

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

ILLINOIS TOOL WORKS, INC., et
al.,

Plaintiffs,

v.

SEATTLE SAFETY, LLC,

Defendant.

CASE NO. C07-2061JLR

ORDER GRANTING IN PART
AND DENYING IN PART
SEATTLE SAFETY’S MOTION
FOR PARTIAL SUMMARY
JUDGMENT REGARDING NON-
PATENT CLAIMS

I. INTRODUCTION

This matter comes before the court on Defendant Seattle Safety, LLC’s (“Seattle Safety”) motion for partial summary judgment regarding non-patent issues. (Dkt. ## 192 (redacted) & 193 (sealed).) Seattle Safety seeks partial summary judgment: (1) that the statute of limitations bars Plaintiffs’ claim based on Washington’s Uniform Trade Secrets Act (“UTSA”), RCW ch. 19.108, as well as other tort claims to the extent those claims are based on alleged misappropriation of information, (2) that Plaintiffs’ claims for

1 conversion and unfair competition should be dismissed for lack of proof, and (3) that
2 Plaintiffs' claim based on violation of Washington's Consumer Protection Act ("CPA"),
3 RCW 19.86.20, should be dismissed due to a lack of impact on Washington State
4 residents and on the public interest. Having reviewed the motion, as well as all
5 submissions filed in support and in opposition to the motion, and having heard the oral
6 argument of counsel on October 29, 2010, the court GRANTS in part and DENIES in
7 part Seattle Safety's motion.

8 In addition, Seattle Safety also seeks partial summary judgment on grounds that
9 the economic loss rule bars some of Plaintiffs' tort claims. (Mot. at 11-14.) On
10 November 4, 2010, the Washington Supreme Court issued two new decisions interpreting
11 its prior jurisprudence with regard to the economic loss rule, and announcing a new rule
12 denominated the "independent duty doctrine." *See Eastwood v. Horse Harbor Found.,*
13 *Inc.*, ___ P.3d ___, No. 81977-7, 2010 WL 4361986 (Wash. Nov. 4, 2010) & *Affiliated*
14 *FM Ins. Co. v. LTK Consulting Servs., Inc.*, ___ P.3d ___, No. 82738-9, 2010 WL
15 4350338 (Wash. Nov. 4, 2010). On November 5, 2010, the court ordered the parties to
16 submit additional briefing concerning the impact of these new decisions on Seattle
17 Safety's motion for partial summary judgment regarding the economic loss rule. (Min.
18 Order (Dkt. # 280).) The court reserves ruling on this issue until following receipt of the
19 parties' supplemental memoranda.

20 II. BACKGROUND

21 The parties to this litigation are competing crash sled manufacturers. Crash sleds
22 are the machines that car manufacturers use to simulate the results of car crashes.

1 (Wittman Decl. (Dkt. # 177) ¶ 2.) Crash sleds fall into two broad categories:
2 acceleration sleds and deceleration sleds. (*Id.* ¶ 3.)

3 The conflict between Seattle Safety and the two plaintiffs in this action, Illinois
4 Tool Works, Inc. (“ITW”) and Dr. Steffan Datentechnik GmbH (“DSD”), arises out of a
5 failed collaboration between Seattle Safety and DSD. In the late 1990s, DSD developed
6 a new type of acceleration crash sled called the Hyper-G that, unlike existing sleds, was
7 capable of using a brake to control the sled’s acceleration. (Steffan Decl. (Dkt. ## 218
8 (redacted) & 219 (sealed)) ¶ 3.) DSD sought a distribution partner for its new sled, and
9 entered into a contract with Seattle Safety on March 31, 2000 under which Seattle Safety
10 agreed in part to market DSD’s Hyper-G sled. (*See* Steffan Decl. ¶ 5 & Ex. A; Wittman
11 Decl. Ex. 6.) At the time that it entered into this agreement with DSD, Seattle Safety had
12 produced and sold deceleration sleds, but had not yet produced its own acceleration sled.
13 (*See* Steffan Decl. ¶ 5; Wittman Decl. ¶ 6.)

14 Although DSD and Seattle Safety’s collaboration lasted for over three years, the
15 relationship eventually soured, and DSD cancelled the contract effective May 14, 2003.
16 (Steffan Decl. ¶ 7; Wittman Decl. Ex. 3.) Shortly after the contract’s termination, Seattle
17 Safety began selling its own acceleration sled, known as the ServoSled. (*See* Wittman
18 Decl. ¶ 12.) Like the Hyper-G, the ServoSled was capable of using a friction brake to
19 control the rate of the sled’s acceleration. (*Id.*) Seattle Safety installed its first ServoSled
20 in late 2004. (*Id.* ¶ 13.)

21 Dr. Herman Steffan, a principal of DSD, learned of the initial ServoSled sale
22 shortly after it occurred, and sent an email to Seattle Safety’s principals

1 “congratulat[ing]” them on the sale. (Wittman Decl. ¶ 13, Ex. 4.) At the time, however,
2 Dr. Steffan believed that DSD “had provided a lot of confidential information”
3 concerning the Hyper-G to Seattle Safety. His testimony is as follows:

4 Q: At that time did you believe that you had provided
5 proprietary information to Seattle Safety about the
6 components of the machine?

7 A: I was completely clear that we had provided a lot of
8 confidential information on our system.

9 (Wilkinson Decl. (Dkt. ## 179 (redacted) & 180 (sealed)), Ex. 10 (Steffan Dep.) at 102-
10 103.)

