

70047-2

70047-2

No. 70047-2-I

IN THE COURT OF APPEALS
FOR THE STATE OF WASHINGTON
DIVISION I

COURT OF APPEALS DIV I
STATE OF WASHINGTON
2019 MAR -4 PM 1:19

ADA MOTORS, INC., dba BURIEN TOYOTA, a Washington
Corporation,

Appellant,

vs.

DAVID L. BUTLER and ELIZABETH BUTLER, and their marital
community, and THE ROBERT LARSON AUTOMOTIVE GROUP,
INC., a Washington corporation, dba LARSON TOYOTA.,

Respondents.

REPLY BRIEF AND RESPONSE TO CROSS-APPEAL

MASTERS LAW GROUP, P.L.L.C.
Kenneth W. Masters, WSBA 22278
Shelby R. Frost Lemmel, WSBA 33099
241 Madison Ave. North
Bainbridge Island, WA 98110
(206) 780-5033
Attorney for Appellant

TABLE OF CONTENTS

INTRODUCTION	1
REPLY STATEMENT OF THE CASE.....	2
REPLY ARGUMENTS	2
A. Standard of review.	2
B. The trial court incorrectly instructed the Jury that Burien Toyota had to prove damages from Larson Toyota's sales.	2
1. Under <i>Pettors</i> , once Burien Toyota proved Larson's sales, the burden should have shifted to Larson to prove any reductions.	2
2. Read together, Instructions 8 and 18 misstate the applicable law.	3
a. Reply re Instruction 8.	4
b. Reply re Instruction 18.	6
3. <i>Pettors</i> is consistent with persuasive authority from around the country, dating from 1888.	7
C. This Court should reverse, where the erroneous jury instructions are presumptively prejudicial.	8
D. This Court should award Burien Toyota fees pending remand.	10
REPLY CONCLUSION	10
RESPONSE TO CROSS APPEAL	11
A. Response to Introduction.	11
B. The trial court properly denied Larson Toyota's motion for summary judgment dismissal of Burien Toyota's UTSA claims.	12
1. This Court will not review an order denying summary judgment due to fact questions.	12
2. Burien Toyota did prove – to the jury's satisfaction – that Butler and Larson Toyota misappropriated a trade secret.	13
a. Misappropriation.	13

b.	Trade secret.....	15
C.	Without any record of the trial, it is impossible for this Court to review the trial court decision denying Larson Toyota's motion for directed verdict.....	16
D.	The trial court did not abuse its discretion in denying Larson Toyota's motion <i>in limine</i> to exclude Burien Toyota policies and handbooks.....	17
1.	Standard of review.....	19
2.	These documents were plainly relevant to Burien Toyota's UTSA claim and consideration is irrelevant.....	19
3.	Burien Toyota never attempted to use these documents to assert a private cause of action for GLBA violations.....	20
E.	The trial court did not abuse its discretion in declining to adopt Larson Toyota's proposed jury instructions.....	22
1.	The trial court did not abuse its discretion in declining to give Larson's proposed instructions 3 and 5 instead of the court's instruction 17.....	22
2.	The trial court properly declined to give Larson Toyota's proposed instruction 12, which would have instructed the jury to decide a matter that was not before it.....	23
	CONCLUSION TO CROSS-APPEAL	24

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Adcox v. Children’s Orthopedic Hosp. & Medical Ctr.</i> , 123 Wn.2d 15, 864 P.2d 921 (1993).....	13
<i>Anfinson v. FedEx Ground Package Sys., Inc.</i> , 174 Wn.2d 851, 281 P.3d 289 (2012).....	2, 8
<i>Chaney v. Providence Health Care</i> , 176 Wn.2d 727, 295 P.3d 728 (2013).....	16
<i>Donatelli v. D.R. Strong Consulting Eng’rs, Inc.</i> , 179 Wn.2d 84, 316 P.3d 620 (2013).....	13
<i>Ed Nowogroski Ins., Inc v. Rucker</i> , 137 Wn.2d 427, 971 P.2d 936 (1999).....	12, 15
<i>Hizey v. Carpenter</i> , 119 Wn.2d 251, 830 P.2d 646 (1992).....	16
<i>Jet Spray Cooler, Inc. v. Crampton</i> , 377 Mass. 159, 385 N.E.2d 1349 (1979).....	7, 8
<i>Johnson v. Rothstein</i> , 52 Wn. App. 303, 759 P.2d 471 (1988)	12, 13
<i>Keller v. City of Spokane</i> , 146 Wn.2d 237, 44 P.3d 845 (2002).....	8
<i>Mackay v. Acorn Custom Cabinetry, Inc.</i> , 127 Wn.2d 302, 898 P.2d 284 (1995).....	9, 10
<i>McGovern v. Smith</i> , 59 Wn. App. 721, 801 P.2d 250 (1990)	12
<i>Noble v. Ogborn</i> , 43 Wn. App. 387, 717 P.2d 285, <i>rev. denied</i> , 106 Wn.2d 1004 (1986).....	11

<i>Petters v. Williamson and Associates</i> 151 Wn. App. 154, 164-65, 210 P.3d 1048 (2009), rev. denied, 168 Wn.2d 1007 (2010)	<i>passim</i>
<i>Salas v. Hi-Tech Erectors,</i> 168 Wn.2d 664, 230 P.3d 583 (2010).....	19, 20
<i>State v. Darden,</i> 145 Wn.2d 612, 41 P.3d (2002).....	20
<i>State v. Gregory,</i> 158 Wn.2d 759, 147 P.3d 1201 (2006).....	20
<i>State v. Mazzante,</i> 86 Wn. App. 425, 936 P.2d 1206 (1997)	9
<i>Stiley v. Block,</i> 130 Wn.2d 486, 130 Wn.2d 486, 925 P.2d 194 (1996)	16, 17
Rules	
ER 401.....	19
RAP 10.3(a)(5).....	9
RESTATEMENT (THIRD) OF UNFAIR COMPETITION §45 cmt. <i>f</i> , at 516-17 (1995).	4, 6

INTRODUCTION

David Butler and Larson Toyota agree that when Butler left Burien Toyota and joined Larson Toyota, he took a customer list, promptly contacting everybody on the list. They respond that the list belonged to Butler. The jury disagreed, finding that Butler and Larson misappropriated Burien's trade secret.

