by a POSA as of the priority date. Stone speculated that the problem of  
4 a sensor generating false readings when not in use was known. Stone (invalidity) ¶  
5 91. But Stone presented no evidence that the problem was known. He pointed only  
6 to the “Summary of the Disclosure” of the ’848 Patent to opine that the problem  
7 was known.

8 269. The Court finds no suggestion in the ’848 Patent that the problem of  
9 reflected emitter light causing false readings when the sensor is not in use was  
10 known. Rather the patent observes that, “[i]n some situations, such as in operating  
11 rooms, emergency rooms or critical care units,” the sensor “can generate false  
12 readings by detecting ambient light even though the sensor is not in use.” ’848  
13 Patent at 2:23–28. This observation does not discuss whether the problem was well  
14 known, it only identifies the problem the invention sought to solve.

15 270. Without knowledge of the problem to be solved, there is no reason or  
16 motivation to combine Sweitzer and Pompei with Larrabee or Agnes. Goldberg ¶¶  
17 216–18, 226.

18 271. The covers in Larrabee and Agnes block only ambient or external  
19 light, not emitter light, as required by limitation 9e.<sup>8</sup> Stone (invalidity) ¶ 91; 3/22  
20 Tr. 79:9–21; Goldberg ¶¶ 213–15, 240–43.

21 272. The Larrabee and Agnes covers also do not “cover[] one or more of  
22 the sensing components” (i.e., the emitters and the detector) of the sensor. ’848  
23 Patent, Claim 9; 3/16 Tr. 178:8–15.

24 273. Goldberg testified persuasively that applying Larrabee or Agnes to  
25 Sweitzer and Pompei “would be like somebody wearing a pulse oximeter and

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26  
27 <sup>8</sup> The Court observes that other claims in the ’848 Patent relate to blocking ambient  
28 light in addition to emitter light, e.g., Claim 5, but such claims are not asserted here and are  
therefore irrelevant.

1 putting a blanket over [their] hand.” 3/16 Tr. 178:12–15. Such a modification does  
2 not solve the problem of reflected emitter light reaching the detector when the  
3 sensor is not on the patient.

4 274. Thus, a POSA would not be motivated to combine Sweitzer and  
5 Pompei with Larrabee or Agnes, because Larrabee and Agnes do not attempt to  
6 solve the problem of emitter light causing false readings. Goldberg ¶¶ 219–20,  
7 227–28; JTX-413 at 4:25–30; JTX-414 at 5:54–60.

8 275. Further, a POSA would not be motivated to combine Sweitzer with  
9 Larrabee and Agnes because they describe different devices designed for different  
10 purposes. JTX-412; JTX-413, Abstract; Goldberg ¶¶ 221–22, 229–30.

11 276. Stone stated that he witnessed false readings when using clear covers,  
12 but he solved this by attaching the sensor to the patient before activation. 3/22 Tr.  
13 74:18–24. Stone was unaware of anyone—aside from the parties in this case—who  
14 designed sensor covers to solve the problem. 3/22 Tr. 74:25–75:4.

15 277. The Court finds persuasive Goldberg’s explanation concerning why a  
16 POSA would not have had any motivation to make such a combination. Goldberg  
17 ¶¶ 216–23, 226–31.

#### 18 Reasonable Expectation of Success

19 278. Defendants have not shown a reasonable expectation of successfully  
20 combining Sweitzer and Pompei with Larrabee or Agnes.

21 279. Sweitzer and Pompei describe flexible sheets that are easily  
22 removable. JTX-412; JTX-415.

23 280. Larrabee and Agnes disclose rigid covers that are permanently  
24 attached, which could not be successfully incorporated into the pulse oximeter of  
25 Sweitzer. Goldberg ¶¶ 224–25, 232–33.

26 281. Larrabee teaches away from the use of flexible and removable  
27 adhesive opaque tape. JTX-413 at 1:65–2:3, 3:47–55, 3:57–59, 1:54–60, 3:62–67.

28 282. The Court concludes that a POSA would not have had a reasonable

1 expectation of successfully combining Sweitzer and Pompei with Larrabee.  
2 Goldberg ¶¶ 225, 232.