11 On March 15, 2004, a DSD employee emailed Dr. Steffan a link to the Seattle
12 Safety website. (*Id.*, Ex. 3.) The email contained a subject line, which stated “Hyper-G
13 2?” (*Id.*) Dr. Steffan testified that he understood this subject line to mean that the
14 email’s author was trying to say that “this seems a copy of Hyper-G.” (*Id.*, Ex. 9 (Steffan
15 Dep.) at 98.) After clicking on the hyper-link to the Seattle Safety webpage contained in
16 the email, Dr. Steffan testified that he was “rather sure” that he thought that there were
17 “at least several huge similarities” between the Hyper-G and ServoSled. (*Id.*, Ex. 9 at
18 99.) Dr. Steffan further testified:

19 Q: And did looking at that home page, and seeing
20 similarities, cause you concern that Seattle Safety was using
21 DSD proprietary information?

22 A: That was my conclusion from that. . . .

(*Id.*)

On April 19, 2004, a DSD employee received a telephone call from DSD’s brake
pad supplier. (*Id.* Ex. 13 (Hofinger Dep.) at 122-123.) The supplier told the DSD

1 employee that Seattle Safety had called and requested brake pad information. (*Id.*, Ex. 13
2 at 122.) The supplier also told the DSD employee that the system that Seattle Safety
3 described “seemed to be quite similar to [DSD’s] system” (*id.*) or “to the Hyper-G
4 system” (*id.*, Ex. 13 at 124). Indeed, the supplier told the DSD employee that “. . . he
5 thought he had already seen the [Seattle Safety] system somewhere, exactly in [DSD’s]
6 company.” (*Id.*)

7 The DSD employee discussed the phone call with a co-owner of DSD (*id.*, Ex. 13
8 at 125 & Ex. 9 (Steffan Dep.) at 91), as well as one of DSD’s managers, who was
9 responsible for management of the office in Linz, Austria, and also responsible for
10 development work on the Hyper-G (*see id.* Ex. 14 (Moser Dep.) at 128, 134). The
11 manager testified that “the information we got from the supplier was for us a strong
12 evidence that [Seattle Safety was] trying to get the same brake pad material” used by
13 DSD. (*Id.*, Ex. 14 at 134.) The identity of the brake pad material is one of the specific
14 trade secrets that DSD has alleged was misappropriated. (*Id.*, Ex. 5.)

15 In May 2004, Dr. Steffan attended a trade show in Stuttgart, Germany, and viewed
16 Seattle Safety’s booth. (*Id.*, Ex. 16 (Wittman Dep.) at 149-150, Ex. 9 (Steffan Dep.) at
17 94-95; Wittman Decl. ¶ 19, Ex. 5.) Dr. Steffan testified that, based on the “details” about
18 the ServoSled shown at Seattle Safety’s booth, he “thought there could be a lot of know-
19 how from our side in this system” and “realized that . . . there could be a potential
20 problem that Seattle [Safety] [wa]s using [DSD’s] proprietary information.” (Wilkinson
21 Decl., Ex. 9 (Steffan Dep.) at 93, 95-96.) He testified that at this point he was concerned,
22

1 | but not sure, if Seattle Safety was using DSD’s proprietary information. (*Id.*, Ex. 9 at
2 | 96.)

3 | Throughout 2004, Dr. Steffan continued to hear about the ServoSled. Dr. Steffan
4 | testified that “[l]ots of customers” told him in 2004 that they thought the ServoSled was
5 | “very similar” to the Hyper-G. (*Id.*, Ex. 10 (Steffan Dep.) at 104.) Dr. Steffan also
6 | testified that during 2004 it was assumed that the ServoSled was “at least partially based
7 | on know-how [Seattle Safety] gained from [DSD].” (*Id.*, Ex. 10 at 105.) When
8 | customers asked him about Seattle Safety during that period, Dr. Steffan testified that he
9 | would say that Seattle Safety was “using a lot of proprietary information,” and that “[i]t’s
10 | exactly our patent, what they do.” (*Id.*, Ex. 10 at 104.)

11 | DSD contends that, despite the foregoing undisputed chain of events, it did not
12 | receive sufficient information to bring a claim concerning Seattle Safety’s
13 | misappropriation of information until 2007. DSD’s claim for trade secret
14 | misappropriation is based on six discrete Hyper-G features. (*See* Steffan Decl. ¶ 9, Ex.
15 | B.) Four of these trade secrets are software components found in the Hyper-G control
16 | system, and Plaintiffs assert that determining their presence requires either operating the
17 | system, analyzing its control software, or reviewing the supporting technical documents.
18 | (*Id.*) The other two trade secrets relate to internal physical components of the system,
19 | and Plaintiffs assert that discerning the presence of these two trade secrets likewise
20 | requires either disassembling the system or accessing pertinent technical drawings. (*Id.*)

21 | Although DSD had heard of the similarities between its product and the ServoSled
22 | from a variety of people in 2004, prior to 2005, DSD did not have physical access to a

1 ServoSled, had not seen one in operation, did not have access to its components or
2 software, and had never seen ServoSled specifications or documentation describing its
3 control system. (*Id.* ¶ 11.) In February 2005, DSD obtained a ServoSled marketing
4 brochure. (*Id.* ¶ 12 & Ex. C.) DSD asserts that it was only upon receiving this brochure
5 that it knew for the first time that the ServoSled used control software. (*Id.* ¶ 12.)

6 In 2007, DSD obtained portions of the ServoSled software and maintenance
7 manuals for the first time. (Stahl Decl. (Dkt. ## 217 (sealed) & 216 (redacted)), Ex. E at
8 118-119.) After reviewing this manual, Dr. Steffan testified that he could see that Seattle
9 Safety’s control system operated in fundamentally the same manner as Hyper-G’s control
10 system. (*See* Steffan Decl. ¶ 13 & Ex. D.) DSD asserts that this was the “first time” it
11 had “clear evidence” that Seattle Safety had misappropriated DSD’s trade secrets. (Resp.
12 Mem. at 6.) DSD asserts that it was only after receiving these manuals that it believed it
13 had sufficient factual support to accuse Seattle Safety of infringing its trade secrets.
14 (Steffan Decl. ¶ 13; Resp. Mem. at 6.)