The jury's finding that Burien was not damaged can be explained only by the erroneous jury instructions requiring Burien to prove "damages from sales," not just sales, contrary to *Pettors v. Williamson*, *infra*. It is Larson's burden, not Burien's, to prove any sales or related amounts not attributable to its misappropriation.

Larson elides the distinction between "sales" and "damages from sales," essentially asking this Court to hold that the instructions do not mean what they say. It argues harmless error, which it cannot possibly prove without the record.

Larson's cross-appeal raises numerous factual arguments, but Larson did not appeal from the jury's verdict or provide the trial transcript. Thus, there is nothing for this Court to review.

This Court should reverse and remand for a new trial on damages, award Burien appellate fees, and affirm on all issues raised in the cross-appeal.

REPLY STATEMENT OF THE CASE

Larson Toyota's Statement of the Case is one-sided and often argumentative. Burien Toyota responds in its arguments addressing Larson's cross-appeal.

REPLY ARGUMENTS

A. Standard of review.

This Court reviews jury instructions *de novo* for errors of law. *Anfinson v. FedEx Ground Package Sys., Inc.*, 174 Wn.2d 851, 860, 281 P.3d 289 (2012). Whether Instructions 8 and 18 improperly shifted the burden of proof is a question of law, not one of "improper[] word[ing]." BR 13. Review is *de novo*. *Anfinson, supra*.

B. The trial court incorrectly instructed the Jury that Burien Toyota had to prove damages from Larson Toyota's sales.

1. Under *Pettors*, once Burien Toyota proved Larson's sales, the burden should have shifted to Larson to prove any reductions.

Burien proved, to the jury's satisfaction, that the Sobel list was a trade secret and that Butler and Larson Toyota misappropriated it. CP 907. Under *Pettors v. Williamson and Associates*, the only thing left for Burien to prove was Larson's "sales." 151 Wn. App. 154, 164-65, 210 P.3d 1048 (2009), *rev. denied*, 168 Wn.2d 1007

(2010). The burden then should have shifted to Butler and Larson to prove any portion of sales not attributable to the misappropriation, or any reductions to determine net profits. *Petters*, 151 Wn. App. at 165. Larson does not disagree.

2. Read together, Instructions 8 and 18 misstate the applicable law.

Instruction 8 did not tell the jury that Burien had to prove Larson's sales, but that Burien has to prove "damages from" Larson's sales. CP 555. This is at odds with *Petters, supra*. Both parties objected, Burien on the precise point that it did not have to prove "damages from sales," but only "sales." 1/31 RP 7-8, 10-11.

Instruction 18 compounded this error by defining "damages" as "the amount of money that will reasonably and fairly compensate Burien Toyota," and by defining "restitution for unjust enrichment," defined as "defendants' gain." CP 656. In conjunction with Instruction 8, these damages definitions reinforced the idea that Burien had to prove a net figure – *i.e.*, reasonable and fair compensation or gain – not just sales. 151 Wn. App. at 164-65.

Larson does not disagree that it is far better situated than Burien to establish reasonable reductions from gross sales prices to "determin[e] net profits." *Id.* at 165 (quoting RESTATEMENT (THIRD) OF

UNFAIR COMPETITION §45 cmt. *f*, at 516-17 (1995) (“45 cmt. *f*”). But instructions 8 and 18 required Burien to prove (1) fair compensation; and (2) Butler and/or Larson Toyota’s gain – net sums. CP 555, 565. In other words, the instructions placed both parties’ burdens on Burien: its burden to prove sales, and Larson’s burden to prove any amounts that were not an actual loss to Burien.

a. Reply re Instruction 8.

Ignoring black-letter-law that jury instructions must be read as a whole, Larson argues Instructions 8 and 18 as if they have no relationship to one another. BR 14-23. Larson first argues that Burien’s argument on Instruction 8 “consists solely of the argument that Instruction 8 should track the court’s language in *Pettters*.” BR 15. This is not true. BA 15-18. This is not just about language, but about following the law this Court adopted in *Pettters*.

Larson then claims that Instruction 8 “closely tracks” *Pettters*. BR 17. This too is untrue. Instruction 8 places on Burien the burden of proving “damages from sales.” CP 555. Under *Pettters*, Burien’s burden is to “establish[] the defendant’s sales.” 151 Wn. App. at 165. “Sales” are cars Larson sold using Burien’s trade secret. “Damages” is a net sum that can be determined only after Burien proves sales, and Larson proves any “portion of the sales not attributable to the

trade secret and any expenses to be deducted in determining net profit.” *Id.*

Larson’s argument on WPI 351.01 further elides this distinction. BR 18-19. Larson argues that the “*only* variation” between Instruction 8 and the WPI is that Instruction 8 “provides that [Burien] has the initial burden of proving ‘damages from sales attributable to a trade secret,’ while the WPI . . . states that [Burien] has the initial burden of proving ‘sales attributable to the use of a trade secret.’” BR 19 (misquoting CP 555 and WPI 351.01).¹ Larson calls this “variation” “fair but inartful wording,” claiming that “[t]he ‘damages’ are the ‘sales.’” BR 19.

