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SUPREME COURT
OF THE STATE OF WASHINGTON

No. 76708-9-I

COURT OF APPEALS, DIVISION I
OF THE STATE OF WASHINGTON

MODUMETAL, INC.,

Respondent,

vs.

XTALIC CORPORATION and JOHN HUNTER MARTIN

Petitioners.

PETITION FOR REVIEW

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A. Identity of Petitioners and Court of Appeals Decision.

Petitioners Xtalic Corp. and John Martin seek review of the Court of Appeals' published decision reversing the dismissal of respondent Modumetal's trade secret and breach of confidentiality claims. (Appendix A) The Court of Appeals granted petitioners' motion for publication on August 22, 2018. (Appendix B)

B. Issues Presented for Review.

1. Must a respondent who has prevailed on the merits file a notice of cross-appeal in order to raise as an alternative ground for affirmance the trial court's erroneous denial of the respondent's motion to dismiss for lack of personal jurisdiction?

2. Where a defendant has un rebutted evidence of its independent research, can a trade secret plaintiff defeat summary judgment by showing *only* that the defendant hired a plaintiff's former employee who (1) had knowledge of plaintiff's trade secrets and (2) participated in defendant's independent research?

3. Is a plaintiff's common law claim for breach of confidentiality preempted by Washington's Uniform Trade Secrets Act, RCW ch. 19.108, where it depends on the same facts as the plaintiff's claim for misappropriation of trade secrets?

C. Statement of the Case.

1. Modumetal sued Xtalic for trade secret misappropriation after Xtalic hired Modumetal's former employee Hunter Martin.

Modumetal, Inc. and Xtalic Corporation are both involved in the research, development, and manufacture of materials and technology engineered at the nano-scale. (Op. at ¶ 2)¹ Modumetal is based in Washington; Xtalic is based in Massachusetts. (Op. at ¶ 2) Both companies use “electrodeposition,” a process that deposits a coating of metal onto a surface by submersing the surface in a chemical bath and running an electrical current through it. (Op. at ¶ 2) The resulting metallic coating can improve corrosion and wear resistance, as well as aesthetic qualities. (Op. at ¶ 2)

The electrodeposition process can be manipulated by altering different variables, such as the metal being plated, the composition and temperature of the bath, bubbling various gases through the bath, and changing aspects of the electrical current. (Op. at ¶ 2) The goal of such manipulation is to identify valuable “recipes” for effectively electrodepositing a particular metal or alloy onto a particular substrate on an industrial scale for commercial purposes. (Op. at ¶ 2)

¹ Where possible this statement of the case relies on the Court of Appeals decision.

In 2008, John Martin began working at Modumetal as a student intern. (Op. at ¶ 3) Martin signed Modumetal's "Assignment of Inventions, Non-Disclosures and Non-Solicitation Agreement," which prohibited him from disclosing confidential information. (CP 4130-32) The agreement did not contain a non-competition clause and it is undisputed that Martin was free to leave Modumetal to work for one of its competitors. (CP 4130-32)

In 2009, after earning his engineering degree, Modumetal hired Martin as a full time employee; Martin did not sign a new non-disclosure agreement. (Op. at ¶ 4) Modumetal claims that Martin conducted researched on electrodeposition of aluminum, but after several months without success, Modumetal reassigned the project to others, who were eventually able to successfully plate aluminum onto different substrates while Mr. Martin was employed at Modumetal. (Op. at ¶¶ 4-8)

In late 2010, Martin applied for a position as an Engineering Project Manager at Xtalic, but because he lacked sufficient experience, Xtalic hired him as a less senior research and development engineer. (Op. at ¶¶ 9, 11) Dr. Chris Schuh, Xtalic's co-founder and professor at Massachusetts Institute of Technology, had been researching the electrodeposition of aluminum alloys since

2006. (Op. at ¶ 13) Dr. Schuh's doctoral student, Shiyun Ruan, also completed her dissertation on the creation and electrodeposition of a nanocrystalline aluminum-manganese alloy. (Op. at ¶ 13) Xtalic hired Dr. Ruan to form a research team to build on her research. (Op. at ¶¶ 13-14) After hiring Martin, Xtalic assigned him to be part of Dr. Ruan's team, which was managed by Xtalic's co-founder and Chief Technology Officer, Dr. Lund. (Op. at ¶¶ 13-14)

Martin informed Modumetal that he had been hired by Xtalic and assured Modumetal's CEO that he would "maintain full compliance with the non-disclosure agreement I signed." (CP 3534) Modumetal's CEO responded, expressing no concern about him working with aluminum alloys. (CP 1888-89) A few months after Martin's hire, Modumetal wrote Xtalic, stating that "to prevent the inadvertent use or disclosure of Modumetal confidential information . . . Mr. Martin should be walled off from any involvement in the design of electroplating baths as well as in the production and testing of nanolaminated alloys containing nickel." (CP 5224) Xtalic again made no reference to excluding him from aluminum research. (CP 5224-25)

Martin and the rest of Xtalic's team worked for several years on their project, with Xtalic investing millions in its aluminum-manganese research. (CP 1787) In March 2013, Xtalic filed a patent

application entitled “Electrodeposition in Ionic Liquid Electrolytes,” Patent App. No. 13/830,531. (CP 4372) The named inventors were Dr. Ruan, Dr. Paw, Dr. Lund, and Martin. (CP 4372) The application “focuse[d] on chemistries, methods, and systems for use with aluminum manganese based alloys.” (CP 4393)

Martin left Xtalic in June 2013. (Op. at ¶ 16) Nearly a year later, in May 2014, Xtalic filed a patent application entitled “Preparation of Metal Substrate Surfaces for Electroplating in Ionic Liquids,” Patent App. No. 14/271,371, naming Drs. Evgenia Freydina, Ruan, Schuh, and Lund, but not Martin, as inventors. (CP 4561) The application described “methods for preparing metal substrates prior to electroplating in order to provide a well-adhered electroplated metal layer,” including aluminum or aluminum alloys. (CP 4571) Dr. Lund testified that the research supporting this application took place entirely after Martin left. (CP 1794-95)

Modumetal sued Martin and Xtalic alleging Martin breached his common law and contractual duties of confidentiality, that Xtalic induced those breaches, and that both Martin and Xtalic misappropriated its trade secrets. (Op. at ¶ 19) Xtalic moved to dismiss under CR 12(c) for lack of personal jurisdiction; the trial court denied the motion. (Op. at ¶ 21) The trial court then granted

Xtallic summary judgment on the ground that Modumetal lacked evidence of misappropriation, showing only a “coincidental or circumstantial end result that covers topics of the same nature that Mr. Martin worked on at Modumetal, without ... a clear specification as to what exactly it is he is supposed to have conveyed, and how that might have been conveyed.” (RP 67) The trial court also ruled Modumetal’s common law breach of confidentiality claims were preempted by the Uniform Trade Secrets Act because “the confidential information and the trade secret information are identical,” and denied its CR 56(f) motion for a continuance to pursue further discovery because it failed to specify the information it thought additional discovery would uncover. (RP 64-65)

2. The Court of Appeals reversed summary judgment on the grounds that Martin’s research at Modumetal and Xtallic’s patent applications “overlapped.”

The Court of Appeals reversed the dismissal of Modumetal’s claims, holding Modumetal had constructed a sufficient “web” of circumstantial evidence to prove misappropriation because its expert testified “there is a ‘very substantial overlap’ between what Martin did at Modumetal” and Xtallic’s patent applications. (Op. at ¶¶ 33, 47; *see also* ¶ 40 (citing expert’s testimony there were “many similarities between Martin’s work at Modumetal and Xtallic’s

patent[s]”)) The Court of Appeals also reversed the trial court’s rulings on preemption and Modumetal’s CR 56(f) motion. The Court of Appeals then refused to consider Xtalic’s request that it affirm the dismissal of the claims against it for lack of personal jurisdiction because “Xtallic chose not to cross-appeal from the trial court’s dismissal of its CR 12(c) motion to dismiss.” (Op. at ¶ 57) The Court of Appeals granted Xtalic’s motion to publish. (App. B)

D. Why This Court Should Grant Review.

- 1. The Court of Appeals’ holding that a party that wholly prevails must cross-appeal conflicts with Washington precedent and upends established appellate procedure.**

The Court of Appeals erroneously held that Xtalic could not raise the trial court’s lack of personal jurisdiction over this Massachusetts corporation in the absence of a cross-appeal from the order denying its motion to dismiss. Xtalic, which had fully prevailed, was not required to cross-appeal in order to raise the trial court’s lack of personal jurisdiction as an alternative ground for dismissal. This Court should grant review because the Court of Appeals decision conflicts with established precedent and involves an important issue of appellate procedure. RAP 13.4(b)(1)-(2), (4).

Under RAP 2.4(a), “[t]he appellate court will grant a respondent affirmative relief by modifying the decision which is the

subject matter of the review only (1) if the respondent also seeks review of the decision by the timely filing of a notice of appeal or a notice of discretionary review, or (2) if demanded by the necessities of the case.” Xtalic, which had wholly prevailed, was not seeking to “modify” the trial court’s order of dismissal by asserting that it was entitled to dismissal of Modumetal’s complaint on an alternative basis. *See State v. Kindsvogel*, 149 Wn.2d 477, 481, 69 P.3d 870 (2003) (“The prevailing party need not, however, cross-appeal a trial court ruling if it seeks no further affirmative relief.”); *McGowan v. State*, 148 Wn.2d 278, 287-88, 60 P.3d 67 (2002) (“Because the State prevailed, it was not required to cross-appeal . . . it seeks no further affirmative relief from this court.”) (citing RAP 2.4(a)); *Ensberg v. Nelson*, 178 Wn. App. 879, 889 n.7, ¶ 17, 320 P.3d 97 (2013), *rev. denied*, 180 Wn.2d 1012 (2014).