3 Other Indicia of Nonobviousness

4 283. Evidence of copying supports nonobviousness. Specifically, Dr.  
5 Lamego’s employment at Masimo and Cercacor suggests implementing Tab 2 on  
6 the Oxxiom is the result of copying. Goldberg ¶ 234.

7 284. Dr. Lamego knew both the problem and solution from his time at  
8 Cercacor. He supervised filing the patent application that led to the ’848 Patent.  
9 Kiani ¶ 65; Goldberg ¶ 234.

10 285. “Copying by a competitor is a relevant consideration in the objective  
11 indicia analysis,” which can “often be the most probative and cogent evidence of  
12 nonobviousness.” Liqwd, Inc. v. L’Oreal USA, Inc., 941 F.3d 1133, 1136–37 (Fed.  
13 Cir. 2019)(cleaned up). Copying can be shown by “duplication of features of the  
14 patentee’s work based on access to that work,” including by access to patent  
15 applications. Id. at 1137–39.

16 286. Even if combined, the prior art does not disclose limitation 9e. This  
17 limitation requires that “the sensor cover, when adhered to the pulse oximeter  
18 sensor, covers at least one of the sensing components while the pulse oximeter  
19 sensor is active and blocks at least a portion of light from the one or more emitters  
20 from being received by the detector.” Goldberg ¶ 235.

21 287. Sweitzer did not disclose a sensor cover used to block light from the  
22 emitters from being received by the detector while the sensor is active. Goldberg ¶¶  
23 236–41, 245–51. Rather, Sweitzer described the advantages of automatically  
24 activating the pulse oximeter device via removing the sensor cover. JTX-412 at  
25 1:37–39; 6:10; 10:4–26; Goldberg ¶¶ 191–95.

26 288. Both Larrabee and Agnes block only external or ambient light, while  
27 allowing the measurement light from their emitters to be received by the detectors.  
28 Goldberg ¶¶ 201–09, 240–42.

1 289. Thus, none of the prior art references combined teaches limitation 9e.  
2 Goldberg ¶¶ 235–52.

3 290. Claim 9 is presumed valid. 35 U.S.C. § 282(a). Defendants bear the  
4 burden of proving invalidity by clear and convincing evidence. Microsoft Corp. v.  
5 i4i Ltd. P’ship, 564 U.S. 91, 97 (2011).

6 291. For the reasons explained above, the Court concludes that Defendants  
7 failed to prove by clear and convincing evidence that Claim 9 is obvious under 35  
8 U.S.C. § 103.

9 292. Accordingly, Defendants’ counterclaim for declaratory judgment of  
10 invalidity and their related affirmative defense fail.

11  
12 **G. Other Affirmative Defenses**

13 293. Defendants did not prove by a preponderance of the evidence their  
14 affirmative defense of failure to state a claim. It was not raised at trial.

15 294. Because Plaintiffs have waived their right to actual damages,  
16 Defendants’ defense for speculative damages is moot.

17  
18 **H. Equitable Remedies**

19 295. Plaintiffs have waived their right to legal damages and seek equitable  
20 relief only, including relief based on unjust enrichment and injunctive relief.

21 Breach of Fiduciary Duty

22 296. Beginning with the breach of fiduciary duty claim, Cercacor has not  
23 demonstrated that a portion of Dr. Lamego’s salary for any given period should be  
24 returned in equity as a result of the breach.

25 297. Although Masimo calculated the salary Dr. Lamego received during  
26 different periods of time, it did not demonstrate that, for any given time period, Dr.  
27 Lamego earned none of his salary (e.g., from the date of the October 2013 board  
28 presentation to his departure, Dr. Lamego received \$125,000).

1           298. The Court finds that it would be speculative to award the return of  
2 some portion of Dr. Lamego’s salary as an equitable remedy on this claim, and  
3 declines to do so.