Larson ignores that Instruction 8 says “damages *from* sales.” CP 555 (emphasis added). But in any event, Instruction 18 plainly contradicts Larson’s argument. “Damages,” as defined in Instruction 18, refers to the amount necessary to fairly compensate Burien after Larson proves any reductions, not the number of cars Larson sold using Burien’s trade secrets. CP 565; BR 20.

Larson also claims that under *Pettters*, the plaintiff must prove “actual loss” or “some sort of damage or loss” before the burden

¹ Larson apparently quotes an older version of WPI 351.01. The current version is attached.

shifts. BR 20-21. **Pettors** plainly holds that the plaintiff must establish the defendant's sales. 151 Wn. App. at 165 (adopting §45 cmt. f). The only "loss" plaintiffs have to prove is lost "sales." **Pettors**, 151 Wn. App. at 165.

Finally, Larson incorrectly defines "actual loss" as "damages." BR 20-21. But Instruction 18, not Larson, defines damages. CP 565. Instruction 18 never mentions "actual loss." *Id.*

b. Reply re Instruction 18.

Larson argues that instructions 8 and 18 do not improperly shift the burden back to Burien, where Instruction 8 refers to Burien's "initial burden," and Instruction 18 "instructs the Jury as to Burien Toyota's ultimate burden as to damages." BR 22. Instruction 18, a damages instruction, does not mention an "initial" or "ultimate" burden. CP 565. This Court should disregard Larson's attempt to invent qualifying language not present in the instructions.

Larson's argument that Instruction 18 correctly defines "damages" misses the point. BR 23-24. When read in conjunction with Instruction 8, the damages definitions in Instruction 18 improperly shift the burden to Burien.

3. *Petters* is consistent with persuasive authority from around the country, dating from 1888.

Burien's opening brief includes a lengthy discussion of cases from around the country applying the same burden of proof articulated in *Petters* in trade-secret misappropriation cases, as well as cases involving copyright infringement, trademark infringement, and patent infringement. BA 18-22. The point is simply that *Petters* is consistent with national trends, as this Court indicated in holding that the "rule has been widely adopted in jurisdictions applying the model act." 151 Wn. App. at 165.

Larson addresses this argument in a footnote, discussing only one of the many cases Burien analyzed, *Jet Spray Cooler, Inc. v. Crampton*, 377 Mass. 159, 170-71, 385 N.E.2d 1349 (1979) ("*Jet Spray II*"). BR 21 n.6. *Jet Spray II* and its progeny hold that any doubt as to the apportionment of defendant's profits falls upon the defendant. BA 18-19. Larson attempts to distinguish *Jet Spray II* on the ground that it holds that the plaintiff must prove that the defendant "made profits from sales" before the burden shifts to the defendant to prove "the portion of their profits which is not attributable to the trade secrets." BR 21 n.6; *Jet Spray II*, 377 Mass. at 174-75. *Jet Spray II* is indeed distinguishable on this point, where *Petters*

plainly requires plaintiffs to establish “sales,” not “profits from sales.” Compare *Pettters*, 151 Wn. App. at 165 with *Jet Spray II*, 377 Mass. at 174-75. But in either case, Burien did show that Larson profited from sales to Burien’s customers. *Infra*, Argument § C.

Larson’s only other response is that federal copyright law is irrelevant and “[t]his Court need not engage in any analysis by analogy to federal copyright law.” BR 21. Unlike Larson, Burien is not asking this Court to analyze inapplicable federal law. Compare BA 21-22 with BR 35-37, 40-46 (discussing the Gramm-Leach-Bliley Act, the Federal Trade Commission’s Safeguards Rule, The FTCA Red Flags Rule, and the Privacy Rule, at great length). The point is simply that the *Pettters* burden-shift is not unique to one type of intellectual property – or to Washington.

C. This Court should reverse, where the erroneous jury instructions are presumptively prejudicial.

This Court should presume that Burien was prejudiced by the errors in Instructions 8 and 18, which together “contain[] a clear misstatement of the law.” *Anfinson*, 174 Wn.2d at 860 (citing *Keller v. City of Spokane*, 146 Wn.2d 237, 249-50, 44 P.3d 845 (2002)); *supra* Argument § B 2. Such a legal error will be reversed unless it

is shown the error was harmless. ***Mackay v. Acorn Custom Cabinetry, Inc.***, 127 Wn.2d 302, 311, 898 P.2d 284 (1995).

Larson claims harmless error, but fails to discuss the law governing harmless-error analysis. BA 23-27. An error is harmless only if, among other things, “it in no way affected the final outcome of the case.” ***Mackay***, 127 Wn.2d at 311. This Court cannot determine whether the instructional error affected the final outcome of the case without the record:

Under a harmless error analysis, an appellate court *must review the record* to determine whether the trial court’s error potentially affected the trial’s outcome.

State v. Mazzante, 86 Wn. App. 425, 430, 936 P.2d 1206 (1997) (emphasis added). Larson has given this Court nothing to review.

This Court should ignore Larson’s claims about the evidence presented at trial, where it is entirely inappropriate for Larson to present a one-sided account of some of the alleged evidence without any record cites. BR 25-26; RAP 10.3(a)(5). But in any event, Burien did provide damages evidence. BA 7-8. Using lists of car sales and sales prices provided by Larson, Burien found 207 Larson sales to Burien customers. CP 343, 584, 682, 849; Exs 16, 22, 23. Butler readily admitted that he called or emailed all Burien customers on the Sobel list when he began his employment at Larson. CP 650,

652. It cannot be dismissed as mere coincidence that so many Burien customers bought cars from Larson.

Larson also acknowledges that Burien customers bought cars at Larson, trying to downplay this truth by claiming that these Burien customers did not “necessarily” purchase a car from Burien Toyota, but may have patronized Burien Toyota for vehicle maintenance or the like. BR 25-26. The jury plainly could have inferred that these customers switched to Larson Toyota because Butler contacted them. Thus, it cannot be said that the instructional error “in no way affected the final outcome of the case.” *Mackay*, 127 Wn.2d at 311.

