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FILED IN THE
U.S. DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

Mar 11, 2019

SEAN F. MCAVOY, CLERK

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

OTR WHEEL ENGINEERING, INC.,
BLACKSMITH OTR, LLC, and F.B.T.
ENTERPRISES, INC.,

Plaintiffs,

v.

WEST WORLDWIDE SERVICES, INC.,
and SAMUEL J. WEST, individually and
his marital community, SSL Holdings, Inc.,
SSL Global, Inc., SSL China LLC, and
Qingdao STW Tire Co., Ltd.,

Defendants.

No. 2:14-CV-00085-LRS

**ORDER DENYING
MOTION FOR
RECONSIDERATION**

BEFORE THE COURT is Plaintiffs’ Motion For Reconsideration of Order Denying Permanent Injunction (ECF No. 687). This motion is heard without oral argument.

I. RECONSIDERATION STANDARD

Fed. R. Civ. P. 60(b)(6) permits a court to relieve a party from an order for “any reason that justifies relief.” It “is to be used sparingly as an equitable remedy to prevent manifest injustice and is to be utilized only where extraordinary circumstances exist.” *Harvest v. Castro*, 531 F.3d 737, 749 (9th Cir. 2008). “A motion for reconsideration should not be granted, absent highly unusual circumstances, unless the district court is presented with newly discovered

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1 evidence, committed clear error, or if there is an intervening change in the
2 controlling law.” *Marlyn Nutraceuticals, Inc. v. Mucos Pharma GmbH & Co.*,
3 571 F.3d 873, 880 (9th Cir. 2009).

4 5 **II. DISCUSSION**

6 Plaintiffs (collectively referred to as “OTR”) contend the court, in its order
7 filed December 19, 2018 (ECF No. 685), “committed clear error in concluding that
8 the remaining unsold production tires were not, like the test tires, also ‘tortiously
9 obtained,’ . . . and that it erred in not recognizing the direct chain of causation
10 between West’s unlawful obtaining of the test tires and its subsequent sale of
11 production tires, which would otherwise never have occurred.” Plaintiffs assert
12 the tortious interference and Washington Consumer Protection Act (WCPA)
13 verdicts stand alone and are independent of reverse passing-off, trademark
14 infringement and misappropriation of trade secrets.

15 OTR essentially appears to argue that Defendants’ (West’s) production tires,
16 even though not made from a Solideal (Outrigger) mold and not infringing OTR’s
17 trade dress or misappropriating any of OTR’s trade secrets, were “tortiously
18 obtained” by West because of the mere fact Superhawk manufactured those
19 “competing” size 355 tires for West to sell to Genie or any other third party.
20 According to OTR, this constituted a violation of the non-competition agreement
21 between Solideal and Superhawk, sufficient by itself to support the jury’s verdict
22 that West tortiously interfered with a business relationship between Solideal and
23 Superhawk, and with a business relationship between Superhawk, Solideal and
24 OTR, and that it furthermore constituted an unfair and deceptive act under the
25 WCPA.

26 Prior to trial, OTR had numerous opportunities in its pleadings, in its
27 briefing in support of and against multitudinous dispositive motions, and in its
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1 trial brief and the agreed pre-trial order, to make clear it was contending the fact
2 West had Superhawk make “Extremelift” production tires for it constituted a
3 violation of the non-competition agreement between Solideal and Superhawk and
4 was a basis for its tortious interference and WCPA claims. OTR did not do that
5 and indeed, considering there is no dispute Superhawk made tires for West, it is
6 difficult to comprehend why, if it had done so, OTR would not have pursued
7 summary judgment on this basis in regard to its tortious interference and WCPA
8 claims.

9 OTR claims it never argued its tortious interference or WCPA claims
10 depended on its trademark infringement or trade secret claims, but the fact is it
11 never argued otherwise to this court or to the jury. OTR’s trial brief clearly
12 premised its tortious interference and WCPA claims on transgression of its
13 intellectual property rights either by trademark counterfeiting, trademark
14 infringement, reverse passing off, or trade secret misappropriation. In the
15 “Introduction” section of its trial brief, OTR wrote:

16 In October 2012, Plaintiffs became aware that an
17 essentially identical tire had been introduced into commerce,
18 and upon investigation, ultimately identified Defendants as
19 the sellers. During the course of Plaintiffs’ investigation,
20 they confirmed that these **counterfeit** tires had in fact been
21 produced by a contract manufacturer in China that had been
22 engaged to produce tires for Plaintiffs’ affiliate Solideal, **using**
23 **Plaintiffs’ trade secrets**. Plaintiffs filed this action to halt
24 Defendants’ unfair competition.