The Court of Appeals erroneously reasoned that affirming the dismissal of claims against Xtalic for lack of personal jurisdiction would be a grant of “affirmative relief” under RAP 2.4(b) “[b]ecause dismissal on the merits with prejudice and dismissal on jurisdictional grounds without prejudice are different forms of relief.” (Op. at ¶ 57, relying on *EF Operating Corp. v. American Bldgs.*, 993 F.2d 1046 (3d Cir.), *cert. denied*, 510 U.S. 868 (1993))

But *EF Operating's* requirement of “a formal cross-appeal” has been criticized as serving no “useful purpose.” Wright & Miller, 15A Fed. Prac. & Proc. Juris. § 3904 (2d ed.). As the Supreme Court of Guam explained in distinguishing *EF Operating*, while an appellee should not be allowed to “enlarg[e] his own rights” without a cross-appeal, “[t]he raising of an alternative ground that *lessens* an appellee’s own rights does not require the filing of a cross-appeal.” *Guam Hous. & Urban Renewal Auth. (GHURA) v. Dongbu Ins. Co., Ltd.*, 2002 Guam 3, ¶¶10, 12 (2002) (emphasis added).

That is the case here — affirming for lack of personal jurisdiction would lessen Xtalic’s rights by changing the dismissal of Modumetal’s claims from one with prejudice to one without prejudice. Requiring a party who has wholly prevailed on the merits to file a cross-appeal in order to invoke the appellate court’s authority to consider another reason for dismissal is a hypertechnical reading of the Rules of Appellate Procedure that conflicts with RAP 1.2(a)’s directive that the RAPs “will be liberally interpreted to promote justice and facilitate the decision of cases on the merits.” This Court should grant review because the Court of Appeals decision conflicts

with established Washington precedent and drastically alters appellate procedure. RAP 13.4(b)(1)-(2), (4).²

2. The Court of Appeals decision undermines the critical element of misappropriation in a trade secret action, allowing employers to use trade secret claims as unbargained for noncompetition agreements.

A trade secret plaintiff must establish that the defendant actually misappropriated the plaintiff's trade secret as a basic element of the cause of action under RCW 19.108.010(2). The Court of Appeals erroneously held that Modumetal could survive summary judgment on this critical element based on evidence that (1) Martin was aware of Modumetal's alleged trade secrets, and (2) there was "overlap" between Martin's research at Modumetal and the research disclosed in Xtalic's patent applications, including the application in which he had no involvement. But those facts will be true *any* time an employee accepts a job at a competitor. Employees – by the very fact of their employment – are exposed to an employer's trade secrets, and companies in the

² Upon reversing the Court of Appeals' refusal to consider Xtalic's personal jurisdiction argument, this Court should hold Washington lacks personal jurisdiction over Xtalic, a Massachusetts corporation with no offices or employees in Washington and no revenue derived from doing business in Washington. The conduct giving rise to Modumetal's claims is based on Martin's alleged actions *after* he relocated to Massachusetts. Xtalic had no contacts with Washington sufficient to subject it to jurisdiction here. *See SeaHAVN, Ltd v. Glitnir Bank*, 154 Wn. App. 550, 226 P.3d 141 (2010); Resp. Br. 41-50.

same field perform similar research. By excusing proof that the defendant actually used or was influenced by plaintiff's confidential research, the Court of Appeals decision allows former employers to wield trade secret litigation as an unbargained for noncompetition agreement, in conflict with this Court's precedent. RAP 13.4(b)(1), (4).

Under Washington's Uniform Trade Secrets Act ("UTSA"), RCW ch. 19.108, "it is the burden of the [plaintiff] to demonstrate that [an alleged trade secret] has actually been misappropriated in order to have a right to a damage award." *Petters v. Williamson & Associates, Inc.*, 151 Wn. App. 154, 164, ¶ 24, 210 P.3d 1048 (2009), *rev. denied*, 168 Wn.2d 1007 (2010). RCW 19.108.010(2)(b) defines "misappropriation" as "[d]isclosure or use of a trade secret of another without express or implied consent" As the Court of Appeals acknowledged, "[t]he UTSA 'does not offer protection against discovery by fair and honest means, such as by independent invention.'" (Op. at ¶ 40, quoting *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974)).

The Court of Appeals acknowledged that Modumetal had no direct evidence that Xtalic's research utilized Modumetal's alleged trade secrets, but held that because "[m]isappropriation . . . can rarely be proved by convincing direct evidence," Modumetal could instead

“construct a web of perhaps ambiguous circumstantial evidence from which the trier of fact may draw inferences.” (Op. at ¶ 31, quoting *Greenberg v. Croydon Plastics Co., Inc.*, 378 F.Supp. 806, 814 (E.D.Pa. 1974)). While circumstantial evidence may suffice to defeat a motion for summary judgment, in a trade secret case that evidence must show *actual* appropriation or competition will be stifled.

Here, the Court of Appeals held Modumetal constructed a sufficient “web” of circumstantial evidence because Martin had access to its trade secrets, and Xtalic’s patent applications “overlapped” and had “similarities” to Martin’s research at Modumetal. (Op. at ¶¶ 32-42) However, “access,” “overlap,” and “similarity” — standing alone — are insufficient to defeat summary judgment, where, as here, a defendant can establish (as Xtalic did with unrebutted evidence) that it independently developed the trade secret.³

³ The circumstantial evidence in the cases cited by the Court of Appeals was fundamentally different than the evidence here. In *Sokol Crystal Products, Inc. v. DSC Communications Corp.*, 15 F.3d 1427, 1429, 1432 (7th Cir. 1994), the plaintiff submitted its sample product to the defendant after entering into a confidential information agreement and defendant’s engineer testified he had taken the sample apart to “see what was there.” In *Leggett & Platt, Inc. v. Hickory Springs Mfg. Co.*, 285 F.3d 1353, 1361 (Fed. Cir. 2002), the defendant “had access to [plaintiff’s] unfiled patent application containing confidential material.” In *Altavion, Inc. v. Konica Minolta Sys. Lab., Inc.*, 226 Cal. App. 4th 26, 37-40, 63, 171 Cal. Rptr. 3d 714 (2014), the plaintiff disclosed the trade secret directly to the defendant, which had no prior experience with the trade secret, and defendant’s “internal documents extoll[ed] the novelty of” the trade secret.

The Court of Appeals' reasoning substantially undermines the freedom of contract and employment that is critical to the advancement of commerce and technology. If proof of access and similarity is all that is required to get to a jury on a trade secret claim, the mere act of hiring a competitor's former employee will *always* allow a plaintiff to survive summary judgment because those facts are present in *every* case where an employee leaves to work for a competitor. *See Nw. Bec-Corp v. Home Living Serv.*, 136 Idaho 835, 41 P.3d 263, 268 (2002) ("An employee will naturally take with her to a new company the skills, training, and knowledge she has acquired from her time with her previous employer."). The Delaware Supreme Court expressly rejected the notion that a "web" of circumstantial evidence – without any evidence of actual misappropriation – is enough to survive summary judgment:

The foregoing suspicious circumstances are all meaningful at the pleading stage. As the Superior Court held, those allegations allowed Elenza to defeat a motion for judgment on the pleadings. But, we are now at the summary judgment stage. It is no longer time for just smoke. There has to be some fire.

Elenza, Inc. v. Alcon Labs. Holding Corp., 183 A.3d 717, 723-26 (Del. 2018)⁴.

Where a defendant produces evidence that it independently developed its trade secret, requiring plaintiffs to provide something more than mere access and similarity to plaintiff's trade secret is not, as the Court of Appeals believed, an onerous burden. A plaintiff might prove the defendant previously struggled to produce a product and then, after hiring plaintiff's former employee, made an "unexplained leap in technical capacity." *See, e.g., RLM Commc'ns, Inc. v. Tuschen*, 831 F.3d 190, 202 (4th Cir. 2016). Or the plaintiff might show that the former employee, just prior to leaving, surreptitiously copied confidential information. *LeJeune v. Coin Acceptors, Inc.*, 381 Md. 288, 849 A.2d 451, 466-67 (Md. 2004).

Requiring that a plaintiff provide "something more" once a defendant provides evidence of independent development is consistent with this Court's precedent shifting the burden of production back to the plaintiff to defeat summary judgment once a defendant rebuts the

⁴ *See also Penalty Kick Mgmt. Ltd. v. Coca Cola Co.*, 318 F.3d 1284, 1294-96 (11th Cir. 2003) (plaintiff could not prove defendant "actually used" plaintiff's trade secrets based only on access and alleged similarities); *Othentec Ltd. v. Phelan*, 526 F.3d 135, 142 (4th Cir. 2008) (rejecting plaintiff's "suspicions" former employees were using its trade secrets to make product similar to those developed by plaintiff).

plaintiff's circumstantial evidence. *See Hill v. BCTI Income Fund-I*, 144 Wn.2d 172, 180, 23 P.3d 440 (2001) (applying *McDonnell Douglas* burden shifting framework on summary judgment), *abrogated on other grounds by Mikkelsen v. Pub. Util. Dist. No. 1 of Kittitas Cty.*, 189 Wn.2d 516, 404 P.3d 464 (2017); *see also RLM*, 831 F.3d at 201-02 (outlining burden shifting framework for trade secrets); *Nw. Bec-Corp*, 41 P.3d at 267 (same).

This case underscores why such an approach is appropriate. After Xtalic showed that it spent millions of dollars and years of employee hours on the research supporting its patent applications (CP 1787), Modumetal offered *nothing* to rebut this evidence, not only as to the patent application in which Martin was a co-inventor, but even more starkly, as to the second application in which Martin was *not* involved at all in the research. No employer would risk hiring an employee with experience in the same subject matter if it would invite a trade secret claim in which, as here, a putative competitor lays claim to intellectual property in which the employer invested millions in independent research.

The Court of Appeals reasoning that access and similarity alone supports an inference of misappropriation is – and can only be – based on the widely criticized “inevitable disclosure doctrine” that holds “a

plaintiff may prove a claim of trade secret misappropriation by demonstrating that defendant's new employment will inevitably lead him to rely on the plaintiff's trade secrets." *Leggett*, 285 F.3d at 1361-62 (citing *PepsiCo, Inc. v. Redmond*, 54 F.3d 1262, 1269 (7th Cir. 1995)).⁵ Washington has neither adopted nor rejected the inevitable disclosure doctrine, but other courts have rejected it "because its application would transform a confidentiality agreement into an unbargained-for and uncompensated noncompete agreement." *Moore v. Commercial Aircraft Interiors, LLC*, 168 Wn. App. 502, 513, ¶ 22, 278 P.3d 197 (citing *Whyte v. Schlage Lock Co.*, 101 Cal. App. 4th 1443, 125 Cal. Rptr. 2d 277 (2002)), *rev. denied*, 175 Wn.2d 1027 (2012); see also *LeJeune*, 849 A.2d at 471.⁶

The Court of Appeals' adoption of the inevitable disclosure doctrine conflicts with this Court's precedent that an employer may prevent a former employee from working for a competitor *only* by negotiating an express non-competition agreement and paying valuable

⁵ *Leggett's* citation of *PepsiCo* – the seminal inevitable disclosure case – refutes the Court of Appeals' assertion (Op. at ¶ 41) Modumetal did not rely on inevitable disclosure. See *Moore*, 168 Wn. App. at 512, ¶ 22.