4           299. Defendants have [REDACTED] the Oxxiom  
5 and have [REDACTED] True Wearables or the Oxxiom.  
6 Rather, Defendants have [REDACTED] Oxxiom endeavor. Defendants have  
7 therefore not been unjustly enriched and no equitable money award is warranted.

8           Trade Secrets - Injunctive Relief

9           300. Masimo has, however, demonstrated that further equitable relief is  
10 warranted to ensure protection and preservation of their trade secrets.

11           301. The Court has broad discretion to fashion such relief. Tinoqui-Chalola  
12 Council of Kitanemuk & Yowlumne Tejon Indians v. U.S. Dep’t of Energy, 232  
13 F.3d 1300, 1305 (9th Cir. 2000); Fed. R. Civ. P. 54(c).

14           302. The Court concludes that Masimo has demonstrated that Defendants  
15 should be enjoined from continuing to misappropriate the relevant trade secrets.

16           303. A plaintiff seeking a permanent injunction must demonstrate that: (1)  
17 it has suffered an irreparable injury; (2) remedies available at law, such as  
18 monetary damages, are inadequate to compensate for that injury; (3) considering  
19 the balance of hardships between the plaintiff and defendant, a remedy in equity is  
20 warranted; and (4) the public interest would not be disserved by a permanent  
21 injunction. eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006);  
22 SolarCity Corp. v. Doria, No. 16-cv-03085, 2021 WL 5822608, at \*4 (S.D. Cal.  
23 Dec. 8, 2021) (applying eBay test in action for trade secret misappropriation under  
24 CUTSA).

25           304. Masimo proved by a preponderance of the evidence that Defendants’  
26 further use and disclosure of Masimo’s trade secrets would cause Masimo an  
27 irreparable injury. If Defendants were allowed to continue to use Masimo’s trade  
28 secrets, Defendants would unfairly receive the benefit of the trade secrets allowing

1 TW to unfairly compete with Masimo. Masimo also risks public disclosure of the  
2 trade secrets, which would cause irreparable injury.

3 305. Masimo proved by a preponderance of the evidence that any monetary  
4 award to allow Defendants to continue to misappropriate Masimo's trade secrets  
5 would be inadequate to compensate Masimo for such misappropriation.

6 306. Masimo showed by a preponderance of the evidence that the balance  
7 of hardships tips in favor of Masimo.

8 307. Any hardship to Defendants arising from the need to redesign the  
9 Oxxiom is not outweighed by the hardship to Plaintiffs arising from the loss of  
10 their trade secrets. This is especially true where Dr. Lamego's design decisions for  
11 the Oxxiom demonstrate misappropriation.

12 308. Masimo showed by a preponderance of the evidence that the public  
13 interest would be furthered by a permanent injunction.

14 309. The public benefits from enforcing strong trade secrets protection  
15 because such protection encourages innovation, which in turn will promote the  
16 availability of improved devices for consumers. This benefit outweighs the limited  
17 inconvenience to consumers, if any, from being unable to buy an Oxxiom device  
18 until after it has been redesigned to omit Plaintiffs' trade secrets.

19 310. Based on the foregoing, Defendants are permanently enjoined from  
20 further misappropriating the relevant trade secrets and are permanently enjoined  
21 from selling the Oxxiom in its current iteration that includes the trade secrets.<sup>9</sup>

22 311. For example, the Court agrees with McNames that TS8 is  
23 foundational to the algorithm used by Oxxiom to noninvasively measure  
24

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25 <sup>9</sup> This Order makes the preliminary injunction entered at Dkt. 257 permanent, and  
26 expands the trade secrets-related injunction to all of the trade secrets found misappropriated  
27 herein. The Court observes that, at closing argument, counsel stated that TS1 and TS12 have  
28 already been removed from the Oxxiom. The Court orders the parties to meet and confer to find  
a solution concerning how to share limited information with Dr. Lamego so he can understand  
what this order requires with respect to removing the other trade secrets.

1 physiological parameters. Without the use of TS8, Defendants would need to use a  
2 completely different algorithm to perform pulse oximetry. See McNames ¶ 208.  
3 Thus, the Oxxiom may not be sold in its current iteration until this and other trade  
4 secrets have been removed and designed around.

