SUPERIOR COURT OF CALIFORNIA

COUNTY OF SANTA CLARA

AGILENT TECHNOLOGIES, INC., a Delaware corporation,

Plaintiff,

vs.

TWIST BIOSCIENCE CORP., a Delaware corporation; EMILY LEPROUST, an individual; and DOES 1 through 20, inclusive,

Defendants.

Case No.: 16CV291137

ORDER AFTER HEARING ON DECEMBER 7, 2018

(1) Motion by Plaintiff Agilent Technologies, Inc. for Leave to Amend First Amended Complaint; (2) Motion by Plaintiff Agilent Technologies, Inc. for Protective Order

This Order was issued conditionally under seal to the parties and lodged on December 11, 2018 by the Court. Pursuant to California Rules of Court, Rule 2.551(b)(3)(B), the Clerk will remove the Order from its sealed envelope and place it in the public file unless a motion or application to seal the record is filed within 10 days from the date the record was lodged under seal.

NO REQUEST TO SEAL FILED BY ANY PARTY; DOCUMENT UNSEALED ON 1/2/19.

The above-entitled matter came on regularly for hearing on Friday, December 7, 2018 at 9:00 a.m. in Department 1 (Complex Civil Litigation), the Honorable Brian C. Walsh presiding. The Court reviewed and considered the written submission of all parties and issued a confidential tentative ruling on December 6, 2018. No party contested the tentative ruling; as such, the Court orders the tentative ruling be adopted and incorporated herein as the Order of the Court, as follows:

This is an action for trade secret misappropriation and related claims. Plaintiff Agilent Technologies, Inc. alleges that its former employee, defendant Emily Leproust, stole its industry-leading genomics technologies to start her own competitive company, defendant Twist Bioscience Corporation. (First Amended Complaint ("FAC"), ¶ 1.)

Currently at issue are motions by plaintiff (1) for leave to file a Second Amended Complaint ("SAC") and (2) for a protective order pursuant to Code of Civil Procedure sections 2033.040 and .080. Defendants oppose both motions.

I. Allegations of the Operative Complaint

Agilent alleges that Leproust misappropriated confidential information and trade secrets related to DNA oligonucleotide ("oligo") synthesis technologies in violation of her contractual and other legal duties to Agilent. (FAC, ¶ 1.) In February 2012—more than a year before she resigned from her employment with Agilent—she registered internet domain names for Twist, and she proceeded to use Agilent's resources to develop Twist's technology and to pitch her competing company to venture capitalists while still employed by Agilent. (*Ibid.*) After leaving Agilent in April 2013, Leproust targeted and poached key employees. (*Ibid.*)

In July 2013, Twist obtained $4.7 million in Series A funding and in August 2013, it filed provisional patent applications regarding its use of an oligo writer to synthesize oligos using inkjet technology, the same technology employed by Agilent. (FAC, ¶ 42.) The technology presented in Twist's patent applications and business presentations was not and could not have been independently developed during Twist's short existence to date. (*Id.* at ¶¶ 50-51.) Twist has since raised millions more in funding. (*Id.* at ¶ 42.)

Based on these allegations, the FAC asserts claims for (1) breach of contract (against Leproust), (2) breach of the duty of loyalty (against Leproust), and (3) trade secret misappropriation (against both defendants).

II. Motion for Leave to File the SAC

Agilent seeks leave to file the proposed SAC attached as Exhibit D to the supplemental declaration of J. Hardy Ehlers filed in support of its motion. The SAC would add two additional individual defendants to this action—Siyuan Chen and Solange Glaize—along with allegations regarding these individuals' and Leproust's misappropriation of confidential documents from Agilent and various former employees' suspicious computer activities prior to departing Agilent. The SAC would also add allegations regarding Leproust's acceptance of a CEO position with Twist in November 2011, and would make minor changes to other allegations, such as descriptions of Agilent's technology.

Defendants oppose Agilent's motion on the grounds that the new allegations are false and Agilent is acting in bad faith; the claims against Chen are time-barred; and defendants will be prejudiced by the amendment, while Agilent has not adequately explained its delay in offering it.