⁶ See also John Matheson, *Employee Beware: The Irreparable Damage of the Inevitable Disclosure Doctrine*, 10 Loyola Consumer L. Rev. 145 (1998); Adam Gill, Comment, *The Inevitable Disclosure Doctrine: Inequitable Results Are Threatened but Not Inevitable*, 24 Hastings Comm. & Ent L.J. 403 (2002).

consideration for it. *See Labriola v. Pollard Grp., Inc.*, 152 Wn.2d 828, 100 P.3d 791 (2004). The Court of Appeals decision likewise conflicts with this Court's precedent recognizing that "a former employee may use general knowledge, skills and experience acquired during the prior employment in competing with a former employer." *Ed Nowogroski Ins., Inc. v. Rucker*, 137 Wn.2d 427, 450, 971 P.2d 936 (1999).

This case exemplifies the risk employers will wield trade secret claims as post hoc non-competes, undermining innovation and employee mobility. No employer would risk hiring an employee with experience in the same subject matter, if it would thereby invite a trade secret claim in which, as here, a putative competitor lays claim to intellectual property in which the employer invested millions of dollars and years of independent research.

Modumetal did not negotiate a non-compete with Martin, yet demanded Xtalic "wall[] off" Mr. Martin "from any involvement in the design of electroplating baths as well as in the production and testing of nanolaminated alloys containing nickel." (CP 5224) Modumetal later faulted Xtalic for having Martin work on research involving aluminum because "Xtalic knew, or at least should have known, that Mr. Martin had experience at Modumetal plating aluminum from ionic liquids." (CP 4360) Modumetal's sweeping

demand that Martin not work in his area of expertise because he gained “experience” in that area while at Modumetal is precisely the type of un-negotiated non-compete precluded by *Labriola*.

The Court of Appeals’ published decision erroneously absolves plaintiffs of their burden of proving actual misappropriation and allows employers to impose unbargained for non-competes on employees. This Court should grant review. RAP 13.4(b)(1), (4).⁷

3. The Court of Appeals decision conflicts with Washington precedent holding that common law claims based on the same facts as a trade secret claim are preempted.

RCW 19.108.900 “displaces conflicting tort, restitutionary, and other law of this state pertaining to civil liability for misappropriation of a trade secret.” Ignoring this express preemption language the Court of Appeals held “that Washington’s UTSA does not displace common law claims for breach of confidential relationship,” citing *Boeing Co. v. Sierracin Corp.*, 108

⁷ The Court of Appeals erroneously held that on remand Modumetal is entitled to additional discovery from Xtalic on its second patent application. This Court should hold that the trial court properly denied Modumetal’s CR 56(f) motion as “a fishing expedition.” (RP 72) *See Pitzer v. Union Bank of California*, 141 Wn. 2d 539, 556, 9 P.3d 805 (2000). Modumetal had received discovery of *all* of Martin’s work at Xtalic, *all* of the research of the rest of the team supporting the patent application in which Martin was named, and deposed Martin and his co-workers concerning the research supporting that application, and communications with Martin on *any* subject, including *both* applications. (Resp. Br. 39-41)

Wn.2d 38, 738 P.2d 665 (1987). (Op. at ¶ 44) This Court should grant review because the Court of Appeals decision misreads *Boeing* and conflicts with its own precedent, and because the scope of the UTSA’s statutory preemption presents an issue of substantial public interest to businesses and employees. RAP 13.4(b)(1)(2), (4).

The Court of Appeals’ holding that claims for common law breach of confidentiality are *never* preempted conflicts with *Boeing*. As the trial court recognized, *Boeing* held that common law claims are not preempted when (unlike here) the facts supporting the claims are distinct. *Boeing*, 108 Wn.2d at 48 (UTSA does not preempt “[c]ontractual or other civil liability or relief that is not based upon misappropriation of a trade secret”); (RP 73).

The only Washington cases to meaningfully address the preemptive scope of the UTSA in the past thirty years are *Boeing* and *Thola v. Henschell*, 140 Wn. App. 70, 82, ¶ 20, 164 P.3d 524 (2007), which, like *Boeing*, held that “the UTSA preempts liability on the civil claim unless the common law claim is factually independent from the UTSA claim.” The Court of Appeals acknowledged its decision conflicts with *Thola*, stating it applied “a different analysis.” (Op. at ¶ 45) As local federal courts have noted, “[t]he preemptive scope of the UTSA has received little attention in Washington’s state courts.”

T-Mobile USA, Inc. v. Huawei Device USA, Inc., 115 F. Supp. 3d 1184, 1197 (W.D. Wash. 2015).⁸ This Court should resolve the confusion engendered by the Court of Appeals decision. RAP 13.4(b)(1)(2), (4).

E. Conclusion.

This Court should grant review, reverse the Court of Appeals, and reinstate the trial court's summary judgment order.

Dated this 21st day of September, 2018.

BYRNES KELLER CROMWELL
LLP

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⁸ Federal court decisions underscore the confusion surrounding the UTSA's preemptive scope. Though the Court of Appeals correctly noted "[f]ederal courts in Washington, following *Boeing*, have held that [the] UTSA does not preempt breach of confidentiality claims" (Op. at ¶ 44), federal courts have also held confidentiality claims are preempted, citing *Thola*. See, e.g., *Nat'l City Bank, N.A. v. Prime Lending, Inc.*, 737 F. Supp. 2d 1257, 1267 (E.D. Wash. 2010).

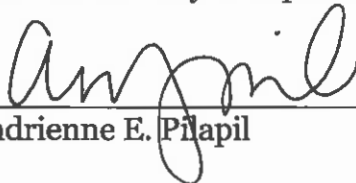
DECLARATION OF SERVICE

The undersigned declares under penalty of perjury, under the laws of the State of Washington, that the following is true and correct:

That on September 21, 2018, I arranged for service of the foregoing Petition for Review, to the Court and to the parties to this action as follows:

Office of Clerk Washington Supreme Court Temple of Justice P.O. Box 40929 Olympia, WA 98504-0929	<input type="checkbox"/> Facsimile <input type="checkbox"/> Messenger <input checked="" type="checkbox"/> U.S. Mail <input checked="" type="checkbox"/> E-File
Keith D. Petrak Bradley S. Keller Byrnes Keller Cromwell LLP 1000 2nd Ave., Fl 38 Seattle WA 98104-1094 kpetrak@byrneskeller.com bkeller@byrneskeller.com kwolf@byrneskeller.com	<input type="checkbox"/> Facsimile <input type="checkbox"/> Messenger <input checked="" type="checkbox"/> U.S. Mail <input checked="" type="checkbox"/> E-Mail
Ramsey M. Al-Salam Lane Polozola Perkins Coie LLP 1201 3rd Ave., Ste. 4900 Seattle WA 98101-3099 ralsalam@perkinscoie.com lpolozola@perkinscoie.com	<input type="checkbox"/> Facsimile <input type="checkbox"/> Messenger <input checked="" type="checkbox"/> U.S. Mail <input checked="" type="checkbox"/> E-Mail

DATED at Seattle, Washington this 21st day of September, 2018.



Andrienne E. Pilapil

2018 WL 4097866

Only the Westlaw citation is currently available.
Court of Appeals of Washington, Division 1.

MODUMETAL, INC., Appellant,
v.
XTALIC CORPORATION, and
John Hunter Martin, Respondents

No. 76708-9-I

FILED: June 25, 2018

Synopsis

Background: Former employer brought action against employee and competitor for trade secret misappropriation, breach of confidentiality obligations, and breach of contract. The Superior Court, King County, No. 16-2-07981-4, Mary E. Roberts, J., granted summary judgment to competitor and denied former employer's request for a continuance for further discovery. Former employer appealed.

Holdings: The Court of Appeals, Spearman, J., held that:

[1] genuine issue of material fact precluded summary judgment for competitor on misappropriation claim;

[2] common law confidentiality claims were not preempted by trade secrets claims;

[3] former employer was entitled to continuance of summary judgment proceedings; and

[4] competitor was required to file cross-appeal to receive relief on personal jurisdiction argument.

Reversed.

West Headnotes (29)

[1] **Appeal and Error**
☛ De novo review

A trial court's decision to grant summary judgment is reviewed de novo. Wash. Super. Ct. Civ. R. 56(c).

Cases that cite this headnote

[2] **Judgment**

☛ Presumptions and burden of proof

A defendant may support a motion for summary judgment by merely challenging the sufficiency of the plaintiff's evidence as to any material issue. Wash. Super. Ct. Civ. R. 56(c).

Cases that cite this headnote

[3] **Judgment**

☛ Presumptions and burden of proof

In response to a summary judgment motion, the nonmoving party must set forth specific facts demonstrating a genuine issue of fact. Wash. Super. Ct. Civ. R. 56(c).

Cases that cite this headnote

[4] **Judgment**

☛ Presumptions and burden of proof

All facts and reasonable inferences are drawn in the light most favorable to the nonmoving party on a summary judgment motion. Wash. Super. Ct. Civ. R. 56(c).

Cases that cite this headnote

[5] **Judgment**

☛ Weight and sufficiency

The nonmoving party may not rely on speculation or argumentative assertions that unresolved factual issues remain on a motion for summary judgment. Wash. Super. Ct. Civ. R. 56(c).

Cases that cite this headnote

[6] **Judgment**

☛ Existence or non-existence of fact issue

App. A

Summary judgment is proper only if reasonable persons could reach only one conclusion. Wash. Super. Ct. Civ. R. 56(c).

Cases that cite this headnote

[7] **Judgment**

☛ Employees, cases involving

Genuine issue of material fact as to whether competitor misappropriated trade secrets belonging to employee's former employer precluded summary judgment for competitor. Wash. Rev. Code Ann. § 19.108.010(2)(b); Wash. Super. Ct. Civ. R. 56(c).

Cases that cite this headnote

[8] **Antitrust and Trade Regulation**

☛ Constitutional and statutory provisions

The Uniform Trade Secrets Act (UTSA) codifies the basic principles of common law trade secret protection by which a plaintiff can receive damages for misappropriation of trade secrets. Wash. Rev. Code Ann. § 19.108.010 et seq.