5 312. The Court concludes that this injunctive relief is narrowly tailored to  
6 protect Plaintiffs' interest without providing a windfall to Plaintiffs by awarding  
7 the Oxxiom device in its entirety to them. It is undisputed that the Oxxiom was  
8 designed with many off-the-shelf components, and Plaintiffs have not shown why  
9 they should acquire the non-protected aspects of the Oxxiom.

10 Breach of Contract - Injunctive Relief

11 313. When Dr. Lamego left Cercacor, he had ongoing obligations to not  
12 use confidential information or trade secrets belonging to Masimo. In connection  
13 with the breach of contract claims, Masimo demonstrated by a preponderance of  
14 the evidence that Dr. Lamego should be enjoined from further breaching any of his  
15 contracts with Masimo. See Google, Inc. v. Jackman, 2011 WL 3267907 \*5 (N.D.  
16 Cal. July 28, 2011) (injunctive relief appropriation for breach of contract when  
17 plaintiff has irreparable injury and no adequate legal remedy).

18 314. Accordingly, Dr. Lamego is ordered to return any confidential  
19 information he took from Masimo or Cercacor, including any documents and  
20 electronic information, and is enjoined from making further use of any confidential  
21 information obtained during his employment.

22 Patent Applications Containing Trade Secrets

23 315. As a matter of equity, to redress the wrongful misappropriation of  
24 intellectual property, the Court may award Masimo ownership of patents and  
25 patent applications filed by Defendants. Richardson v. Suzuki Motor Co., 868 F.2d  
26 1226, 1249 (Fed. Cir. 1989). The Court may also order patent applications to go  
27 abandoned so that Defendants may not hold themselves out as retaining any  
28 ownership rights in disclosures that contain trade secrets.



1 316. The following table lists Defendants’ confidential pending patent  
 2 applications, and correlates them with evidence showing misappropriation:

3 Patent App. No.	Evidence	Masimo TS
4 16/198,335	McNames Amended Trial 5 Decl. ¶¶ 125–186; JTX-452, 6 JTX-1411, JTX-2380–82; AF-19	8
7 16/939,925	McNames Amended Trial 8 Decl. ¶¶ 247–260; JTX: 141, 2389	9
9 16/198,550	McNames Amended Trial 10 Decl. ¶¶ 300–311 and 375–434; JTX: 2202; AF-19	12
11 16/198,504	McNames Amended Trial 12 Decl. ¶¶ 300–311 and 375–434; JTX- 2204; AF-19; 13 AF-25	12
14 17/326,957	AF 29; JTX-2465	8
15 17/351,767	AF 30; JTX-2472	12
16 17/363,314	AF 31; JTX-2476	12
17 Provisional 62/591,158	McNames Amended Trial 18 Decl. ¶¶ 300–311 and 375–434; JTX-2203; AF-18	12

19 317. The following table lists Defendants’ published pending patent  
 20 applications, and correlates them with evidence showing misappropriation:

21 Patent App. No.	Evidence	Masimo TS
22 [REDACTED]	McNames Amended Trial 23 Decl. ¶¶ 247–260 and 300–311; JTX-2207	9
24 [REDACTED]	McNames Amended Trial 25 Decl. ¶¶ 247–260 and 300–311; JTX-2208	9
26 [REDACTED]	McNames Amended Trial 27 Decl. ¶¶ 247–260 and 300–311; JTX-2209	9

Patent App. No.	Evidence	Masimo TS
[REDACTED]	McNames Amended Trial Decl. ¶¶ 247–260 and 300–311; JTX-143	9

318. Each of the above-identified applications includes Masimo’s trade secrets.

319. Defendants’ continued ownership and prosecution of these applications, and any application that depends on them for priority, would cause Masimo an irreparable injury.

320. Absent abandonment, Defendants could continue to prosecute these applications, make amendments, and benefit from the disclosure already made. Abandonment is necessary to preserve Masimo’s trade secrets and prevent Defendants from claiming them for their own exclusive use. Accordingly, the Court orders Defendants to let the foregoing applications go abandoned.