25 (ECF No. 420 at pp. 2-3)(emphasis added).

26 OTR’s trial brief discussed its claims for trademark counterfeiting,
27 trademark infringement, false designation of origin and trade secret
28 misappropriation before discussing its WCPA and tortious interference claims.
Nothing in the discussion of the WCPA and tortious interference claims (ECF No.
420 at pp. 23-27) suggested they were premised on anything other than alleged
violations of intellectual property rights.

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1 OTR notes that in its trial brief, it explained that “[e]ven if Plaintiffs do not
2 establish a claim for trademark infringement or trade dress infringement, . . . they
3 can still prove a CPA claim.” (ECF No. 420 at p. 25). That was certainly true
4 since false designation of origin under the Lanham Act and/or misappropriation of
5 trade secrets could establish a WCPA claim. As this court noted previously, the
6 Ninth Circuit upheld the jury verdict in favor of OTR on its WCPA claim because
7 OTR prevailed on its reverse passing off claim (false designation of origin claim).
8 (ECF No. 633 at p. 5).

9 With regard to its tortious interference claims, OTR alleged that West
10 caused Genie to breach its contract with OTR and “also intentionally induced or
11 caused the termination of the business relationship between OTR and Genie when
12 Genie committed to selling West’s **counterfeit infringing tires.**” (ECF No. 420 at
13 p. 27)(emphasis added). OTR further alleged that West interfered with OTR’s
14 contracts and business relationships (via Superhawk) in that West convinced
15 Michael Zhang of Superhawk to make tires for West and “West knew that
16 SuperHawk had a contract to make the **Outrigger tire** for Solideal, and OTR had
17 a contractual business relationship with Solideal and an expectancy that it
18 (through Superhawk) would not make the **Outrigger** for anyone else.” (ECF No.
19 420 at p. 27)(emphasis added). The jury concluded Superhawk did not make an
20 Outrigger production tire for West and that West did not sell any “counterfeit
21 infringing” production tires to Genie.¹

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24 ¹ The development/test tires which West submitted to Genie were neither
25 counterfeit or infringing. Per the jury’s verdict for OTR on its false designation of
26 origin claim, those tires were genuine Outrigger tires which West passed off as its
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1 The parties' Amended Joint Pretrial Order (ECF No. 421) likewise indicated
2 OTR's WCPA and tortious interference claims were premised on alleged
3 violations of its intellectual property rights. In "Plaintiffs' Statement of Nature of
4 Proceedings," OTR stated it was seeking "a permanent injunction to restrain any
5 future trademark infringement and future use of trade secrets."²

6 After setting forth its contentions regarding "Trademark Infringement and
7 Counterfeiting" and the "Uniform Trade Secret Act," OTR set forth its contentions
8 regarding the "Consumer Protection Act" and "Tortious Interference." Plaintiffs'
9 contentions regarding the WCPA included the following:

10 West has engaged in unlawful and deceptive acts and practices
11 in trade or commerce by its building, importing, offering and
12 selling its unauthorized version of tires bearing a counterfeit of
13 one or more of the OTR Marks and the OTR Outrigger Trade Dress
(the "Counterfeit Tires") because of their nature as counterfeits and
because of the misappropriation and deception by West that
accompanied their sales.

14 (ECF No. 421 at pp. 10-11).

15 Plaintiffs' contentions regarding the tortious interference claims included
16 the following:

17 West induced Superhawk to use OTR's trade secrets and
18 technology for the benefit of West and to the detriment of
19 OTR. These trade secrets were entrusted to Solideal, and

20 own tires.

21 ² This was entirely consistent with what it stated in its First Amended
22 Complaint. The First Amended Complaint sought a permanent injunction
23 requiring West to destroy all "counterfeit" tires and "refrain from making any
24 further use of OTR Marks and the OTR Trade Secrets" in competition with OTR
25 or for any other purpose." (ECF No. 179 at Paragraph 108)
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1 by Solideal to Superhawk, and under West's inducement
2 used by Superhawk contrary to Solideal's authorization, in
3 order to make the Counterfeit Tires West sold to Genie,
4 causing or enabling Genie to curtail its business relationship
5 with OTR.