Cases that cite this headnote

[9] **Antitrust and Trade Regulation**

☛ Presumptions and burden of proof

A plaintiff seeking to establish a trade secrets claim under the Uniform Trade Secrets Act (UTSA) has the burden of proving that legally protectable secrets exist. Wash. Rev. Code Ann. § 19.108.010(4).

Cases that cite this headnote

[10] **Antitrust and Trade Regulation**

☛ What are "trade secrets" or other protected proprietary information, in general
In order to have a legally protectable interest in trade information under the Uniform Trade Secrets Act (UTSA), a party must establish (1) that the information derives independent economic value from not being generally known or readily ascertainable to others who can obtain economic value from knowledge

of its use, and (2) that reasonable efforts have been taken to maintain the secrecy of the information. Wash. Rev. Code Ann. § 19.108.010(4).

Cases that cite this headnote

[11] **Antitrust and Trade Regulation**

☛ Weight and sufficiency of evidence

In order to have a legally protectable interest in trade information under the Uniform Trade Secrets Act (UTSA), a plaintiff's declarations and affidavits must provide specific, concrete examples illustrating that the information meets the requirements for a trade secret. Wash. Rev. Code Ann. § 19.108.010(4).

Cases that cite this headnote

[12] **Antitrust and Trade Regulation**

☛ Trade Secrets and Proprietary Information

A person violates the Uniform Trade Secrets Act (UTSA) by misappropriating a trade secret. Wash. Rev. Code Ann. § 19.108.010(2)(b).

Cases that cite this headnote

[13] **Antitrust and Trade Regulation**

☛ Purpose and scope of trade secret protection, in general

The Uniform Trade Secrets Act (UTSA) does not offer protection against discovery by fair and honest means, such as by independent invention. Wash. Rev. Code Ann. § 19.108.010 et seq.

Cases that cite this headnote

[14] **Antitrust and Trade Regulation**

☛ Elements of misappropriation

In the context of trade secret misappropriation, information may be improperly "used" in that it is unlawfully acquired and then built upon or modified before being disclosed or benefit derived. Wash. Rev. Code Ann. § 19.108.010(2)(b).

Cases that cite this headnote

[15] Appeal and Error

☛ Necessity of presentation in general

Court of Appeals would not consider argument that plaintiff failed to show that it was damaged by alleged misappropriation of trade secrets, where defendant did not present argument to trial court. Wash. Rev. Code Ann. § 19.108.010(2)(b); Wash. R. App. P. 2.5(a).

Cases that cite this headnote

[16] Antitrust and Trade Regulation

☛ Confidential relation

States

☛ Trade Regulation; Monopolies

Former employer's common law confidentiality claims against competitor were not preempted by its trade secrets claims under Uniform Trade Secrets Act (UTSA), even if confidentiality claims and trade secrets claims were based on the same facts. Wash. Rev. Code Ann. § 19.108.010 et seq.

Cases that cite this headnote

[17] Judgment

☛ Hearing and determination

Employee's former employer was entitled to continuance of summary judgment proceedings to conduct further discovery in misappropriation of trade secret action against competitor, where competitor failed to complete and produce privilege log before summary judgment hearing, and former employer had pending motion to compel regarding employee's disclosures to competitor, on which trial court did not expressly rule. Wash. Rev. Code Ann. § 19.108.010(2)(b); Wash. Super. Ct. Civ. R. 56(f).

Cases that cite this headnote

[18] Appeal and Error

☛ Continuance and stay

A trial court's denial of a request for a continuance of summary judgment proceedings in order to conduct further discovery is reviewed for abuse of discretion. Wash. Super. Ct. Civ. R. 56(f).

Cases that cite this headnote

[19] Courts

☛ Abuse of discretion in general

A court abuses its discretion when it bases its decision on unreasonable or untenable grounds.

Cases that cite this headnote

[20] Judgment

☛ Hearing and determination

A court may deny a motion for continuance of summary judgment proceedings where (1) the requesting party does not offer a good reason for the delay in obtaining the desired evidence, (2) the requesting party does not state what evidence would be established through the additional discovery, or (3) the desired evidence will not raise a genuine issue of material fact. Wash. Super. Ct. Civ. R. 56(f).

Cases that cite this headnote

[21] Judgment

☛ Hearing and determination

Justice should be the primary consideration in ruling on a motion for a continuance of summary judgment proceedings to conduct further discovery. Wash. Super. Ct. Civ. R. 56(f).

Cases that cite this headnote

[22] Appeal and Error

☛ To modify judgment or secure affirmative relief

Competitor's appellate argument that trial court lacked personal jurisdiction was request

for affirmative relief, rather than alternative ground for affirming summary judgment on misappropriation of trade secrets claim brought by employee's former employer, and thus competitor was required to file cross-appeal from denial of motion to dismiss to obtain relief on that ground; dismissal on the merits with prejudice and dismissal on jurisdictional grounds without prejudice were different forms of relief, and necessities of case did not require Court of Appeals to consider jurisdictional argument. Wash. Rev. Code Ann. §§ 4.28.185, 19.108.010(2)(b); Wash. R. App. P. 2.4(a); Wash. Super. Ct. Civ. R. 12(c).

Cases that cite this headnote

[23] Appeal and Error

☛ To sustain judgment appealed from

A prevailing party that seeks no further affirmative relief from the appellate court may argue any grounds in support of the trial court's order that are supported by the record. Wash. R. App. P. 2.4(a).

Cases that cite this headnote

[24] Appeal and Error

☛ To modify judgment or secure affirmative relief

Notice of cross-review is essential if the respondent seeks affirmative relief from the appellate court as distinguished from the urging of additional grounds for affirmance. Wash. R. App. P. 2.4(a).

Cases that cite this headnote

[25] Courts

☛ Waiver of Objections

A defense for lack of subject matter jurisdiction is never waived.

Cases that cite this headnote

[26] Courts

☛ Time of making objection

A defense for lack of personal jurisdiction is waived if not timely asserted.

Cases that cite this headnote

[27] Appeal and Error

☛ To modify judgment or secure affirmative relief

"Affirmative relief" granted by an appellate court to a respondent that did not file a cross-appeal normally means a change in the final result at trial. Wash. R. App. P. 2.4(a).

Cases that cite this headnote

[28] Appeal and Error

☛ To modify judgment or secure affirmative relief

Appellate courts generally grant affirmative relief under the necessities provision of the appellate rules, to a respondent that did not file a cross-appeal, when the petitioner's claim cannot be considered separately from issues the respondent raises in response. Wash. R. App. P. 2.4(a).

Cases that cite this headnote

[29] Patents

☛ In general; utility

US Patent 20,140,272,458, US Patent 20,150,322,582. Cited.

Cases that cite this headnote

Appeal from King County Superior Court, Docket No: 16-2-07981-4, Honorable Mary E. Roberts, Judge

Attorneys and Law Firms

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PUBLISHED OPINION

Spearman, J.

*1 ¶ 1 John Hunter Martin left Modumetal Inc. to work for Xtallic Corp. Xtallic subsequently filed two patent applications describing processes in an area that both companies had been researching. Modumetal brought claims for trade secret misappropriation, breach of confidentiality obligations, and breach of contract against Martin and Xtallic. The trial court granted Xtallic's motion for summary judgment and denied Modumetal's CR 56(f) request for a continuance to pursue further discovery.¹ Because there is sufficient evidence to raise issues of material fact regarding Modumetal's claims, we reverse.

FACTS

¶ 2 Modumetal, Inc. and Xtallic Corporation are competitors in the field of research, development, and manufacture of materials and technology engineered at the nano-scale.² Modumetal is based in Washington, and Xtallic is based in Massachusetts. Both companies have worked with a process known as "electrodeposition." This process allows a coating of metal to be deposited onto a surface by submersing the item in a specially developed chemical bath and running an electrical current through it. The resulting metallic coating can be used to improve corrosion and wear resistance, and aesthetic qualities. This process can also be used to form freestanding metal by depositing material thickly and then detaching the substrate, a process known as electroforming. The electrodeposition process can be manipulated by altering various parameters, such as the metal or alloy being plated, the composition and temperature of the bath, bubbling various gases through the bath, and changing the frequency, magnitude, or duration of the current. The goal is to develop and identify valuable and unique "recipes" for effectively electrodepositing a particular metal or alloy onto a particular substrate on an industrial scale for commercial purposes.

¶ 3 In 2008, John Hunter Martin began working at Modumetal as a student intern. At that time, Modumetal was one of the few companies in the world actively working to develop a commercially viable system for electrodepositing aluminum coatings from ionic liquids. On June 13, 2008, Martin signed Modumetal's "Assignment of Inventions, Non-Disclosures and Non-Solicitation Agreement." Clerk's Papers (CP) at 4130-32. The agreement defined "Confidential Information" as:

[I]nformation (i) disclosed to or known by me as a consequence of my employment with the Company, (ii) not generally known to others outside the Company, and (iii) which relates to the trade secrets or otherwise to the research, development efforts and methodologies, testing engineering, manufacturing, marketing, sales, finances or operations (including without limitation any processes, formulae, methods, techniques, devices, know-how, manufacturing processes, customer lists, sales statistics, tactics and projections, marketing strategies and plans, and personnel information or data) of the Company or of any other party which has entrusted such information to the Company in confidence.

*2 CP at 4130.

Martin agreed to "never disclose or use any of the Confidential Information for the benefit of myself or another, unless directed or authorized in writing by the Company to do so." CP at 4131. He further agreed that during his employment, he would avoid "financial or other interests or relationships with the Company's customers, suppliers or competitors which might impair my independence of judgment on behalf of the Company." *Id.* The agreement did not contain an express non-compete clause.

¶ 4 In 2009, following his graduation from the University of Washington, Modumetal hired Martin as a full time employee. In February 2010, Martin took the lead on a research project involving electrodeposition of aluminum onto various substrates from ionic liquid baths. The work was partially motivated by Apple's interest in developing a commercially viable process for electrodepositing aluminum onto iPhone cases to improve corrosion resistance and the surface finish. Modumetal considered its research into electrodeposition of aluminum using ionic liquids, as well as its relationship with Apple, to be highly confidential.