321. This order does not implicate the property rights of the other named inventors because the applications have been assigned to True Wearables, one of the defendants in this case.

322. To the extent Defendants believe that any individual patent claims do not implicate misappropriation, they could apply for new patents that comply with the terms of this order.

323. Defendants have not explained how existing patent applications that disclose trade secrets could survive simply because individual claim language does not disclose a trade secret embodied in the patent as a whole. See, e.g., Phillips v. AWH Corp., 415 F.3d 1303, 1315 (Fed. Cir. 2005) (“[T]he specification is always highly relevant to the claim construction analysis. Usually, it is dispositive; it is the single best guide to the meaning of a disputed term.”) (quotation marks omitted). Claims language cannot be read in isolation and reading it without the specification

1 would be meaningless.

2 Restraint on Employment

3 324. Masimo has not proven by a preponderance of the evidence that Dr.  
4 Lamego is unwilling or unable to work in the field of non-invasive physiological  
5 monitoring in any capacity without using Masimo’s confidential information and  
6 trade secrets. Accordingly, the Court declines to enter the drastic remedy of  
7 enjoining him from working in this field for “at least six years, if not forever,” as  
8 requested by Masimo.<sup>10</sup>

9 325. Further, California favors employee mobility and “specifically  
10 allows” employees to “draw on knowledge and skills they gained from [their  
11 former employer] to develop a product for their new employer.” Hooked Media  
12 Grp., Inc. v. Apple Inc., 55 Cal. App. 5th 323, 332 (Cal. Ct. App. 2020).  
13 Accordingly, the Court finds that a full or years-long prohibition from the field of  
14 non-invasive physiological monitoring would unnecessarily restrain employee  
15 mobility.

16 326. Although Dr. Lamego displayed confusion concerning the legal  
17 definition of a trade secret, 3/17 Tr. 131:17–132:6, he is not a lawyer. Dr. Lamego,  
18 however, is represented by a team of highly capable lawyers who can ably direct  
19 him on how to comply with all aspects of the Court’s orders. The Court believes  
20 that the findings in this order, along with the equitable remedies imposed, will  
21 return the parties to the status quo with respect to Masimo’s confidential  
22 information and provide certainty to Dr. Lamego regarding what he is prohibited  
23 from doing in the future with respect to Masimo’s confidential and trade secret  
24 information.

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25  
26 <sup>10</sup> Notwithstanding Dr. Lamego’s professed inability to separate “know how” from  
27 trade secrets (see ¶ 190, supra), the relief here effectively bars his use of the specific trade secrets  
28 he utilized after starting TW.

1           Attorney's Fees

2           327. Because the Court finds that Dr. Lamego did not misappropriate  
3 Masimo's trade secrets willfully and maliciously, the Court declines to award  
4 attorney's fees under Cal. Civ. Code § 3426.4.

5           328. Further, even if the Court found such conduct with respect to the trade  
6 secrets claims on which Masimo succeeded, it would exercise its discretion to deny  
7 attorney's fees in this case.

8           329. An award of fees is not automatic under the CUTSA. Although such  
9 an award "is equitable in cases against well-funded defendants that commit acts of  
10 misappropriation that undermine legitimate competition and innovation," Mattel,  
11 801 F. Supp. 2d at 956, that is not the case presented here. Cf. 02 Micro Intern.  
12 Ltd. v. Monolithic Power Systems, Inc., 399 F. Supp. 2d 1064, 1080 (N.D. Cal.  
13 2005) ("the purpose of the statute is to deter specious misappropriation actions,"  
14 and attorney's fees are not automatic, even in cases where a jury finds willful and  
15 malicious conduct), as amended 420 F. Supp. 2d 1070, affirmed 221 Fed. App'x  
16 996 (Fed. Cir. 2007).