D. This Court should award Burien Toyota fees pending remand.

Larson argues that Burien’s fee request is “premature” and would require the Court to “engage in rank speculation.” BR 27-28. Burien’s fee request is plainly “conditioned on the jury’s finding that the misappropriation was wilful and malicious.” BA 23. Larson has no on-point response to this very reasonable request.

REPLY CONCLUSION

This Court should presume that this instructional error is prejudicial, reverse, and remand for a new trial on damages. The Court should also award appellate fees, pending the jury’s

determination of whether Butler's and Larson Toyota's misappropriation was willful and malicious.

RESPONSE TO CROSS APPEAL

A. Response to Introduction.

Larson Toyota begins its cross-appeal argument with the assertion that remand "would be futile," where "Burien Toyota failed to . . . produce evidence to support its UTSA claim." BR at 28. Larson could not possibly prove this assertion, or any assertion resting on the evidence presented at trial, where the trial was not transcribed and is not before this Court.² *Noble v. Ogborn*, 43 Wn. App. 387, 391, 717 P.2d 285, *rev. denied*, 106 Wn.2d 1004 (1986) (declining to review an issue raised on cross-appeal, holding that without the record, the Court could not review the claim the trial court's damages award was not supported by substantial evidence).

² Burien Toyota had transcribed only those hearings relevant to its purely legal argument that the burden-of-proof and damages instructions are legally erroneous. Larson Toyota did not provide the record for its cross-appeal.

B. The trial court properly denied Larson Toyota's motion for summary judgment dismissal of Burien Toyota's UTSA claims.

1. This Court will not review an order denying summary judgment due to fact questions.

Larson acknowledges that the appellate court generally will not review an order denying summary judgment after a final judgment has been entered, but argues that this Court may do so, without discussing when this would be appropriate. BR 29 (quoting **McGovern v. Smith**, 59 Wn. App. 721, 734-35, 801 P.2d 250 (1990)). Larson neglects to mention that **McGovern** succinctly distinguishes **Johnson v. Rothstein**, "which held that denial of a summary judgment was not reviewable following trial if the denial was based on a determination that there were disputed issues of material fact." **McGovern**, 59 Wn. App. at 735 n.3 (quoting **Johnson v. Rothstein**, 52 Wn. App. 303, 305 n.4, 759 P.2d 471 (1988)).

Whether information constitutes a trade secret is a factual question, and the trial court denied summary judgment due to factual disputes. 01/13 RP 27-29; **Ed Nowogroski Ins., Inc v. Rucker**, 137 Wn.2d 427, 436, 971 P.2d 936 (1999). Thus, under **Johnson** and its progeny, Larson cannot appeal from the summary-judgment denial, but "must appeal from the sufficiency of the evidence

presented at trial.” *Johnson*, 52 Wn. App. at 305 n.4; *Adcox v. Children’s Orthopedic Hosp. & Medical Ctr.*, 123 Wn.2d 15, 35 n.9, 864 P.2d 921 (1993).

Since Larson failed to appeal from the jury’s verdict and the sufficiency of the evidence presented at trial, there is nothing for this Court to review. The Court should affirm.

2. Burien Toyota did prove – to the jury’s satisfaction – that Butler and Larson Toyota misappropriated a trade secret.

Without a record of the trial, Burien can only assume that Larson refers to the summary judgment pleadings and evidence submitted in support thereof. BR 30. As held in *Adcox*, “[t]hese arguments miss the mark.” 123 Wn.2d at 35 n.9.

a. Misappropriation.³

If this Court elects to review the trial court’s summary-judgment ruling, then it must, like the trial court, take all facts and reasonable inferences in Burien’s favor. *Donatelli v. D.R. Strong Consulting Eng’rs, Inc.*, 179 Wn.2d 84, 90, 316 P.3d 620 (2013). The trial court correctly found factual questions on this point. 01/03 RP 27-29.

³ Inexplicably, Larson Toyota addresses misappropriation before trade secret. Burien Toyota responds in kind.

Larson repeatedly claims that Burien knew Butler had taken a customer list from his prior employment at Nordstrom. BR 5, 9, 31-36. But Burien Toyota management denied ever having seen the alleged Nordstrom list. BA 4-5; CP 570-71, 576, 581-82. Larson claims that Butler "delivered" the purported Nordstrom list directly to Sobel when he started working at Burien. BR 31. This was hotly contested: Burien Toyota management agreed (1) that it is against policy to place outside customer information into its database; (2) that the list, if any, was not in its database; and (3) that Burien would not have allowed Butler to use the alleged Nordstrom list. BA 4-5; CP 570-71, 576, 581-82.

Finally, Larson concludes that Burien cannot prove misappropriation because the list Butler took from Sobel was his own Nordstrom list. BR 31. Again, Burien disputes whether a Nordstrom list even exists. BA 4-5; CP 570-71, 576, 581-82. Butler admitted that he emailed people on the Sobel list. CP 651-52. The Sobel list consisted of Burien Toyota customer information that Burien provided directly to Sobel to produce marketing materials for Butler. BA 4; CP 571, 576-77, 581.

b. Trade secret.