15 On September 14, 2007, DSD and ITW executed an agreement transferring the
16 Hyper-G and associated intellectual property to ITW. (Wilkinson Decl. Ex. 8.) One of
17 the assets transferred was DSD’s rights under its former contract with Seattle Safety. (*Id.*
18 at 53.)

19 III. ANALYSIS

20 A. Standards

21 Summary judgment is appropriate “if the pleadings, the discovery and disclosure
22 materials on file, and any affidavits show that there is no genuine issue as to any material

1 fact and that the movant is entitled to a judgment as a matter of law.” Fed. R. Civ. P.
2 56(c)(2). The plain language of Rule 56(c) mandates the entry of summary judgment,
3 after adequate time for discovery and upon motion, against a party who fails to make a
4 showing sufficient to establish the existence of an element essential to that party’s case,
5 and on which that party will bear the burden proof at trial. *Celotex Corp. v. Catrett*, 477
6 U.S. 317, 322 (1986).

7 In Washington, where a defendant moves for summary judgment on the basis of
8 an affirmative defense such as the statute of limitations, the defendant bears the initial
9 burden of proving the absence of a material issue of fact as to that defense. *Precision*
10 *Airmotive Corp. v. Rivera*, 288 F. Supp. 2d 1151, 1153 (W.D. Wash. 2003) (citing
11 *Haslund v. City of Seattle*, 547 P.2d 1221, 1230 (Wash. 1976)). Where, however, a
12 plaintiff invokes the discovery rule to counter the statute of limitations defense, the
13 burden is on the plaintiff to show facts demonstrating that the cause of action was not
14 discovered or could not have been discovered by due diligence within the limitations
15 period. *Precision Airmotive*, 288 F. Supp. 2d at 1153 (citing *G.W. Constr. Corp. v. Prof’l*
16 *Serv., Indus., Inc.*, 853 P.2d 484, 488 (Wash. Ct. App. 1993) & *Giraud v. Quincy Farm*
17 *and Chem.*, 6 P.3d 104, 109 (Wash. Ct. App. 2000) (“To invoke the discovery rule, the
18 plaintiff must show that he or she could not have discovered the relevant facts earlier.”)).

19 Where summary judgment is based on application of the statute of limitations, the
20 motion should be granted only if the record demonstrates that there is no genuine factual
21 issue as to the commencement of the statutory period. *McLeod v. Northwest Alloys, Inc.*,
22 969 P.2d 1066, 1069 (Wash. Ct. App. 1998). When a plaintiff discovers a cause of

1 action, or whether a plaintiff has exercised reasonable diligence to discover the action, is
2 generally a question of fact. However, if reasonable minds could not differ, then it is a
3 question of law. *Cawdry v. Hanson Baker Ludlow Drumheller, PS*, 120 P.3d 605, 609
4 (Wash. Ct. App. 2005) (citing *Goodman v. Goodman*, 907 P.2d 290, 294 (Wash. 1995)).

5 **B. Statute of Limitations on Misappropriation of Trade Secrets and Other**
6 **Torts**

7 Seattle Safety has asserted the statute of limitations as an affirmative defense to
8 Plaintiffs' UTSA claim. (Answer (Dkt. # 95) at 8.) Washington's UTSA establishes a
9 three-year limitations period:

10 An action for misappropriation must be brought within three
11 years after the misappropriation is discovered or by the exercise
12 of reasonable diligence should have been discovered. . . .

13 RCW 19.108.060. As the statutory language provides, the UTSA expressly incorporates
14 the "discovery rule."

15 Under the discovery rule, a cause of action accrues when the claimant knew or
16 should have known the essential elements of the cause of action. *McLeod*, 969 P.2d at
17 1071 (citing *Allen v. State*, 826 P.2d 200, 203 (Wash. 1992)). Nevertheless, "[t]he key
18 consideration under the discovery rule is the factual, not the legal, basis for the cause of
19 action." *Allen*, 826 P.2d at 203. "The cause of action accrues when the claimant knows
20 or should know the relevant facts, 'whether or not the plaintiff also knows that these facts
21 are enough to establish a legal cause of action.'" *McLeod*, 969 P.2d at 1069-70 (quoting
22 *Allen*, 826 P.2d at 203).

1 Analysis of UTSA’s statute of limitations “must be performed with reference to
2 the statutory definition of the term ‘misappropriation.’” *McLeod*, 969 P.2d at 1071.
3 Misappropriation is defined as the “[a]cquisition of a trade secret . . . by improper
4 means,” or the “[d]isclosure or use of a trade secret . . . without express or implied
5 consent” RCW 19.108.010(2)(a) & (b) (italics added). Thus, analysis of the
6 limitations period “focuses on facts related to the acquisition, disclosure or use of a trade
7 secret.” *McLeod*, 969 P.2d at 1069. When the disclosure of trade secrets is authorized, as
8 it was here pursuant to the parties’ contractual relationship, “facts related to the use of the
9 trade secret and the claimant’s knowledge of this use will be determinative.” *Id.* at 1071.
10 Nevertheless, the “primary focus” of the court’s statute of limitations analysis remains
11 “on the application of the discovery rule established in RCW 19.108.060.” *Id.*

12 Plaintiffs acknowledge that the discovery rule governs their UTSA claim against
13 Seattle Safety, but argue that “[m]ere suspicion of a claim is not enough.” (Resp. (Dkt.
14 ## 214 (redacted) & 215 (sealed) at 7) (citing *O’Connor v. Boeing N. Am., Inc.*, 311 F.3d
15 1139, 1148 (9th Cir. 2002).) The court agrees that *mere* suspicion is not sufficient to
16 trigger Washington’s discovery rule; at a minimum the suspicion that a specific wrongful
17 act has occurred must be reasonable. *Beard v. King County*, 889 P.2d 501, 504 (Wash.
18 Ct. App. 1995).