¶ 5 As part of this research, Modumetal procured several premixed ionic baths designed for the electrodeposition of aluminum from BASF, a large commercial chemical company. “AI01” contained a ratio of 1.5/1 AlCl₃ to 1-ethyl-3-methylimidazoiium (EMIM); “AI02” consisted of AI01 plus an additive known as sodium dodecyl sulfate (SDS); and “AI03” consisted of AI01 plus an additive known as hexadecyltrimethylammonium chloride (HDMAC). CP at 1799, 4004. At the time, BASF was not aware of any effective commercial scale process for using its liquids for electrodepositing aluminum, and it was very interested in Modumetal's research. Accordingly, Modumetal and BASF signed secrecy agreements to prevent each party from disclosing confidential information shared during the course of their dealings, including results from Modumetal's evaluation of BASF's ionic liquids.

¶ 6 Modumetal provided Martin with a textbook called “Electrodeposition From Ionic Liquids” to aid his work. CP at 1799. He used the premixed BASF ionic baths as a basis for his experiments, modifying them with additives and altering various parameters in an attempt to enhance the efficiency and effectiveness of the electrodeposition process. He experimented with various substrates, including flat steel, stainless steel, aluminum, and magnesium, as well as nickel-plated iPhone cases supplied by Apple. Martin also experimented with treating the substrates to enhance adhesion, a process known as “surface preparation.” CP 4363. Despite these efforts, Martin claimed that he was “unable to get a satisfactory result on a repeatable basis.” CP at 1799.

¶ 7 In July 2010, Martin's colleague Jesse Unger took over as lead researcher for the project. According to Modumetal's CEO, Christina Lomasney, Martin remained a member of Modumetal's “Corrosion Team” and would have been apprised of Unger's progress on the project via weekly team meetings. CP at 4003. Martin also expressly verified by signature (a practice known as “witnessing”) some of Unger's lab notebooks regarding his continued research on electrodeposition of aluminum. CP at 1799, 3722.

*3 ¶ 8 In August 2010, Lomasney told Unger that Apple was pulling out of the project for reasons unknown at that time. Lomasney instructed Unger to continue the project, and the “[o]nly change is that we won't be

focused on the iPhone substrates for now.” CP at 2032. In September 2010, Unger submitted a report summarizing his experiments using “BASF Basionics EMIM Cl 1:1:5 AlCl₃ Ionic Liquid plating bath ... to determine the optimal conditions for aluminum deposition” and offering recommendations for future research. CP at 2096. According to Lomasney, “Modumetal was able to successfully plate aluminum onto different substrates while Mr. Martin was employed at Modumetal” and “made substantial progress on such research during that time.” CP at 4004-05.

¶ 9 In late 2010, Martin applied for a position as an Engineering Project Manager at Xtallic. Martin's resume indicated that Modumetal was his only relevant experience after college. The resume also stated that Martin had multiple proprietary patents pending approval, including a “[d]eposition process for [a]luminum,” and that his technical skills included “[m]etallic deposition with ... [m]olten [s]alt media.”³ CP at 4127.

¶ 10 Dr. Alan Lund, co-founder and Chief Technology Officer of Xtallic, interviewed Martin by phone in December 2010. Martin and Lund then exchanged roughly a dozen emails, culminating with Martin interviewing at Xtallic's Massachusetts offices in January 2011. After the interview, Martin emailed Xtallic employee Dr. Shiyun Ruan, stating that “[i]onic liquids are one of my favorite topics and would be happy to share what I know outside the scope of my current company's intellectual property.” CP at 4154.

¶ 11 Xtallic decided that Martin was not experienced enough for that position, but they thought he might be a good candidate to join a team Xtallic was assembling to conduct research on electrodeposition of an aluminum-manganese alloy. In February 2011, Lomasney verbally recommended to Martin that he seek employment elsewhere. Soon thereafter, Xtallic offered Martin a job as a research and development engineer. Martin informed Modumetal that he was leaving and gave two weeks' notice, without mentioning that he had already been hired by Xtallic.

¶ 12 In March 2011, after moving to Massachusetts and beginning his new job, Martin emailed Christina Lomasney and told her “since I left [Modumetal] I have accepted a position at Xtallic.” Martin assured

Lomasney that he would “maintain full compliance with the non-disclosure agreement I signed.” CP at 3534. Lomasney responded “I expect that you’ve a fun future in plating and metallurgy ahead of you” and reminded Martin of his obligations regarding the agreements he signed. She did not specifically mention aluminum. A few months later, counsel for Modumetal wrote Xtalic to ask that it take proactive steps to prevent breach of the Confidentiality Agreement. In particular, “to prevent the inadvertent use or disclosure of Modumetal confidential information ... Mr. Martin should be walled off from any involvement in the design of electroplating baths as well as in the production and testing of nanolaminated alloys containing nickel for use in corrosion and wear protection applications.” CP at 5224-25. According to Lomasney, the letter did not expressly mention aluminum because Modumetal wanted to keep its aluminum research secret.

¶ 13 At Xtalic, Martin was immediately assigned to a new research team working on electrodeposition of an aluminum-manganese alloy. Dr. Chris Schuh, Xtalic’s co-founder and professor at Massachusetts Institute of Technology (MIT), began researching electrodeposition of aluminum alloys in 2006. Dr. Schuh’s doctoral student, Shiyun Ruan, eventually completed her dissertation on the creation and electrodeposition of a nanocrystalline aluminum-manganese alloy. Dr. Ruan’s optimal electrodeposition recipe involved an ionic bath composed of a ratio of 2:1 aluminum trichloride to EMIM and using square, reverse pulse waveforms. In 2010, Xtalic licensed the rights to that application and hired Dr. Ruan to pursue further research in this area.

*4 ¶ 14 According to Dr. Lund, the goal of the research team was to figure out how processes developed at MIT by Dr. Ruan could be scaled up to a commercial level. Dr. Lund managed the team and guided the research; Dr. Ruan tested samples and served as project coordinator; Martin participated in electrodeposition experiments; and Dr. Witold Paw worked with bath chemistry development.

¶ 15 In March 2013, Xtalic filed a patent application entitled “Electrodeposition in Ionic Liquid Electrolytes.” U.S. Patent Application No. 13/830,531, Publication No. US 2014/0272458 A1 (Sep. 18, 2014) (Ruan et al, applicant) (‘531 Application). CP at 4372. The named inventors were Dr. Ruan, Dr. Paw, Martin, and Dr. Lund. Although the patent application “focused on chemistries, methods, and systems for use with aluminum manganese

based alloys,” it specified that the disclosed processes are “applicable to the electrodeposition of any metal based system in an ionic liquid electrolyte.” CP at 4393.

¶ 16 In May 2013, Xtalic and Apple entered into a joint development agreement. According to Dr. Lund, Xtalic had been seeking to engage Apple as a research partner or customer since 2010. Shortly thereafter, Martin left Xtalic to work at Hughes Research Laboratories in California.

¶ 17 In May 2014, Xtalic filed a patent application entitled “Preparation of Metal Substrate Surfaces for Electroplating in Ionic Liquids.” U.S. Patent Application No. 14/271,371, Publication No. US 2015/0322582 A1 (Nov. 12, 2015) (Freydina et al, applicant) (‘371 Application). CP at 4561. The named inventors were Dr. Evgenia Freydina, Dr. Ruan, Dr. Schuh, and Dr. Lund. The application described “methods for preparing metal substrates prior to electroplating in order to provide a well-adhered electroplated metal layer,” including aluminum or aluminum alloys. CP at 4571.

¶ 18 Lomasney was “stunned” when she learned of Xtalic’s patent applications. CP at 4006. She believed they disclosed specific formulations and approaches that Martin worked on or knew about at Modumetal, and could prevent Modumetal from further developing this technology.

¶ 19 In April 2016, Modumetal filed a lawsuit asserting six claims: (1) breach of obligation of confidentiality against Martin, (2) breach of contract against Martin, (3) misappropriation of trade secrets against Martin, (4) inducement to breach of obligation of confidentiality owed to Modumetal against Xtalic, (5) inducement to breach of contractual obligation of confidentiality owed to Modumetal against Xtalic, and (6) misappropriation of trade secrets against Xtalic.

¶ 20 In June 2016, Modumetal served its first set of discovery requests on Xtalic, focusing on the ‘531 Application. Xtalic objected to discovery related to the merits of the case “unless and until jurisdiction over Xtalic has been established, until Modumetal identifies the trade secrets at issue with particularity so as to determine the appropriate scope of discovery, and until a protective order and the appropriate protections for confidential and proprietary information... is entered.” CP at 3066-67. The trial court entered a protective order to address

the parties' concerns regarding secrecy of information, and subsequently granted several motions to seal certain documents to protect confidential information.

¶ 21 In July 2016, Xtalic filed a motion to dismiss on the pleadings pursuant to CR 12(c), arguing that the court lacked personal jurisdiction under RCW 4.28.185. Modumetal opposed the motion. The trial court concluded that Xtalic is subject to personal jurisdiction, and it denied Xtalic's motion to dismiss.

*5 ¶ 22 In September and October 2016, Modumetal provided additional information to Xtalic. In response, Xtalic agreed to provide limited document production. In November 2016, Modumetal moved to compel Xtalic to fully participate in discovery, and Xtalic moved to compel Modumetal to identify its trade secrets with specificity. In January 2017, the trial court granted Modumetal's motion to compel discovery from Xtalic, granted in part Xtalic's motion to compel Modumetal to identify its trade secrets with particularity, and granted Modumetal's motion to seal certain documents and allow for the filing of redacted versions. Both parties produced additional documents.

¶ 23 In January 2017, Modumetal issued a second set of discovery requests, this time focusing on the '371 Application. Xtalic objected arguing that discovery on the '371 Application is outside the scope of the complaint and that Modumetal failed to identify its trade secrets with particularity. Modumetal moved to compel responses to its second set of discovery requests, and Xtalic moved for a protective order. The trial court concluded that although the language of the complaint did not foreclose discovery on the '371 Application, and there is no surprise involved, such discovery "was clearly an afterthought that arose after significant discovery had already been completed." CP at 692. Thus, allowing such discovery without a specific identification from Modumetal as to what trade secrets or confidential information were allegedly disclosed by Martin would constitute a "fishing expedition." CP at 692. The court denied without prejudice Modumetal's motion to compel discovery and granted Xtalic's motion for protective order regarding the discovery on the '371 Application. The court stated that it would consider a motion to compel anew if Modumetal complies with the court's previous order to identify and describe its trade secrets with particularity.