Larson next claims that Burien cannot prove that the Sobel list was a trade secret, where Burien “cannot prove that it took any reasonable efforts to maintain their secrecy.” BR 32. Again, this is a fact question. *Nowogroski*, 137 Wn.2d at 436; 01/13 RP 27-29.

Here too, material issues abound. Larson claims, for example, “[i]t is undisputed that Burien Toyota encouraged Mr. Butler to share his customer information with Sobel.” BR 33-34. That was plainly disputed: Burien Toyota management agreed that salespeople do not give customer information directly to Sobel and that Butler was no exception. BA 3-5; CP 571, 573, 576-77, 581.

Larson claims that the many agreements Butler signed acknowledging that customer information is confidential, “were designed to protect customer privacy, and did not have anything to do with trade secrets or the Sobel list.” BR 34.⁴ Larson claims that these documents were “intended solely to comply with the federal laws, not to protect an alleged trade secret.” BR 35. But Burien explained that the very documents Larson objected to were designed to protect against misappropriation, so bore directly on Burien’s

⁴ Larson Toyota’s arguments about the GLBA are addressed *infra*, cross-appeal response, § D.

efforts to protect its trade secrets. 01/15 RP 14-16; 01/16 RP 7. Larson fails to mention that the trial court found fact questions on this precise point. 01/16 RP 8-9.

In sum, Larson failed to appeal from the sufficiency of the evidence at trial. It cannot appeal from the order denying summary judgment, which was appropriate in any event. This Court should affirm.

C. Without any record of the trial, it is impossible for this Court to review the trial court decision denying Larson Toyota's motion for directed verdict.

"A directed verdict is appropriate if, as a matter of law, there is no substantial evidence or reasonable inference to sustain a verdict for the nonmoving party." **Chaney v. Providence Health Care**, 176 Wn.2d 727, 732, 295 P.3d 728 (2013). The appellate courts apply the same standard as the trial court when reviewing a trial court decision denying a motion for directed verdict. **Stiley v. Block**, 130 Wn.2d 486, 504, 130 Wn.2d 486, 925 P.2d 194 (1996) (citing **Hizey v. Carpenter**, 119 Wn.2d 251, 271, 830 P.2d 646 (1992)). This Court will reverse only "when it is clear that the evidence and reasonable inferences are insufficient to support the jury's verdict." **Stiley**, 130 Wn.2d at 504.

Despite agreeing to this standard, Larson does not appeal from the jury's verdict or address the evidence and reasonable inferences supporting the jury's verdict (nor could it do so without a transcript of the trial). BR 36. Instead, Larson refers back to its summary judgment arguments, which plainly have no bearing on the only question relevant here: whether the evidence presented *at trial* was sufficient to sustain the jury's verdict. **Stiley**, 130 Wn.2d at 504. This Court should affirm.

D. The trial court did not abuse its discretion in denying Larson Toyota's motion *in limine* to exclude Burien Toyota policies and handbooks.

Larson fails to provide a straightforward discussion of the "policies" and "handbook provisions" it is referring to, making this otherwise simple argument unduly complex. BR 37-46. Burien corrects this omission.

Larson moved *in limine* to exclude Butler's employee handbook and numerous documents Butler signed during the course of his employment, agreeing to and acknowledging Burien's privacy policies. CP 582, 591, 592, 594-95. Through these documents, Butler, like all Burien employees, was repeatedly reminded that Burien Toyota customer information is confidential. CP 573, 578, 581-82, 587-88.

Larson argued *in limine* that these documents were no longer relevant since the trial court had dismissed Burien's breach-of-contract claim; that these documents were not admissible to prove Butler's promise not to take any customer list; and that there is no private right of action under the GLBA, the federal Act requiring financial institutions to take certain steps to protect client privacy. CP 340-42, 411; 01/15 RP 7-12; 01/16 RP 3-7.⁵ Burien explained that the GLBA issue, raised for the first time at oral argument, was a "red herring," where Burien was not claiming that Butler violated the GLBA. 01/16 RP 7. The documents Larson moved to exclude were used "to maintain the secrecy of [Burien's] proprietary information, the confidentiality, and to protect against disclosure." 01/15 RP 15. Thus, these documents were plainly relevant to Burien's UTSA claims. *Id.*; 01/16 RP 8.

The trial court denied Larson's motion, carefully distinguishing between using the documents to make a GLBA-violation claim, and using the documents as evidence of reasonable measures to maintain secrecy; *i.e.* the UTSA claims. 01/16 RP 8. The court ruled

⁵ Argument on this motion spanned two days, where the court deferred ruling to wait for Larson's supplemental brief on the GLBA. 01/15 RP 38-39.

that it was “up to the jury to conclude whether or not they believe [Burien Toyota] when they claim this material had to do with confidentiality in terms of protecting their property interest” or whether they believe Larson’s claims that these documents were solely related to GLBA-compliance. *Id.* In other words, this issue boiled down to a credibility determination. *Id.* The court concluded, “it’s outside the scope of my responsibilities to make that ruling; I think that’s a jury call” *Id.*

Again, Larson fails to provide the record, and fails to challenge the jury’s verdict.

1. Standard of review.

Burien agrees that the standard of review is abuse of discretion. BR 37.

2. These documents were plainly relevant to Burien Toyota’s UTSA claim and consideration is irrelevant.

Evidence is relevant if it has “any tendency to make the existence of any fact that is of consequence to the determination of the action more probable or less probable than it would be without the evidence.” *Salas v. Hi-Tech Erectors*, 168 Wn.2d 664, 669, 230 P.3d 583 (2010) (*quoting* ER 401). “The threshold to admit relevant evidence is low, and even minimally relevant evidence is

admissible.” **Salas**, 168 Wn. 2d at 669 (quoting **State v. Gregory**, 158 Wn.2d 759, 835, 147 P.3d 1201 (2006) (citing **State v. Darden**, 145 Wn.2d 612, 621, 41 P.3d (2002))). Thus, the issue is whether the documents Butler signed tend to make it more probable, even minimally so, that Burien took reasonable steps to maintain secrecy.