19 The *Beard* court elaborates on the application of Washington’s discovery rule:

20 [T]he limitation period begins to run when the factual
21 elements of a cause of action exist and the injured party
22 knows or should know they exist, whether or not the party
can then conclusively prove the tortious conduct has
occurred. A smoking gun is not necessary to commence the

1 limitation period. An injured claimant who *reasonably*
2 *suspects* that a specific wrongful act has occurred is on notice
3 that legal action must be taken. At that point, the potential
4 harm with which the discovery rule is concerned – that
5 remedies may expire before the claimant is aware of the cause
6 of action – has evaporated. The claimant has only to file suit
7 within the limitations period and use the civil discovery rules
8 within that action to determine whether the evidence
9 necessary to prove the cause of action is obtainable. If the
10 discovery rule were construed so as to require knowledge of
11 conclusive proof of a claim before the limitations period
12 begins to run, many claims would never be time-barred.

13 *Id.* (italics added).

14 Plaintiffs argue that *Beard* is inapplicable because it is not a trade secrets case.
15 However, there is nothing in UTSA to indicate that the discovery rule codified in the Act
16 is anything other than the traditional discovery rule that has been applied by Washington
17 courts to numerous types of actions,¹ and codified by the Legislature in a wide variety of
18 statutes, of which UTSA is just one.² Indeed, in *McLeod*, the court expressly notes that it
19 is applying “a traditional discovery rule analysis” to a UTSA claim. 969 P.2d at 1071.
20 Thus, the court concludes that the guidance provided in *Beard* with regard to
21 Washington’s discovery rule is applicable here. The court does acknowledge, however,
22 that what constitutes a reasonable suspicion on the part of a plaintiff will vary depending
on the factual context of the case and the type of claim that is brought.

23 ¹ See *In re Matter of Parentage of C.S.*, 139 P.3d 366, 369 & n.7 (Wash. Ct. App. 2006)
(collecting cases).

24 ² For example, the Washington Legislature has codified the discovery rule into statutes of
25 limitation for fraud, RCW 4.16.080(4), personal injury arising from acts of childhood sexual
26 abuse, RCW 4.16.340, medical malpractice, RCW 4.16.350, and Uniform Commercial Code
27 claims for breach of warranty of future performance, RCW 62A.2-725(2).

1 With regard to application of the discovery rule here, there is no factual dispute
2 concerning the timeline of events in this matter. Rather, the parties' dispute centers on
3 when the discovery rule should be triggered under the facts stated. Seattle Safety asserts
4 that DSD was on notice as early as the first half of 2004 because by that time DSD knew
5 that it had transferred "a lot of" proprietary information to Seattle Safety as a result of the
6 prior distribution agreement, and DSD knew that Seattle Safety was producing and
7 attempting to sell a product (the ServoSled) that appeared to be a copy of or to have
8 significant similarities with DSD's Hyper-G sled. In addition, DSD knew in 2004 that
9 Seattle Safety was attempting to acquire information concerning Hyper-G's brake pad
10 material which is one of the specific trade secrets that DSD has alleged Seattle Safety
11 misappropriated. If the discovery rule was triggered anytime prior to December 21,
12 2004, then the Plaintiffs' claim for misappropriation of trade secrets, which filed on
13 December 21, 2007, is time barred.

14 DSD counters that in 2004 it did not have physical access to a ServoSled, had not
15 seen one in operation, did not have access to its components or software, and had never
16 seen ServoSled specifications or documentation describing its control system. DSD
17 asserts that the discovery rule was not triggered until 2007 when it obtained portions of
18 the ServoSled software and maintenance manuals for the first time, and confirmed that
19 Seattle Safety's control system operated in fundamentally the same manner as Hyper-G's
20 control system. Prior to this time, DSD asserts that, although it was concerned that
21 Seattle Safety had misappropriated trade secrets, it could not be sure and did not have
22

1 clear evidence that a cause of action existed. If the discovery rule was not triggered until
2 2007, then DSD's claim is not time barred.

3 In the case at hand, it was not necessary for DSD to confirm that the ServoSled's
4 control system operated in the same manner as the Hyper-G (as DSD asserts it finally did
5 in 2007) for DSD to reasonably suspect that Seattle Safety had misappropriated its trade
6 secrets. As the *Beard* court states, neither conclusive proof nor a smoking gun is
7 necessary. *Id.* Rather, the statute begins to run as soon as the plaintiff reasonably
8 suspects that a specific wrongful act has occurred. At that point, the plaintiff is on notice
9 that legal action must be taken. *Id.*

10 That point in time occurred in 2004 for DSD. Dr. Steffan has admitted that the
11 fact that he had given trade secrets to Seattle Safety (in the form of modeling
12 information), combined with the fact that Seattle Safety was building a sled which
13 operated in a similar manner to the Hyper-G, was sufficient to cause him to reasonably
14 assume that Seattle Safety was using proprietary information. (Wilkinson Decl. Ex. 10 at
15 105.) DSD knew at the termination of its contractual relationship with Seattle Safety in
16 2003 that Seattle Safety had acquired some of DSD's trade secrets as a result of their
17 collaboration. Indeed, the contract between the parties provided for the handling of such
18 confidential information both during the contract period and following termination.³
19 (Wittman Decl. Ex. 6.) Moreover, as indicated above, beginning in March 2004 and
20 continuing throughout the year, numerous people, including employees, suppliers, and

21
22 ³ Further, Dr. Steffan has expressly admitted that DSD "provided a lot of confidential
information on our system" to Seattle Safety. (Wilkinson Decl. Ex. 10 at 102-103.)