17           330. Plaintiffs drove the trajectory of this case in a manner that required  
18 both parties to spend a significant amount on attorney's fees as they prepared for  
19 trial. Over three years after the case was filed, at the time of trial, Plaintiffs had  
20 whittled their intellectual property case down to a handful of trade secrets and a  
21 single patent claim. Further, Plaintiffs prevailed on only a select number of their  
22 misappropriation theories, and did not prevail on their patent infringement claim.  
23 Against this backdrop, the Court finds it would be inequitable to award Plaintiffs  
24 attorney's fees in a trade secrets case they seemingly protracted for years, only to  
25 forego the right to damages and demand a bench trial over Defendants' objection  
26 in the end. Although this was within Plaintiffs' prerogative, even if the Court were  
27 inclined to award fees, it would be difficult to parse the fees incurred to review  
28

1 only those trade secrets claims on which Plaintiffs prevailed.

2 331. Accordingly, for the reasons stated, the Court declines to award  
3 attorney's fees.

#### 4 5 **IV. SUMMARY OF CONCLUSIONS OF LAW**

##### 6 **Breach of Contract**

7 332. Masimo has proven each of the four elements of its breach of contract  
8 claim: (1) the existence of the contract: Dr. Lamego entered Confidentiality  
9 Agreements with Masimo and Cercacor; (2) Masimo's performance: Masimo paid  
10 Dr. Lamego compensation and benefits for his employment; (3) Dr. Lamego's  
11 breach: Dr. Lamego took confidential information and property; and (4) Masimo  
12 suffered harm as a result of Dr. Lamego's breach. Oasis W. Realty, LLC v.  
13 Goldman, 51 Cal. 4th 811, 821, 250 P.3d 1115, 1121 (Cal. 2011).

14 333. Dr. Lamego has not proven his counterclaim, that the confidentiality  
15 agreements are void as a restraint of trade under Cal. Bus. & Prof. Code § 16600.  
16 The provisions Dr. Lamego breached relate to removing confidential information,  
17 not to practicing his trade or profession.

##### 18 **Breach of Fiduciary Duty**

19 334. Cercacor has proven each of the three elements of its breach of  
20 fiduciary duty claim: (1) existence of a fiduciary duty: as CTO, Dr. Lamego owed  
21 Cercacor a duty of loyalty; (2) breach of the duty with respect to the Chem 5 panel:  
22 Dr. Lamego admitted that, when he presented to the Cercacor board concerning the  
23 Chem 5 panel, although he did not believe Cercacor could meet the feasibility and  
24 production dates set forth in the manufacturing and regulatory timelines he  
25 presented, he did not reveal this to the board; and (3) damage proximately caused  
26 by the breach: the board authorized additional resources requested by Dr. Lamego  
27 to meet his proposed timeline. Gutierrez v. Girardi, 194 Cal. App. 4th 925, 932  
28

1 (2011).

2 335. Dr. Lamego has not proven that the statute of limitations bars this  
3 claim because he did not prove that, by April/May 2014, or at the latest August  
4 2014, Cercacor should have reasonably suspected that he breached his duty of  
5 loyalty and thus the four-year statute of limitation began to run. Although  
6 Cercacor conducted further investigation, which confirmed by April/May 2014 and  
7 no later than August 2014 that progress on the Chem 5 parameters was different  
8 than what Dr. Lamego presented, nothing gave Cercacor a reason to suspect that  
9 this was because Dr. Lamego misrepresented the clinical accuracy of the data, as  
10 opposed to some other data- or test-driven reason.

11 **Trade Secrets**

12 336. Masimo has proven that Asserted Trade Secrets 1 (partial), 8, 9, and  
13 12 meet the requirements of Cal. Civ. Code § 3426.1(d)(2), because Masimo made  
14 reasonable efforts to maintain their secrecy.

15 337. Trade Secret 1: Plaintiffs have proven each of the two elements of  
16 misappropriation of Trade Secret 1 with respect to pulse rate and oxygen  
17 saturation: (1) the existence and ownership of this trade secret: Masimo and  
18 Cercacor use this trade secret and it derives independent economic value from  
19 being secret; and (2) strong circumstantial evidence demonstrates misappropriation  
20 of the trade secret. Cal. Civ. Code § 3426.1.