The documents Butler signed are relevant to Burien’s UTSA claims. As Burien explained, they used these documents to “maintain the secrecy of their proprietary information, the confidentiality, and to protect against disclosure.” 01/15 RP 15. This tends to make it more likely that Burien took reasonable measures to maintain the secrecy of the Sobel list. 01/15 RP 16.

Finally, consideration or the lack thereof is irrelevant. BA 38-39. The trial court dismissed Burien’s breach of contract claim as a matter of law, and Burien did not appeal that ruling.

3. Burien Toyota never attempted to use these documents to assert a private cause of action for GLBA violations.

Larson’s argument that these documents were inadmissible under the GLBA rests on the false assertion that the documents “were created solely to comply with the requirement of federal customer privacy laws.” BR 39-40. Burien could not have been clearer that these documents served two purposes, privacy-act

compliance, and maintaining secrecy of Burien's proprietary information. 01/16 RP 7. The trial court left it to the jury to determine the veracity of Burien's claims. 01/16 RP 8. Larsen, however, does not address the jury's verdict.

Rather, Larson argues that the GLBA does not create a private right of action. BR 43-46. Burien agrees. But again, Burien did not even raise the GLBA, much less assert a cause of action under the GLBA. 01/16 RP 7.

In a similar vein, Larson argues that Burien cannot use these documents "as evidence of Mr. Butler's failure to comply with these [federal] provisions." BR 44. Burien never claimed that Butler violated federal law. Larson also argues that Burien cannot use these documents to show that Butler promised not to take the Sobel list. BR 44. Burien never claimed that either.

Again, these documents tend to make it more probable that Burien took reasonable steps to maintain secrecy, a point Larson never squarely addresses. 01/15 RP 16. This Court should affirm.

E. The trial court did not abuse its discretion in declining to adopt Larson Toyota's proposed jury instructions.

1. The trial court did not abuse its discretion in declining to give Larson's proposed instructions 3 and 5 instead of the court's instruction 17.

Larson acknowledges that this Court reviews this issue for an abuse of discretion. BR 48. Indeed, Larson's argument pertains solely to the trial court's "choice of language" and the number of instructions, matters "within the trial court's broad discretion," and reversible only if "manifestly unreasonable." BR 13. This Court should affirm.

Larson's proposed instruction 3 defines preponderance of the evidence, and its proposed instruction 5 defines clear, cogent, and convincing evidence. CP 515, 517. The court's instruction 17 includes Larson's proposed instructions 3 and 5 in their entirety. CP 564. Instruction 17 also provides that the defendants have the burden of proving their affirmative defenses by clear, cogent, and convincing evidence. *Id.* Combining Larson's proposed instructions was not "unduly confusing," but helped the jury understand the difference between the burdens of proof, and which burden applied to different claims and defenses. BR 47. The trial court did not abuse its broad discretion.

2. The trial court properly declined to give Larson Toyota's proposed instruction 12, which would have instructed the jury to decide a matter that was not before it.

Larson's proposed instruction 12, "Federally Mandated Privacy Laws," was an effort to advise the jury of Larson's theory that there is no private right of action under the GLBA. CP 524. As discussed above, this theory is entirely irrelevant, where Burien never raised the GLBA or sought to enforce its terms. *Supra*, Argument § D. This argument is, and always has been a "red herring." 01/16 RP 7. The Court should affirm.

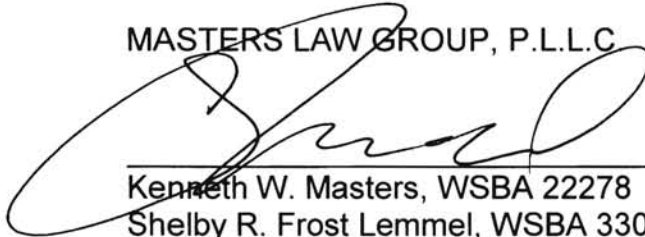
Larson's proposed instruction 12 states that federal law requires car dealerships to take certain measures to protect customer privacy, defines three different federal regulations spanning a four-year time-frame, and concludes that dealerships have no private right of action to enforce the regulations by suing employees. CP 524. Larson argues that the trial court's refusal to give this instruction prevented it from arguing its theory of the case, but this theory was not in the case. BR 49. Burien never claimed that Butler violated any federal regulation. 01/16 RP 7. It would have been confusing, to say the least, to instruct the jury on a defense to a claim Burien never made.

CONCLUSION TO CROSS-APPEAL

Larson's arguments are, for the most part, meritless, either because Larson cannot appeal at all from the issue raised, or because it fails to provide the record necessary to its appeal. Its remaining arguments are equally unpersuasive. This Court should affirm on all grounds raised in the cross-appeal.

RESPECTFULLY SUBMITTED this 3rd day of March, 2014.