1 customers, were alerting DSD to the strong similarities between its product and the
2 ServoSled. Moreover, Dr. Steffan was responding to customers during this timeframe by
3 telling them that Seattle Safety was “using a lot of [DSD’s] proprietary information.”
4 (Wilkinson Decl. Ex. 10 at 104.) On these facts, reasonable minds could not differ that
5 DSD either reasonably suspected that Seattle Safety was misappropriating trade secrets or
6 it should have so suspected. Thus, by the time that DSD and ITW had filed suit on
7 December 21, 2007, the statute of limitations (which had begun running prior to that date
8 in 2004) had already expired.

9 The court finds *Seatrax, Inc. v. Sonbeck Int’l, Inc.*, 200 F.3d 358 (5th Cir. 2000),
10 instructive. In *Seatrax*, a manufacturer of offshore marine cranes brought an action
11 against an aftermarket parts supplier for misappropriation of trade secrets. Several
12 employees had left the manufacturer’s former licensee and gone to work for the
13 defendant. *Id.* at 365. While at the former licensee, the employees had access to trade
14 secrets such as drawings. *Id.* After the former employees joined the defendant company,
15 the plaintiff heard a “lot of innuendos and rumors” about the defendant’s role in
16 distributing plaintiff’s crane parts. *Id.* Further, at least three customers raised questions
17 with the plaintiff about the defendant’s status as a distributor of the plaintiff’s parts. *Id.*
18 at 366. The court found that the combination of former employees of plaintiff’s licensee
19 starting a new company that sold a product line similar to that marketed by plaintiff’s
20 licensee, along with all of the “innuendos and rumors,” created “a red flag for possible
21 misappropriation of trade secrets,” and triggered commencement of the statutory period.
22 *Id.* at 367. Because the plaintiff failed to file suit within the statutory timeframe, the

1 court granted summary judgment. *Id.* (“[S]ummary judgment evidence indicates that
2 [plaintiff] failed to exercise reasonable diligence to discover its cause of action”).

3 Similarly, here, it is undisputed that Seattle Safety through its contractual
4 relationship with DSD had access to DSD’s trade secrets. It is also undisputed that as
5 early as 2004, Seattle Safety began distributing the ServoSled, which DSD believed was
6 highly similar to its own Hyper-G. There is also no dispute that employees, suppliers,
7 and customers had all alerted DSD to the similarity of Seattle Safety’s sled to the Hyper-
8 G beginning as early as March 2004, and continuing during that year. Like *Seatrax*, these
9 facts constituted a “red flag for possible misappropriation of trade secrets.” *Id.* at 366-67;
10 *see also McLeod*, 969 P.2d at 1071 (undisputed facts that plaintiff knew trade secrets
11 were disclosed to defendant, and that defendant had begun tests using the trade secret,
12 commenced the running of the statute of limitations on that day). On the basis of the
13 foregoing undisputed facts, reasonable minds could not differ that by the time DSD and
14 ITW filed suit on December 21, 2007, the three-year statute of limitations was already
15 exhausted. Thus, the court is compelled to grant summary judgment to Seattle Safety on
16 grounds that the Plaintiffs’ UTSA claim is barred by the statute of limitations.⁴

17
18 ⁴ Plaintiffs rely primarily on *Veritas Operating Corp. v. Microsoft Corp.*, No. C06-0703-
19 JCC, 2008 WL 474248 (W.D. Wash. Feb. 4, 2008), in which the court denied summary
20 judgment on the statute of limitations in response to plaintiff’s argument that it could not have
21 discovered the misappropriation of its computer code until it received the latest version of
22 Microsoft’s operating system. However, in doing so, the court emphasized plaintiff’s diligent
efforts, involving “much discussion, negotiations, and numerous letters,” to discover whether a
claim existed. *Id.* at *11. Further, the court noted Microsoft’s delay in providing the plaintiff the
code, *id.*, as well as Microsoft’s pattern of “deception and obfuscation of the true facts” over
several years. *Id.* at *10. There are no similar allegations against Seattle Safety here. Nor has
DSD recited facts constituting diligent efforts on its part to discover whether a claim against

1 Seattle Safety also seeks summary judgment based on the running of the
2 limitations period with regard to some of the Plaintiffs' other tort claims, including
3 breach of confidential relationship (fifth cause of action), and breach of fiduciary duty
4 (sixth cause of action), Plaintiff's claim for unjust enrichment (eighth cause of action)),
5 and Plaintiffs' claim for breach of the covenant of good faith and fair dealing (third cause
6 of action). These claims also carry a three-year statute of limitations. RCW 4.16.080(2)
7 (tort claims); RCW 4.16.080(3) (unjust enrichment); *Eckert v. Skagit Corp*, 583 P.2d
8 1239, 1240 (Wash. Ct. App. 1978) (unjust enrichment); *Steinberg v. Seattle First Nat'l*
9 *Bank*, 832 P.2d 124, 125 n. 4 (1992) (good faith and fair dealing). To the extent that

14 Seattle Safety existed. For similar reasons, *Mass. Eye and Ear Infirmary v. QLT*
15 *Phototherapeutics, Inc.*, 412 F.3d 215 (1st Cir. 2005), is also distinguishable. There, defendant
16 gave plaintiff "repeated assurances" that its trade secrets were not being disclosed, *id.* at 241, and
17 the court found it "reasonable . . . to assume that [the defendant's] purpose in making assurances
18 to [the plaintiff] could have been to delay a suit that would include trade secret claims." *Id.* at
19 242. Again, similar allegations of false reassurances are absent here.