6 (ECF No. 421 at pp. 11-12).³

7 The "Issues Of Fact" listed by Plaintiffs in the Amended Joint Pre-trial
8 Order included the following:

9 Whether Defendants, having knowledge of OTR's relationship
10 with Solideal and an expectancy that Solideal, and through Solideal,
11 Superhawk would not make the **Outrigger** for anyone else, interfered
12 with that business relationship by improper means.

13 (ECF No. 421, Paragraph 12 at p. 31)(emphasis added). The jury concluded
14 Superhawk did not make an Outrigger production tire for West (a tire that
15 counterfeited or infringed OTR's trade dress or misappropriated OTR trade
16 secrets). OTR did not allege its "expectancy" was that Superhawk would not
17 make a "size 355 tire" for anyone else.

18 The "Issues Of Law" listed by Plaintiffs in the Amended Joint Pretrial Order
19 (ECF No. 421 at pp. 34-37) specifically discussed trademark infringement,
20 trademark counterfeiting and trade secret misappropriation without distinguishing
21 the WCPA and tortious interference claims.

22 Per the Amended Joint Pretrial Order, OTR requested a permanent
23 injunction enjoining Defendants from "any importation, manufacture, assembly,

24 ³ The court is not persuaded there is some material distinction between trade
25 secrets and "technology" allowing for a conclusion that OTR's tortious
26 interference claims were based on something other than transgression of
27 intellectual property rights. OTR certainly did not argue to the court or to the jury
28 that there was a material distinction.

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1 advertisement, promotion, offer for sale, sale, purchase, distribution, movement or
2 transfer of, or any other involvement with tire products bearing any of OTR's
3 trademarks, including the OTRIGGER word trademark or the OTR Outrigger
4 Trade Dress . . . , or any other colorable imitation of the OTR marks on or in
5 connection with tires or products.” (ECF No. 421, Paragraph 2 at p. 48). OTR
6 further requested that Defendants be required “to deliver to OTR or to an officer of
7 the Court any colorable imitations of the *Outrigger* tire in Defendants’ possession
8 or control, plus all means of production of the Counterfeit Tires, plus all records
9 documenting the manufacture, sale or receipt of the Counterfeit Tires, or their
10 constituent parts or compounds.” (ECF No. 421, Paragraph 3 at pp. 48-49).

11 Based on what OTR had set forth in the Amended Joint Pretrial Order, West
12 certainly would have objected if OTR had argued to the jury that it could find
13 tortious interference and a violation of WCPA because West had Superhawk make
14 size 355 tires for it, even if those tires did not transgress any of Plaintiffs’
15 intellectual property rights. OTR, however, did not make such an argument in
16 either its opening or closing arguments at trial.

17 In his opening, OTR’s counsel told the jury the issue was that tires sold by
18 West to Genie “infringe our trademark because they use our tread design, and
19 they’re made through the use- the unauthorized use of our trades secrets; and I
20 hope once we’ve completed our presentation, you’ll be satisfied that that’s what
21 the evidence has shown you.” (ECF No. 555 at pp. 43-44). Just before making
22 that statement, counsel referred to Michael Zhang’s “confidentiality” obligation
23 which counsel would repeat in his closing argument in reference to Zhang
24 allegedly not being allowed to use OTR’s trade secrets to make tires for West
25 because of the agreement between Solideal and Superhawk.

26 Counsel’s entire closing argument was premised on West having violated
27 one or more of OTR’s intellectual property rights, either trademarks or trade
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1 secrets. Counsel referred to each of OTR's six claims as representing a door and
2 commenced his argument by discussing Lanham Act claims: trademark
3 counterfeiting (first door) and trademark infringement (second door). Regarding
4 those counterfeiting and infringement claims, counsel noted the email exchange
5 between Sam West and Michael Zhang in which Zhang said it would be
6 "dangerous to use the Solideal mold" because "we [Superhawk] have an
7 agreement with Solideal." (ECF No. 570 at p. 1771, Lines 16-18). Counsel
8 repeated this to the jury several other times, emphasizing that the violation of the
9 agreement involved the use of a Solideal mold. (ECF No. 570 at p. 1773, Lines
10 12-15; p. 1780, Lines 4-10). In its "Order Re Post-Appeal Motions," this court
11 noted there was no evidence that West's production tires were made from a
12 Solideal mold and the jury found those tires did not infringe any intellectual
13 property rights of OTR. (ECF No. 685 at p. 7).