MASTERS LAW GROUP, P.L.L.C



Kenneth W. Masters, WSBA 22278
Shelby R. Frost Lemmel, WSBA 33099
241 Madison Ave. North
Bainbridge Island, WA 98110
(206) 780-5033

CERTIFICATE OF SERVICE BY MAIL

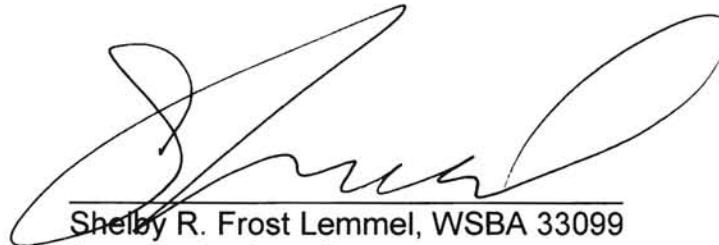
I certify that I caused to be mailed, a copy of the foregoing **REPLY BRIEF AND RESPONSE TO CROSS-APPEAL**, postage prepaid, via U.S. mail on the 3rd day of March, 2014, to the following counsel of record at the following addresses:

Co-counsel for Appellant

Brian P. Russell
Attorney at Law
17820 First Avenue South, Suite 102
Normandy Park, WA 98148

Counsel for Respondents

Stephanie R. Alexander
Suzanne Kelly Michael
Jeannie L. Bohlman
Michael & Alexander
701 Pike Street, Suite 1150
Seattle, WA 98101

A handwritten signature in black ink, appearing to read 'Shelby R. Frost Lemmel', is written over a horizontal line. The signature is fluid and cursive.

Shelby R. Frost Lemmel, WSBA 33099
Attorney for Appellant



[Washington State
Courts' Home](#)

[Home](#) [Search](#) [Help](#) ©

Welcome to the online source for the Washington Civil Jury Instructions

6A WAPRAC WPI 351.01

WPI 351.01 Trade Secrets—Burden of Proof

6A Wash. Prac., Wash. Pattern Jury Instr. Civ. WPI 351.01 (6th ed.)

Washington Practice Series TM
Database updated June 2013

Washington Pattern Jury Instructions--Civil
Washington State Supreme Court Committee on Jury Instructions

Part XVIII. Commercial Litigation
Chapter 351. Trade Secrets

WPI 351.01 Trade Secrets—Burden of Proof

On the claim of misappropriated trade secrets, _____ has the burden of proving each of the following propositions:

(1) That _____ had a trade secret;

(2) That _____ misappropriated _____ trade secret; and

[(3) That _____ misappropriation was a proximate cause of damages to _____];

[(3) That, as a result of the misappropriation, _____ received money or benefits that in justice and fairness belong to _____].

If you find from your consideration of all the evidence that each of these propositions has been proved, then your verdict should be for _____ [on this claim]. On the other hand, if you find that any of these propositions has not been proved, your verdict should be for _____ [on this claim].

NOTE ON USE

Use this instruction in a trade secrets case not involving any affirmative defenses. For trade secrets cases having an affirmative defense, set forth the affirmative defense using WPI 21.05, Burden of Proof on the Issues—Affirmative Defenses Other than Contributory Negligence/Assumption of Risk.

This instruction includes alternative versions of the third element. Choose from between these two alternatives depending on whether the plaintiff claims actual damages or unjust enrichment. For a discussion of the alternative version for unjust enrichment, see the Comment below. If a plaintiff claims both damages and unjust enrichment, then the instruction will need to be modified in accordance with the discussion in the Comment below.

For a discussion of punitive damages, see the Comment below.

Use this instruction with WPI 351.02 (Trade Secret—Definition), WPI 351.03 (Misappropriation—Definition), and WPI 21.01 (Meaning of Burden of Proof—Preponderance of the Evidence).

When vicarious liability is an issue, this instruction may be used with the appropriate instruction from WPI Chapter 50, Agency and Partnership. For further discussion, see the Comment.

If needed, a "summary of claims" instruction may be drafted using WPI Chapter 20, Issues in the Case, as modified to fit a trade secrets case.

COMMENT

Background. Washington adopted the Uniform Trade Secrets Act in 1981, with some variations from the Uniform Act. Washington has not adopted the 1985 amendments to the Uniform Act. The Act is codified as RCW Chapter 19.108. For an extended discussion of the Uniform Act and its general principles, see *Boeing Co. v. Sierracin Corp.*, 108 Wn.2d 38, 738 P.2d 665 (1987).

"In the absence of legislative intent to the contrary, prior common law which is not contradicted by the Uniform Trade Secrets Act should continue to guide courts in the interpretation of the Act." *Ed Nowogroski Ins., Inc. v. Rucker*, 137 Wn.2d 427, 444-45, 971 P.2d 936 (1999). Nevertheless, courts should also construe the Washington statute with the objective of national uniformity when possible. *Thola v. Henschell*, 140 Wn.App. 70, 78, 164 P.3d 524 (2007).

Existence of trade secret. A plaintiff seeking damages for the misappropriation of a trade secret has the burden of proving that a legally protectable trade secret exists. *Ed Nowogroski Ins., Inc. v. Rucker*, *supra*; *Boeing Co. v. Sierracin Corp.*, *supra*.

Multiple forms of damages. Under the Act, plaintiffs may recover actual damages, restitution for unjust enrichment, and punitive damages, with limitations noted below. RCW 19.108.030. The 1985 amendments to the Uniform Act added explicit provision for recovery of royalties, but Washington has not adopted that change.

Under the Act, a jury's verdict may combine recoveries for actual damages and unjust enrichment in a single case, but only to the extent that the award for unjust enrichment does not duplicate the recovery of actual damages. See RCW 19.108.030(1) ("A complainant also may recover unjust enrichment ... that is not taken into account in computing damages for actual loss."). If both forms of damages are being presented to the jury, the instruction will need to be modified to clearly express this limitation. For example: "The law does not permit a plaintiff to recover twice for the same damages. Thus, you may include as damages *both* plaintiff's lost profits *and* defendant's gain *only* if and to the extent that they do not overlap in this way." *Am. Bar Ass'n Section of Litigation, Model Jury Instructions: Business Torts Litigation* § 8.6.2, p. 420 (4th ed.) (emphasis in original).