¶ 24 In response, Modumetal supplemented its disclosures and continued to seek discovery from Xtalic on the '371 Application. When Xtalic indicated that the requested documents were subject to attorney-client privilege, Modumetal asked Xtalic to produce a privilege log identifying which documents it was withholding so they could consider whether privilege attaches and file a motion to compel if necessary. Xtalic indicated that it would provide a privilege log, but it never did so.

¶ 25 In March 2017, Xtalic moved for summary judgment. Xtalic supported its motion with declarations from Dr. Lund and Martin. Modumetal argued that Xtalic's summary judgment motion should be denied, or at least continued pending further discovery pursuant to CR 56(f). Modumetal offered two declarations from Charles Hozeska, an expert in electrodeposition of aluminum and aluminum alloys on various substrates using ionic baths. As Lead Materials Engineer for Apple, Hozeska was part of the Apple team that approached Modumetal in 2009 regarding the development of a commercially viable ionic electroplating process for aluminum. After responding to Xtalic, Modumetal renewed its motion to compel regarding the '371 Application.

¶ 26 On April 14, 2017, the trial court granted summary judgment to Xtalic on all claims. In its oral ruling, the court stated that it had not seen evidence of misappropriation. Specifically, it stated that there was no evidence that the patent applications exist because of a disclosure of protected information; rather, there was only a "coincidental or circumstantial end result that covers topics of the same nature that Mr. Martin worked on at Modumetal, without ... a clear specification as to what exactly it is he is supposed to have conveyed, and how that might have been conveyed." Verbatim Report of Proceedings (VRP) (4/14/17) at 67. Regarding the breach of confidentiality claims, the court stated that they are preempted "to the extent that I understand that the confidential information and the trade secret information are identical." VRP (4/14/17) at 65. Without explicitly ruling on Modumetal's motion to compel, the trial court denied Modumetal's CR 56(f) motion for a continuance to pursue further discovery, finding that Modumetal failed to "specify the information that they think they're going to receive...." VRP (4/14/17) at 64.

*6 ¶ 27 Modumetal appealed the order granting summary judgment and the order denying its CR

56(f) motion for a continuance. This court granted Modumetal's motion to file unredacted briefs under seal pursuant to GR 15(c)(2). Modumetal appealed.

DISCUSSION

Misappropriation of Trade Secrets

[1] [2] [3] [4] [5] [6] ¶ 28 We review de novo a trial court's decision to grant summary judgment. Mohr v. Grantham, 172 Wash.2d 844, 859, 262 P.3d 490 (2011). The moving party is entitled to summary judgment as a matter of law if there is no genuine issue as to any material fact. CR 56(c). "The defendant may support the motion by merely challenging the sufficiency of the plaintiff's evidence as to any such material issue." Las v. Yellow Front Stores, Inc., 66 Wash. App. 196, 198, 831 P.2d 744 (1992). In response, "the nonmoving party 'must set forth specific facts' demonstrating a genuine issue of fact." Boguch v. Landover Corp., 153 Wash. App. 595, 610, 224 P.3d 795 (2009) (quoting Las, 66 Wash. App. at 198, 831 P.2d 744). All facts and reasonable inferences are drawn in the light most favorable to the nonmoving party. Kelsey Lane Homeowners Ass'n v. Kelsey Lane Co., Inc., 125 Wash. App. 227, 232, 103 P.3d 1256 (2005). However, "[t]he nonmoving party may not rely on speculation or argumentative assertions that unresolved factual issues remain." Little v. Countrywood Homes, Inc., 132 Wash. App. 777, 780, 133 P.3d 944 (2006) (citing Marshall v. Bally's Pacwest, Inc., 94 Wash. App. 372, 377, 972 P.2d 475 (1999)). "Summary judgment is proper 'only if reasonable persons could reach only one conclusion.'" Kelsey Lane Homeowners Ass'n., 125 Wash. App. at 232, 103 P.3d 1256 (quoting Hansen v. Friend, 118 Wash.2d 476, 485, 824 P.2d 483 (1992)).

[7] [8] ¶ 29 Modumetal argues that the trial court erred in dismissing its claims for misappropriation of trade secrets against Xtalic. The Uniform Trade Secrets Act (UTSA), chapter 19.108 RCW, "codifies the basic principles of common law trade secret protection" by which a plaintiff can receive damages for misappropriation of trade secrets. Ed Nowogroski Ins., Inc. v. Rucker, 137 Wash.2d 427, 438, 971 P.2d 936 (1999) (citing MAI Sys. Corp. v. Peak Computer, Inc., 991 F.2d 511, 520 (9th Cir. 1993)).

[9] [10] [11] ¶ 30 "A plaintiff seeking to establish a trade secrets claim under [UTSA] has the burden of proving that

legally protectable secrets exist." Boeing Co. v. Sierracin Corp., 108 Wash.2d 38, 49, 738 P.2d 665 (1987). RCW 19.108.010(4) defines "Trade secret" as

information, including a formula, pattern, compilation, program, device, method, technique, or process that:

(a) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; and

(b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

"Thus, in order to have a legally protectable interest in trade information, a party must establish (1) that the information derives independent economic value from not being generally known or readily ascertainable to others who can obtain economic value from knowledge of its use and (2) that reasonable efforts have been taken to maintain the secrecy of the information." Precision Moulding & Frame, Inc. v. Simpson Door Co., 77 Wash. App. 20, 25, 888 P.2d 1239 (1995). The plaintiff's "declarations and affidavits must provide specific, concrete examples illustrating that the ... information meets the requirements for a trade secret." Belo Management Services, Inc. v. ClickA Network, 184 Wash. App. 649, 657, 343 P.3d 370 (2014).

*7 [12] ¶ 31 A person violates UTSA by misappropriating a trade secret. RCW 19.108.010(2)(b) defines "misappropriation" in relevant part as the:

Disclosure or use of a trade secret of another without express or implied consent by a person who:

(i) Used improper means to acquire knowledge of the trade secret; or

(ii) At the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade secret was ... (B) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use....

Misappropriation of trade secrets can be notoriously difficult to prove:

'Plaintiffs in trade secret cases, who must prove by a fair preponderance of the evidence disclosure to third parties and use of the trade secret by the third parties,

are confronted with an extraordinarily difficult task. Misappropriation and misuse can rarely be proved by convincing direct evidence. In most cases plaintiffs must construct a web of perhaps ambiguous circumstantial evidence from which the trier of fact may draw inferences which convince him that it is more probable than not that what plaintiffs allege happened did in fact take place. Against this often delicate construct of circumstantial evidence there frequently must be balanced defendants and defendants' witnesses who directly deny everything....'

Monovis, Inc. v. Aquino, 905 F.Supp. 1205, 1231 (W.D.N.Y. 1994) (quoting Greenberg v. Croydon Plastics Co., Inc., 378 F.Supp. 806, 814 (E.D.Pa. 1974)).

¶ 32 Modumetal argues that Xtalic's patent applications, along with Hozeska's expert testimony explaining in detail how those patent applications contained confidential information and trade secrets that were directly connected to Martin's and Unger's lab notebooks, is sufficient to create a genuine issue of fact as to whether Xtalic misappropriated Modumetal's trade secrets. It contends that the act of filing patent applications that included its trade secrets is sufficient to constitute misappropriation.

¶ 33 Hozeska testified that Martin was present at most or all of the meetings with Apple and "was a significant part of the development team." CP at 4347. Regarding evidence of misappropriation, Hozeska testified that there is a "very substantial overlap" between what Martin did at Modumetal and the disclosure and claims of the '531 Application. CP at 4348. Specifically, he said the disclosure and many of the original claims of the '531 Application are "extremely broad" and "directed to the very same parameters, chemistry, alloys, and bath compositions" researched by Martin and others during Martin's tenure at Modumetal. CP at 4349. Hozeska's declaration described in detail how, in his opinion, the claims in the '531 Application correlated to Martin's and Unger's work at Modumetal. Hozeska also testified that the '371 Application "describes and claims the same surface preparation techniques that Mr. Martin did at Modumetal," and he linked Xtalic's patent claims with experiments in Martin's lab notebooks. CP at 4362.

¶ 34 Xtalic argues that this evidence was insufficient to survive summary judgment. First, Xtalic asserts that Modumetal failed to specify its trade secrets with particularity. However, in its Fourth Supplemental

Response to Xtalic's interrogatories, Modumetal specified numerous processes and techniques for the electrodeposition of aluminum and aluminum alloys using ionic liquid electrodeposition baths (relevant to the '531 Application) and also for the preparation of metal substrate surfaces for electroplating in ionic liquids (relevant to the '371 Application). And Hozeska noted that Modumetal's list of confidential information and trade secrets is even more specific than what Xtalic listed as inventions in the '531 Application.

*8 ¶ 35 Xtalic then argues that all of Modumetal's alleged trade secrets fail as a matter of law for lack of evidence of misappropriation. Xtalic first asserts that there is no evidence Martin provided job application information that allowed Xtalic to deduce that Modumetal was researching electrodeposition of aluminum in ionic liquids. But Hozeska testified that Xtalic knew or should have known this, because Martin's resume indicated that he had only worked for Modumetal; that he had experience working with ionic liquids; that he had a patent pending for the deposition of aluminum; and that Xtalic immediately put him to work on its aluminum project.

¶ 36 Xtalic also argues that none of Modumetal's claimed trade secrets qualify as such because the information was in the public domain. But Hozeska specifically disputed this assertion. For example, he stated that the reel-to-reel process described in Martin's Modumetal lab notebooks was innovative, not previously known in the art, and was expressly claimed by Xtalic in the '371 Application. Regarding BASF's ionic baths, Hozeska stated the fact that BASF liquids could be used for commercial processes was unknown. He further noted that Martin and Unger modified BASF's off-the-shelf liquids with additives, parameters, and plating processes claimed as novel in the '371 Application. Moreover, he stated that Xtalic's assertion that this information was publicly known contradicts its declaration to the U.S. Patent and Trademark Office that the claimed inventions are original.