14 With this "background," counsel began discussing tortious interference (the
15 third door). (ECF No. 570 at p. 1781, Lines 5-6). Referring to the agreement
16 between Solideal and Superhawk, counsel stated:

17 Solideal made that agreement with Superhawk - -
18 meaning confidentiality agreement, noncompetition
19 agreement - - for the benefit of OTR **because Solideal
held those trade secrets**; and Sam West induced Mike
Zhang to violate that agreement.

20 (ECF No. 570 at p. 1781, Lines 16-21)(emphasis added). Counsel went on to
21 assert that "West induced . . . the breach of the obligation that Mike Zhang had
22 that was to control **genuine OTR tires** being made by Superhawk in China."
23 (ECF No. 570 at p. 1782, Lines 3-6)(emphasis added). While the jury concluded
24 the development/test tires submitted by West to Genie were "genuine OTR tires,"
25 it made no such conclusion regarding West's production tires.

26 Counsel argued that "a very similar set of facts" supported OTR's WCPA
27 claim (the fourth door), specifically noting how trademarks affect the public
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1 interest. (ECF No. 570 at p. 1782, Lines 11-16). After discussing false
2 designation of origin (fifth door), counsel addressed OTR's trade secrets
3 misappropriation claim (the sixth and final door). Here again, counsel revisited
4 Zhang's "confidentiality obligation" and his duty to "maintain the trade secret, or
5 limit its use." (ECF No. 570 at p. 1785, Lines 21-25; p. 1786, Lines 1-5). See also
6 ECF No. 570 at p. 1788, Lines 15-20 (Solideal-Superhawk agreement "not for
7 supply, but for confidentiality"); ECF No. 570 at p. 1789, Lines 3-13 (Zhang owed
8 a "duty of confidentiality" because he had a noncompete agreement and he knew
9 the trade secrets from his time as a manager at Solideal; Zhang had a "secrecy
10 obligation").

11 In sum, from its First Amended Complaint through its closing argument at
12 trial, OTR argued that the alleged violation of the Solideal-Superhawk agreement
13 involved Michael Zhang using OTR trade secrets in the manufacturing of West's
14 production tires. The instructions given to the jury regarding the WCPA and
15 tortious interference claims did not diverge from this. OTR notes that Instruction
16 No. 40 (ECF No. 500) informed the jury that if it did not find that OTR proved any
17 of its claims for trade dress infringement or false designation of origin (the
18 Lanham Act claims), the jury could still find OTR proved the first element of its
19 WCPA claim if it found West engaged in an "unfair or deceptive act or practice."
20 This was accurate because even if the jury did not find a violation of the Lanham
21 Act, it could still find there was a violation of Washington's Uniform Trade Secret
22 Act as set forth in Instruction Nos. 24-30. Indeed, Instruction No. 43 which
23 discussed the proximate cause element of a WCPA claim specifically mentioned
24 "trade secret misappropriation" in addition to "interference with OTR's contracts
25 and/or business relationships." Pleading a WCPA claim in addition to other claims
26 is common as the WCPA offers certain unique potential remedies, including treble
27 damages and attorney's fees and costs. RCW 19.86.090.

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1 Consistent with what OTR argued to the jury concerning tortious
2 interference with the agreement between Solideal and Superhawk, Instruction No.
3 32 referred not to the making of any size 355 tire, but specifically to the making of
4 the “Outrigger tire.” Likewise, Instruction No. 35 informed the jury that to
5 recover on a claim of tortious interference with a business relationship between
6 Superhawk and Solideal, OTR had the burden of proving that “at the time West
7 convinced Michael Zhang of SuperHawk to make tires for Defendants, OTR had a
8 business relationship with Solideal and an expectancy that it (through SuperHawk)
9 would not make the **Outrigger tire** for anyone else.” (Emphasis added). The
10 expectancy was not defined as Superhawk not making any size 355 tire for anyone
11 else. The expectancy was Superhawk would not make a counterfeit or infringing
12 version of the Outrigger tire for anyone else that violated OTR’s rights under the
13 Lanham Act and/or misappropriated OTR trade secrets. OTR counsel’s references
14 to “355 tires” in his closing argument were not to just any “355 tires,” but to
15 production tires which had allegedly been made in a Solideal mold (counterfeit or
16 infringing Outrigger tires which may have also misappropriated OTR trade
17 secrets).⁴