Unjust enrichment. Washington courts have described the doctrine of unjust enrichment as the:

[g]eneral principle that one person should not be permitted unjustly to enrich himself at expense of another, but should be required to make restitution of or for property or benefits received, retained or appropriated, where it is just and equitable that such restitution be made, and where such action involves no violation or frustration of law or opposition to public policy, either directly or indirectly. Unjust enrichment of a person occurs when he has and retains money or benefits which in justice and equity belong to another.

Bailie Comm'ns, Ltd. v. Trend Bus. Sys., Inc., 61 Wn.App. 151, 159, 810 P.2d 12, 814 P.2d 699 (1991) (quoting *Black's Law Dictionary* (6th ed. 1990)) (citations omitted). WPI 351.01 follows this approach but uses the word "fairness" instead of "equity" for better juror comprehension.

Under this unjust enrichment alternative, the Court of Appeals has held that, once the plaintiff proves sales attributable to the use of a trade secret, the burden shifts to the defendant to establish "any portion of the sales not attributable to the trade secret and any expenses to be deducted in determining net profits." *Petters v. Williamson & Assocs., Inc.*, 151 Wn.App. 154, 165, 210 P.3d 1048 (2009) (quoting *Restatement (Third) of Unfair Competition* § 45, comment f).

Punitive damages. The Act allows for the imposition of punitive damages. Under the Act, "[i]f willful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award [for actual damages and unjust enrichment]." RCW 19.108.030(2).

Pursuant to this statute, the amount of any punitive damages is determined by the judge, not the jury, after a threshold finding has been made as to willful and malicious misappropriation. *Thola v. Henschell*, 140 Wn.App. at 89 (trial court determines exemplary damages and fees in its discretion); see *Uniform Trade Secrets Act with 1985 Amendments*, 14 *Uniform Laws Annotated*, Comment to § 3, p. 635 (2005) (clarifying that "the court" in this context means the judge); *Am. Bar Ass'n Section of Litigation, Model Jury Instructions: Business Torts Litigation* § 8.7, p. 426 (4th ed.).

The statute, however, is unclear as to whether the threshold finding of willful and malicious misappropriation in a jury case is to be made by the judge or the jury. Two Washington cases highlight this ambiguity, although in neither case was this issue directly addressed in the appellate opinion. In one case, the trial judge submitted the threshold factual finding to the jury and used that finding in deciding whether to impose punitive damages. *Eagle Group, Inc. v. Pullen*, 114 Wn.App. 409, 422, 58 P.3d 292 (2002). In the other case, the parties agreed that the trial judge should decide both the threshold factual issue and the ensuing issue of the amount of any punitive damages. *Boeing Co. v. Sierracin Corp.*, 108 Wn.2d at 61-62.

Because this issue is still unsettled, the instructions for a particular case will depend on who the judge determines should make the threshold finding. If the judge rules that "willful and malicious misappropriation" is to be determined by the jury rather than the judge, then the jurors should be given

the following special interrogatory: "If you find that (name of defendant) misappropriated a trade secret, was this misappropriation willful and malicious?" If, however, the threshold issue is to be determined by the judge, then the jurors need not be instructed on punitive damages at all.

Separate damages instruction. A separate damages instruction will need to be drafted, using one of the instructions from WPI Chapter 30, Personal and Property Damages, as a model, setting forth in greater detail the methods for calculating actual damages and unjust enrichment. The contents of this instruction will necessarily vary depending on the facts of each case.

Actual damages are generally calculated by measuring the plaintiff's lost profits, while unjust enrichment awards are generally calculated by measuring the defendant's ill-gotten profits. See Annotation, Proper Measure and Elements of Damages for Misappropriation of Trade Secret, 11 A.L.R.4th 12 § 2[a] (1982); Am. Bar Ass'n Section of Litigation, Model Jury Instructions: Business Torts Litigation § 8.6 (4th ed.). Actual damages include both past and future lost profits, as well as related expenses. *Eagle Group, Inc. v. Pullen*, 114 Wn.App. at 420-21 (also setting forth a damages instruction addressing actual damages).

Pre-emption issues. The Act does not displace other statutory or common law claims for misappropriation of intellectual property except to the extent that these remedies conflict with those provided by the Act. *Boeing Co. v. Sierracin Corp.*, 108 Wn.2d at 48.

Federal copyright law does not pre-empt Washington state trade secret law claims. *Boeing Co. v. Sierracin Corp.*, 108 Wn.2d at 49. However, the Act is the exclusive remedy for the misappropriation of trade secrets. Claims seeking recovery based on tort, restitution, or other legal theories must be supported by evidence of conduct other than the misappropriation of trade secrets. See *Thola v. Henschell*, 140 Wn.App. at 82, 85 (trial court erroneously failed to instruct jury that evidence of misappropriation of trade secrets could not be used to support common law claims).

Vicarious liability. In some cases, vicarious liability may be an issue. See *Thola v. Henschell*, 140 Wn.App. at 78-79 (vicarious liability is a general civil liability principle that is consistent with Uniform Trade Secrets Act).

Cross-reference. An extended, treatise-style discussion of the Uniform Trade Secrets Act can be found in another volume of Washington Practice. See DeWolf & Allen, 16A Washington Practice, Tort Law and Practice §§ 22.31 et seq. (3d ed.). The pre-emption issue is discussed in 16A Washington Practice § 22.31A.

[Current as of January 2012.]

Westlaw. © 2013 Thomson Reuters. No Claim to Orig. U.S. Govt. Works.

6A WAPRAC WPI 351.01

END OF DOCUMENT

© 2014 Thomson Reuters. No Claim to Orig. U.S. Govt. Works.