21 338. Trade Secret 5: Plaintiffs have not proven each element of  
22 misappropriation of Trade Secret 5. If the Radius PPG embodies TS5 as Plaintiffs  
23 suggest, then TS5 does not constitute a trade secret, or it does not derive  
24 independent economic value from being secret in light of other wireless, wearable  
25 pulse oximeters and/or sensors available at the relevant time. Because Plaintiffs  
26 have not shown the existence and ownership of a trade secret, there can be no  
27 misappropriation. Cal. Civ. Code § 3426.1.

28

1           339. Trade Secret 8: Plaintiffs have proven each of the two elements of  
2 misappropriation of Trade Secret 8: (1) the existence and ownership of this trade  
3 secret: this algorithm was developed in connection with the [REDACTED] and it derives  
4 independent economic value from being secret; and (2) strong circumstantial  
5 evidence demonstrates misappropriation of the trade secret. Cal. Civ. Code §  
6 3426.1.

7           340. Trade Secret 9: Plaintiffs have proven each of the two elements of  
8 misappropriation of Trade Secret 9: (1) the existence and ownership of this trade  
9 secret: Plaintiffs use the selection of the [REDACTED] in connection with  
10 their pulse oximetry work and this combination derives independent economic  
11 value from being secret; and (2) the fact that the Oxxiom and certain of  
12 Defendants' patent applications incorporate the [REDACTED]  
13 demonstrates misappropriation of the trade secret. Cal. Civ. Code § 3426.1.

14           341. Trade Secret 11: Plaintiffs have not demonstrated the existence and  
15 ownership of TS11. TS11 was generally known to persons who can derive  
16 economic benefit from its use or disclosure. Because Plaintiffs have not shown the  
17 existence and ownership of a trade secret, there can be no misappropriation. Cal.  
18 Civ. Code § 3426.1.

19           342. Trade Secret 12: Plaintiffs have proven each of the two elements of  
20 misappropriation of Trade Secret 12: (1) the existence and ownership of this trade  
21 secret: Plaintiffs developed the TSS and it provides a competitive advantage  
22 through knowing how to use it to estimate an optimization variable in biosensing  
23 applications [REDACTED] and (2) the  
24 facts that Dr. Lamego's notebook marked "trade secret" contained the TSS and  
25 certain of Defendants' patent applications also contain it demonstrate  
26 misappropriation of the trade secret. Cal. Civ. Code § 3426.1.

27           343. Harm: Where misappropriation was found, the misappropriation has  
28

1 harmed Plaintiffs because they face an ongoing threat that Dr. Lamego will use,  
2 disclose, and destroy the trade secrets or try to claim them as his own. For  
3 example, as stated, Dr. Lamego prosecuted patent applications that contain some of  
4 the trade secrets.

5 344. Willfulness: Plaintiffs have not carried their burden to demonstrate by  
6 clear and convincing evidence that Dr. Lamego's misappropriation was willful and  
7 malicious.

8 345. Defenses: Defendants have not proven independent development  
9 because they failed to corroborate or support that defense with any credible  
10 evidence. Further, Defendants have not proven that the information contained in  
11 the misappropriated trade secrets was readily ascertainable and that Dr. Lamego  
12 ascertained it from publicly available sources rather than proprietary sources from  
13 his time working for Plaintiffs. Defendants also failed to demonstrate laches  
14 because they failed to show that Masimo unreasonably delayed asserting or  
15 diligently pursuing a claim for misappropriation of trade secrets, and that any delay  
16 prejudiced Defendants.

17 **Patent Infringement**

18 346. Infringement: Plaintiffs have not demonstrated induced and therefore  
19 direct infringement of Claim 9 of U.S. Patent No. 10,194,848 (the "'848 Patent"),  
20 because they did not demonstrate claim element 9e is present in the Oxxiom.  
21 Specifically, Plaintiffs presented no evidence of an Oxxiom user operating Oxxiom  
22 in a manner contrary to the instructed use that resulted in infringement—either by  
23 pairing the device with the app before removing Tab 2, or by re-attaching Tab 2  
24 later. Therefore, no evidence shows that Tab 2 blocked a portion of the emitter  
25 light when the sensor was active (i.e., when the device was paired). Hypothetical  
26 instances of infringement by customers are insufficient.