20 Plaintiffs also rely on *Accenture Global Servs. GmbH v. Guidewire Software, Inc.*, 691 F.
21 Supp. 2d 577 (D. Del. 2010). Like *Veritas*, *Accenture* involves the misappropriation of trade
22 secrets concerning computer software. The court finds allegations of misappropriation of
intangible items such as computer software to be factually distinct from the type of
misappropriation alleged here involving crash test sleds. While the court recognizes that part of
Plaintiffs' claim involves control software, Plaintiffs have also alleged misappropriation
involving physical components such as brake pads. (*See* Steffan Decl. ¶ 9, Ex. B.) Such tangible
items were not at issue in either *Veritas* or *Accenture*. Further, once Plaintiffs were aware in
2004 that Seattle Safety was allegedly attempting to misappropriate information concerning
Plaintiffs' brake pads, it would have been unreasonable for Plaintiffs to assume that Seattle
Safety could be trusted to protect any other secrets, including intangible items such as control
software. *See, e.g., Forcier v. Microsoft Corp.*, 123 F. Supp. 2d 520, 525 (N.D. Cal. 2000);
Intermedics, Inc. v. Ventritex, Inc., 822 F. Supp. 634, 654 & n.19 (N.D. Cal. 1993)).

1 these claims are based on Seattle Safety’s misuse of DSD’s trade secrets, the court grants
2 summary judgment with regard to these claims as well.⁵

3 **C. Conversion and Unfair Competition**

4 Seattle Safety has moved for summary judgment with regard to Plaintiffs’ claims
5 for conversion and unfair competition. Seattle Safety asserts that Plaintiffs’ have failed
6 to make an evidentiary showing sufficient to avoid summary judgment with regard these
7 two claims. (Mot. at 15-16.)

8 In December 2008, the court dismissed most of Plaintiffs’ conversion claim as
9 preempted by Washington’s UTSA. (Order (Dkt. # 34) at 4-6.) However, the claim
10 survived “only to the extent that Seattle Safety converted physical property or other
11 types of property,” including “physical items connected to Seattle Safety’s alleged
12 improper ‘possession and control of proprietary information provided by DSD.’” (Order
13 (Dkt. # 41) at 3 & n. 1 (quoting Compl. (Dkt. # 1) ¶ 48).) On June 10, 2009, Plaintiffs
14 filed an amended complaint in which they once again alleged a cause of action for
15 conversion, asserting that Seattle Safety “improperly took possession and control of the
16 proprietary information provided by DSD, including without limitation documentation,
17 material and other physical components of Hyper-G technology.” (Am. Compl. (Dkt. #
18 93) ¶ 67.)

21 ⁵ The court notes that Plaintiffs have asserted that factual allegations unrelated to the
22 misappropriation of trade secrets undergird these claims as well. (Resp. at 9-10.) Defining the
specific contours of what, if anything, may remain of these claims in light of this order is not an
issue that the court addresses today.

1 In their opposition to Seattle Safety’s motion for summary judgment, Plaintiffs
2 asserts that Seattle Safety wrongfully obtained and converted samples of Hyper-G brake
3 pad material and drawings of the Hyper-G brake design. (Resp. at 14-15.) Seattle Safety
4 disputes Plaintiffs’ recitation and interpretation of the facts surrounding these items.
5 (Reply at 8.) Nevertheless, Plaintiffs have successfully raised a material issue of fact
6 sufficient to present to the jury with regard to this claim. Accordingly, the court denies
7 Seattle Safety’s motion for summary judgment with regard to Plaintiffs’ claim for
8 conversion.

9 Seattle Safety also moved for summary judgment of Plaintiffs’ claim for unfair
10 competition. (Mot. at 16.) On December 17, 2008, the court dismissed Plaintiffs’ claim
11 for unfair competition.⁶ (Order (Dkt. # 34) at 11-14.) In its ruling, the court found that
12 Plaintiffs’ unfair business competition claim was preempted by Washington’s UTSA “to
13 the extent it [wa]s not factually independent from [Plaintiffs’] misappropriation claim,”
14 but was “not preempted . . . as it relate[d] to Seattle Safety’s alleged improper
15 commercialization under the contract.” (*Id.* at 13.) Nevertheless, the court went on to
16 rule:

17 Despite the court’s conclusion as to preemption under the
18 UTSA, it does not follow that Plaintiffs’ unfair competition
19 claim survives review under Rule 12(c). . . . [T]he economic

20 ⁶ On June 10, 2009, Plaintiffs re-plead this claim in their amended complaint. The court
21 recognizes that to preserve their appeal rights with regard to their claim for unfair competition,
22 Plaintiffs were required to re-plead this cause of action in their amended complaint, despite the
court’s earlier dismissal. *See Marx v. Loral Corp.*, 87 F.3d 1049, 1055-56 (9th Cir. 1996)
 (“Ninth Circuit authority clearly states that all causes of action alleged in an original complaint
which are not alleged in an amended complaint are waived.”) (internal quotations omitted).

1 loss rule functions to preclude Plaintiffs from recovering in
2 tort economic losses to which their entitlement flows only
3 from contract. . . . [Plaintiffs'] unfair competition claim
4 straddles the boundary between tort and contract. The court's
5 review of the complaint and Plaintiffs' response indicates that
6 Plaintiffs' unfair competition claim is predicated on a
7 contractual provision assigning an exclusive right of
8 commercialization of the Hyper-G technology to DSD. . . .
9 Plaintiffs' losses are economic in nature; they have not
10 alleged personal injury or property damage. . . . As discussed
11 above, Plaintiffs may recover for this alleged breach but must
12 do so as part of their contract claim. The court concludes that
13 Plaintiffs' unfair competition claim is barred by the economic
14 loss rule. The court DISMISSES Plaintiffs' seventh cause of
15 action for unfair competition.

16 (Order (Dkt. # 34) at 13-14.)