¶ 37 Xtalic next challenges Modumetal's trade secret claims regarding various bath compositions, processes, and substrate preparation methods. It asserts that Martin worked on fundamentally different metals, chemistry, and processes at Xtalic than he did at Modumetal. But Hozeska testified that the '531 Application "includes broad disclosure and claims that are identical or nearly

identical to the work that Mr. Martin and other Modumetal researchers performed while Mr. Martin worked at Modumetal,” including “the very same parameters, chemistry, alloys, and bath composition that Mr. Martin and others researched at Modumetal during Mr. Martin’s tenure.” CP at 4348-49. Similarly, Hozeska testified that the ‘371 Application “describes and claims the same surface preparation techniques that Mr. Martin did at Modumetal.” CP at 4362.

¶ 38 Xtalic further asserted that Martin had nothing to share because his Modumetal research was unsuccessful. But there is evidence that Martin was kept apprised of Modumetal’s electrodeposition research after his colleague Jesse Unger took over the project. And Hozeska and Lomasney both indicated that Modumetal made substantial progress on such research during the time Martin was there.

¶ 39 Xtalic further contends that the mere fact that patent claims cover processes attempted by a member of a research team at a prior employer, does not allow an inference of misappropriation. But Xtalic cites no cases holding that such proof is never sufficient to overcome summary judgment. And there are cases that generally support Modumetal’s position. *See, e.g. Altavion, Inc. v. Konica Minolta Systems Laboratory Inc.*, 226 Cal.App. 4th 26, 66, 171 Cal.Rptr.3d 714 (2014) (defendant’s act of secretly filing patent applications disclosing plaintiff’s ideas “was a classic violation of trade secret law”); *Sokol Crystal Products, Inc. v. DSC Communications Corp.*, 15 F.3d 1427, 1432 (7th Cir. 1994) (jury entitled to draw inference of misappropriation based on defendant’s access to plaintiff’s trade secrets and development of similar product); *Leggett & Platt, Inc. v. Hickory Springs Mfg. Co.*, 285 F.3d 1353, 1361 (2002) (access and similarity may support a trade secret misappropriation claim).

*9 [13] [14] ¶ 40 Xtalic next argues that Modumetal’s claims fail because the evidence demonstrates that Xtalic independently developed the processes it sought to patent. The UTSA “does not offer protection against discovery by fair and honest means, such as by independent invention.” *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974). Xtalic points to evidence that Dr. Schuh and Dr. Ruan had been investigating electrodeposition of aluminum from ionic liquids for several years before Martin came on board. There is ample evidence in the record that Xtalic had

been conducting electrodeposition research before Martin arrived. In particular, Xtalic emphasizes the value of Dr. Ruan’s independently developed “optimal recipe.” But Hozeska’s declarations documented in detail many similarities between Martin’s work at Modumetal and Xtalic’s patent application claims, noting that they were very broad and not limited to a specific “optimal recipe.” In addition, Hozeska stated that just before Martin left to work for Xtalic, “Modumetal had proven that they could accomplish such electroplating at a much faster rate than was doable with the earlier electrolytic process....” CP at 4347. This creates a question of fact regarding whether and to what extent Xtalic’s patent disclosures and claims were developed independently, as opposed to being derived from Modumetal’s research. “In the context of trade secret misappropriation, information may be improperly ‘used’ in that it is unlawfully acquired and then built upon or modified before being disclosed or benefit derived.” *SkinMedica, Inc. v. Histogen Inc.*, 869 F.Supp.2d 1176, 1197 (S.D.Cal. 2012).

¶ 41 Xtalic further argues that Modumetal’s argument is based on the inevitable disclosure doctrine, which allows an employer to enjoin an employee from engaging in competitive employment based on an inference that the employee will inevitably use or disclose trade secrets. Washington has neither adopted nor rejected the inevitable disclosure doctrine. *Moore v. Commercial Aircraft Interiors, LLC*, 168 Wash. App. 502, 513, 278 P.3d 197 (2012). Modumetal contends that it need not rely on the inevitable disclosure doctrine, as misappropriation of trade secrets can be inferred from the patent. We agree. As discussed above, Hozeska’s testimony demonstrated the possible connection between Martin’s work at Modumetal and Xtalic’s patent applications. Thus, we need not and do not address the applicability of the inevitable disclosure doctrine.

[15] ¶ 42 In sum, we conclude that Hozeska’s expert testimony, along with the evidence in the record upon which he relied in reaching his conclusions, was sufficient for a reasonable jury to infer without conjecture or speculation that misappropriation of a trade secret occurred.⁴ The trial court erred in dismissing Modumetal’s claims on summary judgment.

Preemption

[16] ¶ 43 Modumetal contends that the trial court erred in concluding that the UTSA preempted its common law claims for breach and inducement of breach of confidentiality obligations.⁵ At the summary judgment hearing, the trial court agreed with Xtalic that Modumetal's common law confidentiality claims were preempted because "your description of trade secrets and confidential information are the same."⁶ VRP (4/14/17) at 73.

¶ 44 Modumetal, citing Boeing v. Sierracin, 108 Wash.2d 38, 738 P.2d 665, argues that the trial court's ruling was legally erroneous because it disregarded controlling precedent. In Boeing, the Washington Supreme Court held that Washington's UTSA does not displace common law claims for breach of confidential relationship or breach of contract. The court observed that UTSA "displaces conflicting tort, restitutionary, and other law of this state pertaining to civil liability for misappropriation of a trade secret" but does not affect "[c]ontractual or other civil liability or relief that is not based on misappropriation of a trade secret." Id. at 48, 738 P.2d 665 (quoting RCW 19.108.900(1)(2)(a)). The court further noted "[t]he United States Supreme Court has held that proof of trade secrets is not required for breach of confidentiality claims, which may be brought independently of trade secrets claims." Id. at 48, 738 P.2d 665 (citing E.I. Du Pont De Nemours Powder Co. v. Masland, 244 U.S. 100, 102, 37 S.Ct. 575, 61 L.Ed. 1016 (1917)). Accordingly, the Boeing court held that the trial court did not err in refusing to consolidate Boeing's trade secret, breach of confidentiality, and breach of contract claims. Id. Federal courts in Washington, following Boeing, have held that UTSA does not preempt breach of confidentiality claims. See, e.g. Pacific Aerospace & Electronics, Inc. v. Taylor, 295 F.Supp.2d 1205, 1211-12 (E.D. Wash. 2003).

*10 ¶ 45 Boeing has not been overruled, and it is still good law. Nevertheless, in Thola v. Henschell, 140 Wash. App. 70, 164 P.3d 524 (2007), Division Two applied a different analysis to the same issue without citing Boeing. Thola argued that the UTSA preempted Henschell's common law causes of action. Id. at 82, 164 P.3d 524. The court began its analysis by stating that "[a] plaintiff 'may not rely on acts that constitute trade secret misappropriation to support other causes of action.'" Id. at 82, 164 P.3d 524 (quoting Ed Nowogroski Ins., Inc. v. Rucker (Rucker

I), 88 Wash. App. 350, 358, 944 P.2d 1093 (1997)).⁷ The court then noted that "[a] majority of UTSA jurisdictions: (1) assess the facts that support the plaintiff's civil claim; (2) ask whether those facts are the same as those that support the plaintiff's UTSA claim; and (3) hold that the UTSA preempts liability on the civil claim unless the common law claim is factually independent from the UTSA claim." Thola at 82, 164 P.3d 524, citing Mortgage Specialists, Inc. v. Davey, 153 N.H. 764, 778-79, 904 A.2d 652 (N.H. 2006). Stating that "proper application of this three-step analysis precludes duplicate recovery for a single wrong," the Thola court "adopt[ed] this analytical framework as a helpful guide to determine whether, under the facts of the case, the UTSA preempts a civil claim." Thola at 82, 164 P.3d 524. The court held that Thola's common law business expectancy claim, unlike her UTSA claim, did not involve the acquisition or disclosure of confidential information and was therefore not preempted. Id. at 83, 164 P.3d 524.

¶ 46 Xtalic offers no persuasive grounds upon which to distinguish Boeing's express holding that breach of confidentiality claims may be brought independently of trade secrets claims. Until or unless the Washington Supreme Court overrules Boeing and adopts the Thola analysis, Boeing controls. Accordingly, we follow Boeing and conclude that Modumetal's common law confidentiality claims are not preempted by its trade secrets claims, regardless of whether they are based on the same facts.

Contractual Breach of Confidentiality Obligations

¶ 47 Xtalic asserts without further analysis or argument that Modumetal's claims for contractual breach of confidentiality obligation fail on the merits for the same reasons its trade secrets claims fail: an absence of genuine issues of material fact as to whether Martin shared or used Modumetal's confidential information with Xtalic, or that Modumetal suffered damages as a result. Because we conclude that Modumetal met its burden of production regarding misappropriation of trade secrets, and this evidence also forms the basis of Modumetal's contractual breach of confidentiality obligation claims, they survive as well.

Request for Continuance

[17] ¶ 48 Modumetal argues that the trial court erred by denying its CR 56(f) request for a continuance to obtain further discovery. At the summary judgment hearing, the trial court agreed with Xtalic that Modumetal's continuance request was a "fishing expedition that doesn't meet his burden under 56(f)" because "[h]e's got to tell you that he's got a reason to think it exists ... and there is none." VRP (4/14/2017) at 72.

[18] [19] ¶ 49 We review a trial court's denial of a CR 56(f) motion for abuse of discretion. Barkley v. GreenPoint Mortg. Funding, Inc., 190 Wash. App. 58, 71, 358 P.3d 1204 (2015). "A court abuses its discretion when it bases its decision on unreasonable or untenable grounds." Clarke v. Office of Attorney Gen., 133 Wash. App. 767, 777, 138 P.3d 144 (2006).

[20] [21] ¶ 50 Under CR 56(f):

[s]hould it appear from the affidavits of a party opposing the motion that, for reasons stated, the party cannot present by affidavit facts essential to justify the party's opposition, the court may refuse the application for judgment or may order a continuance to permit affidavits to be obtained or depositions to be taken or discovery to be had or may make such other order as is just.

*11 A court may deny a CR 56(f) motion for continuance where "(1) the requesting party does not offer a good reason for the delay in obtaining the desired evidence; (2) the requesting party does not state what evidence would be established through the additional discovery; or (3) the desired evidence will not raise a genuine issue of material fact." Tellevik v. Real Property Known as 31641 West Rutherford Street, 120 Wash.2d 68, 90, 838 P.2d 111 (1992) (quoting Turner v. Kohler, 54 Wash. App. 688, 693, 775 P.2d 474 (1989)). Justice should be the primary consideration in ruling on a motion for a continuance. Coggle v. Snow, 56 Wash. App. 499, 508, 784 P.2d 554 (1990).