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20 ⁴ The facts pled in Plaintiff’s First Amended Complaint at Paragraphs 39-67
21 are essentially the same facts Plaintiffs presented in their Trial Brief, in the
22 Amended Joint Pre-trial Order, and in their opening and closing arguments at trial.
23 Those alleged facts include that “in 2012, West succeeded in persuading Mr.
24 Zhang and Superhawk to agree to begin to manufacture counterfeit *Outrigger* tires
25 for the Defendants” (Paragraph 42) and that West knew they were counterfeit
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1 OTR asks this court to read something into the jury’s verdict which OTR
2 did not present to the jury as a theory: that West’s use of Superhawk to
3 manufacture its production tires violated the Solideal-Superhawk agreement
4 regardless of whether the production tires violated any of OTR’s intellectual
5 property rights in the Outrigger tire. Surely, if this is a theory OTR wanted the
6 jury to consider, it would have been pled clearly,⁵ it would have been made clear
7 to the jury, and the jury instructions would have reflected it clearly.⁶

8 The dis-branded genuine Outrigger tires submitted by West to Genie for
9 _____
10 because he “personally directed Mr. Zhang and Superhawk to make the
11 Counterfeit Tires **using the OTR proprietary mold entrusted to Superhawk** to
12 make the 355-sized *Outrigger* tire.” (Paragraph 43). (Emphasis added).

14 ⁵ The Ninth Circuit upheld this court’s rejection of OTR’s proposed jury
15 instruction asserting a claim for infringement of unregistered trade dress, agreeing
16 with this court that OTR did not state in its complaint that it was pursuing a claim
17 for infringement of unregistered trade dress. (ECF No. 632 at pp. 28-30).

20 ⁶ It is of no consequence that **post-trial**, in its “Opposition To Defendants’
21 Renewed Motion For Judgment As A Matter Of Law,” OTR arguably suggested
22 violation of intellectual property rights did not matter in asserting that “[a]ll the
23 evidence showed Superhawk was forbidden from competing with Solideal in
24 regard to the 355 tires , and Solideal could not compete with OTR in the North
25 American marketplace.” (ECF No. 577 at pp. 19-20).

1 testing, and West's production tires which were subsequently sold to Genie, are
2 inextricably linked, but they are also clearly distinguishable. The jury did not find
3 West's production tires were genuine Outriggers or counterfeit/infringing tires.
4 West's sale of production tires to Genie for the period from May 2013 to May
5 2014 was the result of West's improper conduct in submitting dis-branded genuine
6 Outrigger tires to Genie for testing. It was this conduct which allowed West to
7 sell some of its production tires to Genie. The jury, however, did not find these
8 production tires were manufactured or sold in violation of any of OTR's
9 intellectual property rights. The sale of those tires to Genie for that one year
10 period necessarily served as the measure of damages sustained by OTR as a result
11 of West's improper conduct. The jury remedied that harm with its award of
12 damages to OTR. Any sale now of West's production tires to Genie will not
13 continue the harm to OTR. The jury's verdict reset the relationship between West
14 and Genie going forward. Genie knows or should know a jury found West
15 submitted dis-branded genuine Outrigger tires to Genie for testing to gain Genie's
16 business in 2013-14.⁷ Genie also knows or should know a jury found West's

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18 ⁷ The jury did not render a verdict that the production tires were "unlawfully
19 procured" by West as contended by OTR, nor did the jury "plainly" rest its
20 verdicts on West's wrongful conduct in offering production tires for sale. The
21 only wrongful conduct the jury clearly found was the false designation of origin
22 regarding the development/test tires which allowed for the subsequent sale of
23 some of West's production tires to Genie.
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1 production tires do not transgress any of OTR’s intellectual property rights in the
2 Outrigger. Genie should now be fully informed as to whether it wants to purchase
3 any more size 355 tires from West.⁸
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5 **III. CONCLUSION**

6 This court did not commit a “clear” error in denying OTR’s renewed motion
7 for a permanent injunction. Denial of that relief does not result in a “manifest
8 injustice.”⁹

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14 ⁸ OTR says it did not inform the 9th Circuit about West’s remaining
15 inventory of unsold production tires because it did not appeal this court’s denial
16 without prejudice of its motion for a permanent injunction. This court’s
17 maintenance of the preliminary injunction pending appeal was, however, before
18 the circuit. Therefore, the court questions why OTR did not cite the existence of
19 the remaining inventory of unsold tires in opposition to West seeking dissolution
20 of the preliminary injunction.
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24 ⁹ While West’s misconduct has been remedied by the jury’s award of
25 damages to OTR, it may still have some bearing on issues this court has yet to
26 decide, in particular the awarding of attorney’s fees and costs.
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