17 As noted above, since the court's ruling on December 17, 2010 ruling, the
18 Washington Supreme Court has issued two new decisions which address the prior
19 development of case law concerning the economic loss rule, and denominate a new rule
20 known as the "independent duty doctrine." *See Eastwood*, 2010 WL 4361986 &
21 *Affiliated FM Ins. Co.*, 2010 WL 4350338. Under this doctrine, "[a]n injury is
22 remediable in tort if it traces back to the breach of a tort duty rising independently of the
terms of the contract." *Eastwood*, 2010 WL 4361986 at *12. The court has already
directed the parties to provide supplemental memorandum concerning the impact of these
new decisions, and thus will defer ruling on whether Plaintiffs' claim for unfair
competition remains barred under Washington's new independent duty doctrine.

However, irrespective of whether Plaintiffs' unfair competition claim is barred by
Washington's independent duty doctrine, Plaintiffs' have failed to raise a genuine issue
of fact with regard to this claim for trial. As the court has previously noted, Washington

1 law limits common law claims for unfair business competition to claims for “passing
2 off.” *Childers v. Sagem Morpho, Inc.*, No. C06-0060RSM, 2006 WL 3734151 at *5
3 (W.D. Wash. Dec. 15, 2006) (citing *Ivan’s Tire Serv. Store, Inc. v. Goodyear Tire &
4 Rubber Co.*, 517 P.2d 229, 237 (Wash. Ct. App. 1973)). “Passing off” refers to “the
5 appropriation of a competitor’s name or symbols or the substitution of goods so as to
6 deceive the public.” *Boggs v. Whitaker, Lipp & Helea, Inc.*, 784 P.2d 1273, 1275 (Wash.
7 Ct. App. 1990). Plaintiffs’ evidence to support their allegation of “passing off” consists
8 of testimony and documents indicating that Seattle Safety contacted a customer that had
9 considered buying a Hyper-G, and offered to sell the customer a ServoSled instead.
10 (Resp. at 15 (citing Stahl Decl. Ex. Z (Wittman Dep.) at 48-49, 51-52 & Ex. AA.) In do
11 so, Plaintiffs assert that Seattle Safety told the customer that the “fundamental operation”
12 of the ServoSled and the Hyper-G was “the same.” (Stahl Decl. Ex. AA.) While this
13 conduct may be actionable under some other cause of action, it does not constitute
14 “passing off.” Indeed, the evidence cited by Plaintiffs demonstrates that Seattle Safety
15 made a clear distinction between its “newer system” which “does not use the components
16 supplied by DSD,” and “the system using DSD components” when comparing the two.
17 (*Id.*) None of this evidence, even viewed in the light most favorable to Plaintiffs,
18 indicates that Seattle Safety was attempting to “pass off” a ServoSled as a Hyper-G.

19 Plaintiffs also assert that they have evidence of “reverse passing off” by Seattle
20 Safety. (Resp. at 15.) Even assuming such conduct is cognizable in Washington to
21
22

1 | undergird a common law claim for unfair competition,⁷ and that the claim is not
2 | preempted by federal law,⁸ Plaintiffs have once again failed to raise a genuine issue of
3 | fact. The only evidence of “reverse passing off” they cite is Seattle Safety’s
4 | identification, during sales presentations, of two customers from the period of DSD’s and
5 | Seattle Safety’s collaboration as prior “ServoSled” customers. (Resp. at 15 (citing Stahl
6 | Decl. Ex. A (Coughren Dep.) 16, 29-30 & Ex. BB).)

7 | Although there is no Washington law defining the necessary elements of this
8 | claim, the Ninth Circuit has described “reverse passing off” as situations in which the
9 | defendant allegedly removes the name on another party’s product and sells that product
10 | under the name of the defendant, removes the name of the manufacturer and sells the
11 | product in an unbranded state, or sells or offers for sale another’s product that has been
12 | modified slightly and labeled with a different name. *Cleary v. News Corp.*, 30 F.3d 1255,
13 | 1261 (9th Cir. 1994). All of these instances involve the defendant acquiring the
14 | plaintiff’s product and selling that product as the defendant’s own, whether in its original
15 | state or in a slightly modified one. Here, the evidence, when viewed in a light most

16 |
17 | ⁷ The court was unable to find any Washington case involving allegations of “reverse
18 | passing off” in the context of a common law claim for unfair competition, and the parties did not
19 | cite any.

20 | ⁸ “[W]hile ‘passing off’ claims avoid 17 U.S.C. § 301 preemption, reverse passing off
21 | claims tend not to survive.” *Cyber Websmith, Inc. v. Am. Dental Assoc.*, No. 09-CV-6198, 2010
22 | WL 3075726 at *3 (N.D. Ill. Aug. 4, 2010). “Courts nationwide recognize that the Copyright
Act preempts claims of ‘reverse passing off’ brought under state laws governing unfair and
deceptive trade practices.” *Rutledge v. High Point Regional Health Sys.*, 558 F. Supp. 2d 611,
621 n.4 (M.D.N.C. 2008) (citing myriad cases). However, none of the parties have raised this
issue, and the court therefore declines to decide it.

1 favorable to Plaintiffs, involves at best the misidentification of the Plaintiffs’ customers.
2 Plaintiffs have provided no evidence that Seattle Safety ever attempted to rebrand a
3 Hyper-G sled and sell it as its own, in either its original state or in a somewhat altered
4 form. *See, e.g., Atlas Equip. Co., LLC v. Weir Supply Group, Inc.*, No. C07-1358Z, 2009
5 WL 4670154 at *6 (W.D. Wash. Sept. 15, 2009) (granting summary judgment of reverse
6 passing off claim under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), where
7 there was no evidence that defendant had ever purchased or acquired product from
8 trademark holder).