A. Legal Standard

Section 473, subdivision (a)(1) of the Code of Civil Procedure states in pertinent part: "[t]he court may ... , in its discretion after notice to the adverse party, allow, upon any terms as may be just, an amendment to any pleading or proceeding in other particulars ...." (*Atkinson v. Elk Corp.* (2003) 109 Cal.App.4th 739, 760.) In considering a motion for leave to amend, "courts are bound to apply a policy of great liberality in permitting amendments to the complaint at any stage of the proceedings, up to and including trial." (*Id.* at p. 761.) "[I]t is a rare case" in which a court will be justified in denying a party leave to amend its pleadings. (*Morgan v. Superior Court (Morgan)* (1959) 172 Cal.App.2d 527, 530.) "If the motion to amend is timely made and the granting of the motion will not prejudice the opposing party, it is error to refuse permission to amend and where the refusal also results in a party being deprived of the right to

assert a meritorious cause of action or a meritorious defense, it is not only error but an abuse of discretion." (*Ibid.*)

While often paramount, the policy of liberality in permitting amendments should be applied only where no prejudice is shown to the adverse party. (*Atkinson v. Elk Corp., supra,* 109 Cal.App.4th at p. 761.) Where an amendment would require substantial delay in the trial date and substantial additional discovery; would change not only the specific facts and causes of action pled, but the tenor and complexity of the complaint as a whole; and where no reason for the delay in seeking leave to amend is given, refusal of leave to amend is not an abuse of discretion. (See *Magpali v. Farmers Group* (1996) 48 Cal.App.4th 471, 486-488 [affirming denial of request to amend made during trial].) "Even if a good amendment is proposed in proper form, unwarranted delay in presenting it may – of itself – be a valid reason for denial," which "may rest upon the element of lack of diligence in offering the amendment after knowledge of the facts, or the effect of the delay on the adverse party." (*Roemer v. Retail Credit Co.* (1975) 44 Cal.App.3d 926, 939-940 [trial court appropriately denied request to amend answer made during trial]; see also *P & D Consultants, Inc. v. City of Carlsbad* (2010) 190 Cal.App.4th 1332, 1345 [plaintiff did not seek leave to amend until after the trial readiness conference, amendment would require additional discovery and might prompt a demurrer or other pretrial motion, and plaintiff's explanation for the delay was inadequate].)

B. Analysis

As an initial matter, while defendants dispute the veracity of Agilent's new allegations and contend that Agilent is acting in bad faith, the allegations are not obviously false or made in bad faith, and their merits are not properly before the Court at this time. The Court expresses no opinion on these issues and need not resolve them to rule on Agilent's motion. Similarly, defendants' argument that the claims against Chen are time-barred is not readily resolved and raises issues beyond the face of the pleadings. This argument is more appropriately addressed in the context of a subsequent motion focused on that issue.

Turning to defendants' remaining arguments, Agilent explains that it recently learned through discovery that Leproust, Chen, and Glaize stole its confidential documents, including documents reflecting the trade secrets at issue in this action, and that Leproust accepted a CEO position at Twist in November 2011. While they dispute Agilent's interpretation of these events, defendants concede that the information upon which Agilent bases these allegations was revealed during discovery earlier this year, and that Agilent notified defendants of its intent to file the SAC in July. (See Opp. at pp. 5, 8, 13.)[1] The Court accordingly concludes that Agilent did not improperly delay its request for leave to file the SAC.

Finally, the only prejudice defendants claim is the need to conduct further discovery to respond to these allegations—which they acknowledge they have time to complete. (Opp. at p. 11.) Relatedly, defendants state that they will have to "alter" or "rework" their defenses in response to these developments. However, being required to respond to new facts that come to light during discovery is not prejudicial, but is expected over the normal course of litigation. In short, defendants fail to show that they will be prejudiced by the modest amendment offered by Agilent.

C. Conclusion and Order

Agilent's motion for leave to file the SAC is GRANTED. The SAC shall be deemed filed as of the date this order is entered. Within 10 days of the filing of the Court's order, Agilent shall re-file the SAC as a standalone document in the Court's e-filing system.

III. Motion for a Protective Order

Agilent moves for a protective order relieving it of the obligation to respond to Twist's First Set of Requests for Admission (the "RFA"s), other than the first 35 RFAs. Agilent also seeks a protective order limiting the number of requests for admission that may be served by the

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[1] While defendants note that Agilent does not specifically explain when it learned of its former employees' suspicious computer activities, this allegation merely references additional evidence supporting Agilent's theory regarding the newly-discovered confidential documents. It does not in any way broaden the scope of the action, as such evidence is properly at issue whether or not it is referenced in a pleading, so long as it is disclosed during discovery.

parties on each side of this action in the future. Defendants oppose Agilent's motion in both respects.