¶ 51 Regarding the '531 Application, Modumetal asserted that it had been waiting more than a month for Xtalic

to provide a privilege log so that it could confer with Xtalic as to whether privilege should attach and file a motion to compel if necessary. At the summary judgment hearing, counsel for Xtalic acknowledged that he had been working on a privilege log, saying "I'm sorry it's taken awhile" because "[t]here's thousands of documents." VRP (4/14/2017) at 67. He nevertheless justified his failure to complete and produce the privilege log prior to the summary judgment hearing, claiming that Modumetal had failed to provide "some basis by which to invade the privilege." Id. But Modumetal did not seek to invade the privilege. Rather, it sought to determine whether the privilege properly applied to all of the documents Xtalic was withholding on this basis. Moreover, in a sworn declaration, Modumetal explained that it "believes such discovery is necessary because it could reflect directly on Mr. Martin's involvement in the inventions claimed in the Ruan '531 patent application, and the preparation of the patent application itself, which would or at least could bear on whether, and to what extent, Mr. Martin used Modumetal confidential information in connection with the inventions claimed in the application and the application itself." CP at 4037. We reject Xtalic's self-serving assertion that it didn't need to provide a privilege log because everything was privileged, and we conclude that the trial court abused its discretion in denying Modumetal's CR 56(f) continuance request regarding the '531 Application.

¶ 52 Regarding the '371 Application, Modumetal argued that additional discovery is necessary "to determine whether and to what extent Martin's prior surface preparation work at Modumetal, was disclosed, either orally or otherwise, to Xtalic employees, including those named as inventors on the '371 Application." CP at 4038. Modumetal asserted that this discovery was relevant to Xtalic's claim that it had independently developed the '371 Application technology, and claimed that its previous discovery requests would not have covered all relevant information, such as emails not sent by Martin. Modumetal noted that the trial court had previously denied, without prejudice, its motion to compel Xtalic to produce this information but indicated that if Modumetal disclosed its trade secrets with sufficient specificity, it would consider a new motion to compel. Modumetal asserted that it had complied with this ruling by supplementing its trade secret disclosures and refiled its motion to compel. The trial court initially indicated that it would set aside the issue of the '371 Application

until considering Modumetal's motion to compel, but by the end of the hearing it reversed course and agreed with Xtalic that Modumetal had failed to specify what information the additional discovery would yield. Given that the requested discovery was subject to a pending motion to compel, which the trial court did not expressly rule on, we conclude that its decision to deny Modumetal's CR 56(f) continuance request on this matter was also an abuse of discretion.

Personal Jurisdiction

*12 [22] ¶ 53 Xtalic did not cross appeal the trial court's order denying its CR 12(c) motion to dismiss for lack of personal jurisdiction under RCW 4.28.185. Instead, Xtalic raised this issue in its respondents' brief, characterizing it as an alternative ground to affirm summary judgment. Modumetal contends that Xtalic's request for affirmative relief is barred for failure to file a cross appeal. We agree.

[23] [24] ¶ 54 RAP 2.4(a) provides that “[t]he appellate court will grant a respondent affirmative relief by modifying the decision which is the subject matter of the review only (1) if the respondent also seeks review of the decision by the timely filing of a notice of appeal or a notice of discretionary review, or (2) if demanded by the necessities of the case.” A prevailing party that seeks no further affirmative relief from the appellate court may argue any grounds in support of the trial court's order that are supported by the record. McGowan v. State, 148 Wash.2d 278, 288, 60 P.3d 67 (2002). However, “notice of cross-review is essential if the respondent ‘seeks affirmative relief as distinguished from the urging of additional grounds for affirmance.’” Sims, 171 Wash.2d at 442-43, 256 P.3d 285 (quoting Robinson v. Khan, 89 Wash. App. 418, 420, 948 P.2d 1347 (1998)).

¶ 55 Accordingly, we begin by inquiring whether Xtalic's personal jurisdiction argument, which it characterizes as an alternative ground to affirm summary judgment dismissal of Modumetal's claims, is in fact a request for affirmative relief. The Third Circuit's reasoning in EF Operating Corp. v. American Bldgs., 993 F.2d 1046 (1993) is instructive. In EF Operating Corp., one of the defendants moved for summary judgment and simultaneously moved to dismiss for lack of personal jurisdiction under Federal Rules of Civil Procedure 12(b). The district court granted summary judgment to the

defendant on the merits, but implicitly ruled against it on the jurisdictional issue. Id. at 1048. The plaintiff appealed summary judgment dismissal of its claims, but the defendant did not file a cross-appeal. Instead, the defendant raised the personal jurisdiction issue in its response brief.

¶ 56 The Third Circuit noted that “[u]nlike subject matter jurisdiction, which may be raised by any party or court at any time, parties must affirmatively raise a personal jurisdiction defense in a timely matter under Federal Rules of Civil Procedure 12(g) and (12)(h)(1), lest it will be deemed waived.” Id. (citing Wright & Miller, 5A Federal Practice and Procedure, § 1391 at 741-44 and 764-75 (1990); Myers v. American Dental Ass'n, 695 F.2d 716, 720 (3d Cir. 1982)). The court then observed that, although an appellate court may affirm a lower court's decision on any basis, “[a] grant of summary judgment and a dismissal for lack of personal jurisdiction ... are wholly different forms of relief. The latter is a dismissal without prejudice, whereas the former is a ruling on the merits which if affirmed would have preclusive effect.” Id. at 1048-49 (citations omitted). It therefore concluded that seeking dismissal of the complaint for lack of personal jurisdiction cannot be characterized as seeking to support summary judgment on different grounds; rather, it seeks to vacate the summary judgment. Id. at 1049. “Thus, where an appellant files an appeal seeking review of a summary judgment for the appellee, the appellee must cross-appeal to contest the district court's adverse ruling on his motion to dismiss for lack of personal jurisdiction.” Id. Because the defendant-appellee did not cross-appeal, the court declined to consider the personal jurisdiction issue. Id.

*13 [25] [26] [27] ¶ 57 This reasoning is persuasive. In Washington, just as in the federal courts, a defense for lack of subject matter jurisdiction is never waived, but a defense for lack of personal jurisdiction is waived if not timely asserted. Robb v. Kaufman, 81 Wash. App. 182, 188, 913 P.2d 828 (1996). Here, Xtalic raised personal jurisdiction as an affirmative defense in its answer, and the trial court denied its motion to dismiss under CR 12(c), so the issue was initially preserved for appellate review. However, Xtalic chose not to cross-appeal from the trial court's dismissal of its CR 12(c) motion to dismiss. “Affirmative relief ‘normally mean[s] a change in the final result at trial.’” Sims, 171 Wash.2d at 442, 256 P.3d 285 (quoting 2A KARL B. TEGLAND, WASHINGTON PRACTICE:

RULES PRACTICE RAP 2.4 author's cmt. 3, at 174 (6th ed. 2004)). Because dismissal on the merits with prejudice and dismissal on jurisdictional grounds without prejudice are different forms of relief, Xtalic's personal jurisdiction argument is a request for affirmative relief, not alternative grounds for affirming summary judgment.

[28] ¶ 58 Accordingly, Xtalic's personal jurisdiction argument is barred unless "demanded by the necessities of the case." RAP 2.4(a). "Washington courts generally apply the necessities provision of RAP 2.4(a) when the petitioner's claim cannot be considered separately from issues a respondent raises in response." Sims, 171 Wash.2d at 444, 256 P.3d 285. Xtalic does not explain why it failed to file a cross-appeal, or why the necessities of the case require this court to consider its jurisdictional argument.

There is no reason why Modumetal's arguments regarding summary judgment could not have been considered at the same time as Xtalic's jurisdictional arguments. We therefore decline to consider it.

¶ 59 Reversed.

WE CONCUR:

Verellen, J.

Becker, J.

All Citations

--- P.3d ----, 2018 WL 4097866

Footnotes

- 1 Co-defendants Xtalic and Martin are referred to as "Xtallic" throughout, except where an issue is raised that requires each to be discussed separately.
- 2 A nanometer is .000001 of a millimeter.
- 3 Martin later admitted this was a reference to ionic liquids.
- 4 Xtalic also argues that Modumetal has failed to show that it was damaged by the alleged misappropriation. But because Xtalic did not present this argument to the trial court, we will not consider it on appeal. RAP 2.5(a); Lindblad v. Boeing Co., 108 Wash. App. 198, 207, 31 P.3d 1 (2001).
- 5 Xtalic concedes that UTSA does not preempt Modumetal's contract-based claims.
- 6 The written order indicates that summary judgment was granted because there were no genuine issues of material fact regarding Modumetal's claims. It does not reflect the trial court's oral ruling that Modumetal's breach of confidentiality claims were preempted by its trade secrets claims.
- 7 Rucker did not mention or discuss Boeing, either. In Rucker, the respondent argued that UTSA displaced the appellant's tort claims for misuse of confidential information and intentional interference. The court stated that because UTSA "specifically displaces conflicting tort laws pertaining to trade secret misappropriation," a plaintiff "may not rely on acts that constitute trade secret misappropriation to support other causes of action." Rucker, 88 Wash. App. at 358, 944 P.2d 1093. Because the tort claims were based on the same acts as the trade secrets claims, the court ruled that they were displaced by UTSA. Id.

IN THE COURT OF APPEALS FOR THE STATE OF WASHINGTON

MODUMETAL, INC.,)	No. 76708-9-1
)	
Appellant,)	
)	DIVISION ONE
v.)	
)	
XTALIC CORPORATION, AND JOHN HUNTER MARTIN,)	ORDER GRANTING MOTION TO PUBLISH
)	
Respondents)	

Respondents Xtalic Corporation and John Martin Hunter filed a motion to publish the opinion filed in the above matter on June 25, 2018, and the court determined that an answer to the motion should be called for. Modumetal filed an answer to the motion. A majority of the panel has determined that the motion should be granted;

Now, therefore, it is hereby

ORDERED that appellant's motion to publish the opinion is granted

FOR THE COURT:


Presiding Judge

SMITH GOODFRIEND, PS

September 21, 2018 - 4:39 PM

Filing Petition for Review

Transmittal Information

Filed with Court: Supreme Court
Appellate Court Case Number: Case Initiation
Appellate Court Case Title: Modumetal, Inc., Appellant vs. Xtalic Corp., and John Hunter Martin, Respondents (767089)

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