27 347. Invalidity: Defendants have not demonstrated obviousness by clear  
28



1 and convincing evidence where, for example, they failed to demonstrate a  
2 motivation to combine Sweitzer and Pompei with Larrabee or Agnes. The covers  
3 in Larrabee and Agnes block only ambient or external light, not emitter light, as  
4 required by limitation 9e. The Larrabee and Agnes covers also do not cover one or  
5 more of the sensing components (i.e., the emitters and the detector) of the sensor.  
6 Further, no evidence suggests that the problem solved by the '848 Patent, (reflected  
7 emitter light causing false readings when the sensor is not in use), was known by a  
8 POSA as of the priority date. Defendants also failed to show a reasonable  
9 expectation of successfully combining Sweitzer and Pompei with Larrabee or  
10 Agnes. Evidence of copying also supports nonobviousness.

11 **Other Affirmative Defenses**

12 348. Defendants did not raise failure to state a claim at trial, and the  
13 defense of speculative damages is moot where Plaintiffs no longer seek monetary  
14 damages.

15 **Equitable Remedies**

16 349. Cercacor has not demonstrated that a portion of Dr. Lamego's salary  
17 for any given period should be returned in equity as a result of the breach.

18 350. Defendants have not been unjustly enriched and no equitable  
19 monetary award is warranted.

20 351. But further equitable relief is warranted to ensure protection and  
21 preservation of Plaintiffs' trade secrets. To that end, the Court enjoins Defendants  
22 from continuing to misappropriate and use the relevant trade secrets.

23 352. Plaintiffs have proven that Defendants' further use and disclosure of  
24 the trade secrets would cause an irreparable injury, and that any monetary award to  
25 allow Defendants to continue to misappropriate the trade secrets would be  
26 inadequate to compensate for the misappropriation. The balance of hardships tips  
27 in favor of Plaintiffs. Any hardship to Defendants arising from the need to  
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1 redesign the Oxxiom is not outweighed by the hardship to Plaintiffs arising from  
2 the loss of their trade secrets. The public interest would be furthered by a  
3 permanent injunction.

4 353. Accordingly, Defendants are permanently enjoined from further  
5 misappropriating the relevant trade secrets and are permanently enjoined from  
6 selling the Oxxiom in its current iteration that includes the trade secrets.

7 354. Dr. Lamego is also ordered to return any confidential information he  
8 took from Masimo or Cercacor, including any documents and electronic  
9 information, and is enjoined from making further use of any confidential  
10 information obtained during his employment.

11 355. The Court orders Defendants to let the aforementioned patent  
12 applications go abandoned.

13 356. The Court declines to enter the drastic remedy of enjoining Dr.  
14 Lamego from working in the field of non-invasive physiological monitoring.

15 357. The Court declines to award attorney's fees under Cal. Civ. Code §  
16 3426.4.

17  
18 **V. CONCLUSION**

19 For the reasons stated above, the Court enters its findings of fact and  
20 conclusions of law as stated herein. Plaintiffs shall file a proposed judgment  
21 forthwith. Defendants shall file any objections thereto within 7 days of Plaintiffs'  
22 filing. If no objections are received within 7 days, the judgment will be entered  
23 immediately, and Federal Rule of Civil Procedure 52(b) will apply upon entry of  
24 judgment.

25 The Court asks the parties to meet and confer and, within 7 days of this  
26 Order, notify the Court via email to the Courtroom Deputy Clerk which parts of the  
27 sealed Order should be redacted from the publicly filed version of the Order based  
28

1 on the Court's prior sealing orders. When submitting their sealing request, the  
2 parties shall attach a copy of this Order with their proposed redactions highlighted  
3 for the Court's review. The Court asks the parties to be judicious in their sealing  
4 requests.

5 **IT IS SO ORDERED.**

6 Dated: 11/7/22

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8 JAMES V. SELNA  
9 UNITED STATES DISTRICT JUDGE

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