A. Background to the Parties' Discovery Dispute

Twist propounded the 225 RFAs on August 6, 2018, along with a declaration of necessity regarding the number of RFAs that were served. At the same time, it served form interrogatories ("FI"s) including FI 17.1, which requires Agilent to identify the facts, witnesses, and documents supporting its responses to RFAs that are not unqualified admissions.

According to defendants, one week before its responses were due, Agilent requested a two-week extension of its deadline to respond to the RFAs and FIs. It then told defendants that it deemed Twist's declaration of necessity to be insufficient, and provided responses to the first 35 RFAs (along with corresponding responses to FI 17.1) only. Agilent's counsel declares that on September 7, the parties met and conferred through email and telephonically about the number of RFAs that were served. They then participated in an informal discovery conference with the Court on September 12, but were unable to reach an agreement. While the parties conducted additional meet and confer discussions on September 21 and 25, they remain at an impasse. Consequently, Agilent filed the instant motion on September 28.

Up to this point, defendants have served 245 special interrogatories and 304 requests for production of documents on Agilent. Similarly, Agilent has served 265 special interrogatories and 215 requests for production on the defendants. Agilent has apparently not yet served requests for admission of its own, and proposes that all parties be limited to the following numbers of requests for admission for the remainder of the litigation:

- 70 requests for admission accompanied by FI 17.1 per side;
- 70 requests for admission unaccompanied by FI 17.1 per side; and
- an unlimited number of requests for admission for the genuineness of documents, except to the extent limited by Code of Civil Procedure section 2033.030, subdivision (c).

B. Legal Standard

When interrogatories or requests for admission have been propounded, the responding party may promptly move for a protective order. (Code Civ. Proc., §§ 2030.090, subd. (a) and 2033.080, subd. (a).) "The court, for good cause shown, may make any order that justice requires to protect any party from unwarranted annoyance, embarrassment, oppression, or undue burden and expense." (*Id.*, at §§ 2030.090, subd. (b) and 2033.080, subd. (b).) The court may order that the set of interrogatories or admission requests, or particular requests in the set, need not be answered, or that the number of requests is unwarranted. (*Ibid.*)

Each party in an action has the right to propound 35 requests for admission to every other party. (Code Civ. Proc., § 2033.030.) A party may propound more than 35 requests for admission by submitting a declaration of necessity pursuant to Code of Civil Procedure section 2033.040. If, despite the declaration of necessity, the responding party deems the number of requests excessive, the party may seek a protective order under Code of Civil Procedure section 2033.080. Upon such motion, the propounding party has the burden of justifying the number of requests. (*Id.* at § 2033.040.)

C. Analysis

Here, the Court finds that the number of requests for admission served by Twist is reasonable given the scope of this complex action. Both sides have served similar numbers of interrogatories and requests for production up to this point, and while the Court appreciates the extra work required to respond to FI 17.1 as to every RFA that is not admitted without qualification, the use of form interrogatories is generally sanctioned. (See Code Civ. Proc., § 2030.030, subd. (a)(2) [placing no default limit on the number of form interrogatories that may be propounded].) The Court also does not find it appropriate to restrict the number of future discovery requests that the parties may serve at this juncture.

Still, the Court is empowered to limit any form of discovery to the extent that it becomes unduly burdensome or expensive. Based on the Court's observations thus far, there may well come a point in this action where that line is crossed. In ruling on any future motions for

protective orders that may come before it, the Court will consider the number of discovery requests that were previously served by a party. Notably, Twist acknowledges that its pending RFAs do not address the specific individual trade secrets identified by Agilent; presumably, it anticipates serving many additional requests for admission on that subject. Given the increasing challenges that the parties will face in keeping discovery within reasonable bounds as this action progresses, Twist may wish to consider withdrawing any superfluous RFAs among the set it has already served.

D. Conclusion and Order

Agilent's motion for a protective order is DENIED. Agilent shall serve responses to the RFAs and corresponding FI 17.1 by January 25, 2018 or another date mutually agreed by the parties. If Twist wishes to withdraw any of the RFAs, it shall do so by December 14, 2018.

SO ORDERED.

Dated: 12-10-18

Honorable Brian C. Walsh
Judge of the Superior Court