9 Further, some courts have also identified the likelihood of consumer confusion as
10 an element of “reverse passing off.” *See, e.g., id.* Plaintiffs have identified no evidence
11 of consumer confusion as a result of Seattle Safety’s marketing materials in which Seattle
12 Safety allegedly misidentified two out of 23 companies as former ServoSled customers.
13 The scintilla of evidence put forward by Plaintiffs with regard to a potential “reverse
14 passing off” claim is simply insufficient to create a genuine issue of material fact. *See id.*
15 at *7. Thus, the court grants Seattle Safety’s motion for summary judgment on this
16 alternate ground with regard to Plaintiff’s claim for unfair competition whether in the
17 form of “passing off” or “reverse passing off.”

18 **D. Washington’s Consumer Protection Act**

19 Seattle Safety contends that the Washington State Supreme Court recently
20 determined that nonresidents of Washington, such as Plaintiffs here, do not have standing
21 to bring a Washington CPA claim. In *Schnall v. AT&T Wireless Services, Inc.*, 225 P.3d
22 929 (Wash. 2010), the Court states:

1 Even the general extraterritorial flavor of RCW 19.86.920
2 cannot change the clear standing limitations in the statute: a
3 claimant must allege injury in trade or commerce that
'directly or indirectly affect[s] the people of the State of
Washington.'"

4 *Id.* at 939 (quoting RCW 19.86.010(2)). The Court continues that "[i]n the context of this
5 case, the CPA applies only to claims brought by persons residing in Washington." *Id.*

6 Plaintiffs counter that the narrow question presented in *Schnall* was "whether
7 Washington will become a locus of nationwide class action litigation," *id.* at 932, and
8 therefore, neither *Schnall's* "context" nor its holding are applicable here. Plaintiffs note
9 that Seattle Safety's principal place of business is in Washington, and thus to the extent
10 that Seattle Safety engaged in anti-competitive practices, which includes allegations of
11 bribery, interference with the competitive bidding process, and misrepresentations, many
12 of those acts would have originated in Washington. (*See Resp.* at 16.) While the court
13 agrees that reading *Schnall* to eliminate standing under the CPA for every nonresident
14 would be an overly broad interpretation, Plaintiffs interpretation limiting *Schnall* solely to
15 the class action context is too narrow.

16 Further, the Plaintiffs' emphasis on the location of Seattle Safety's principal place
17 of business is also misplaced. The *Schnall* court's analysis was unaltered by the fact that
18 the defendant corporation (AT&T Wireless Services, Inc.) was based in Washington and
19 engaged in disputed transactions within the state. *See Avritt v. Reliastar Life Ins. Co.*,
20 615 F.3d 1023, 1032-33 (8th Cir. 2010) (citing *Schnall*, 225 P.3d 944-45 (Sanders, J.
21 dissenting) (observing that the defendant was a Washington corporation and that
22 '[s]ignificant portions of each transaction occurred in Washington.')). Rather, of critical

1 importance to the *Schnall* court was the connection – or lack thereof – between the CPA
2 claim at issue and the people of the state of Washington. “To state a [CPA] claim a
3 person must show that the unfair or deceptive act affected the people of the state of
4 Washington.” *Schnall*, 225 P.3d at 938. The court explained that CPA actions, whether
5 they are pursued by the Washington Attorney General or a private citizen, may be
6 brought only on behalf of persons residing within the state. *Id.* at 938-39.

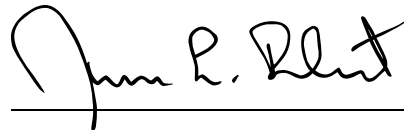
7 Therefore, despite the location of Seattle Safety’s principal place of business
8 within the state of Washington, there is an insufficient connection between the Plaintiffs’
9 CPA claim and the people of the state of Washington for Plaintiffs to be said to be acting
10 “on behalf of persons residing within the state.” *See id.* Although Plaintiffs baldly assert
11 that Seattle Safety’s “unfair acts hurts [sic] not just Plaintiffs, but customers, other sled
12 manufacturers, and others in the industry” (Resp. at 17), Plaintiffs cite no evidence in the
13 record that any of these individuals or entities are located in Washington. To the
14 contrary, the record reveals that Plaintiff DSD is the only company that has ever
15 contracted with Seattle Safety to collaborate on the marketing or production of an
16 acceleration sled. (Wittman Decl. ¶ 24.) Indeed, Seattle Safety asserts that Plaintiffs are
17 its only serious competitors (*see* Mot. at 18 (citing Wilkinson Decl. Ex. 10 (Steffan
18 Dep.) at 204-05)), and Plaintiffs have not disputed this assertion. The *Schnall* court
19 recognized “the Washington CPA as a tool for protecting the interests of Washington
20 citizens and residents.” *K.S. v. Ambassador Programs, Inc.*, No. CV-08-243-RMP, 2010
21 WL 1629247 at *2 (E.D. Wash. Apr. 21, 2010) (dismissing Virginian’s claim against
22 Washington company which solicited plaintiff and others to apply for and participate in

1 trip to Australia). Under the facts of this case, “Plaintiffs are certainly outside of th[e]
2 sphere of interest as determined in *Schnall*.” *Id.* Accordingly, the court grants Seattle
3 Safety’s motion for summary judgment with respect to the Plaintiffs’ CPA claim.⁹

4 **IV. CONCLUSION**

5 For the foregoing reasons, the court GRANTS in part and DENIES in part Seattle
6 Safety’s motion for partial summary judgment regarding non-patent issues (Dkt. ## 192
7 (redacted) & 193 (sealed)).

8 Dated this 8th day of November, 2010.

9
10 

11 JAMES L. ROBART
12 United States District Judge

13
14
15
16
17
18
19
20
21 _____
22 ⁹ Because the court resolves this issue on the basis of the standing requirement set forth in
Schnall, the court does not reach the issue of whether Plaintiffs’ CPA claim satisfies the “public
interest” element of the claim, or is essentially a private dispute. (*See Mot.* at 18.)