

KHW 63648-1

63648-1

NO. 63648-1

COURT OF APPEALS
DIVISION I
OF THE STATE OF WASHINGTON

TOUCH NETWORKS, INC.,

Respondent,

vs.

GOGI DESIGN, LLC and HYUNSOOK CHUNG,

Appellants.

RESPONDENT'S BRIEF

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COURT OF APPEALS
STATE OF WASHINGTON
DIVISION I
FILED

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I. RESPONDENT'S STATEMENT OF THE CASE

On April 28-30 and May 4, 2009, the King County Superior Court (the “trial court”) conducted a bench trial in this case before the Honorable Mary I. Yu. Report of Proceedings (“RP”) generally. On May 7, 2009, Judge Yu signed a Summary Decision finding for the Respondent (plaintiff below), Touch Networks, Inc. (“TNI”) on its breach of contract claim and violation of Uniform Trade Secrets Act. A true and correct copy of the Summary Decision is attached to this brief as Appendix A. On June 2, 2009, Judge Yu signed Findings of Fact and Conclusions of Law, a true and correct copy of which is attached to this brief as Appendix B. On June 2, 2009, Judge Yu also signed a Judgment for Plaintiff, a true and correct copy of which is attached to this brief as Appendix C.

TNI is a Redmond, Washington corporation that develops and sells products relating to the medical field and, through its division known as TN Games, products used by the players of video games worldwide including the product at issue in this case, the 3rd Space video gaming vest—an interactive vest worn by players of a first-person shooter video game that simulates live action for the player of certain video games. In March, 2005, the

defendant, HyunSook Chung, and her then sole proprietorship company, Gogi Design (“Gogi”), agreed to provide graphic design services to TNI related to the company and its products.

The president of TNI, Mark Ombrellaro, M.D., met with Ms. Chung for the first time on March 15, 2005. Dr. Ombrellaro required Ms. Chung and Gogi to enter into an written agreement entitled Nondisclosure Agreement or NDA and Ms. Chung signed the agreement in her personal capacity and on behalf of Gogi at the outset of the business relationship between the parties and before she or Gogi performed any services whatsoever for TNI. *RP (4/29/09)* 17-20, Ex. 1. The NDA is the only written agreement signed by defendants at issue in this case. *RP (4/29/09)* 20:7-21:4, Ex. 1. The NDA was admitted at trial as Exhibit 1 without objection. *RP 4-28-09* 7:1-7. A copy of the NDA is also attached to the trial court’s Findings of Fact and Conclusions of Law. See *Appendix A*, ¶1.6, Ex. 1.

Dr. Ombrellaro insisted on the execution of the NDA by Ms. Chung as a condition to the performance of services for TNI in exchange for payment. *RP (4/29/09)* 16:24-20:25. After Ms. Chung signed the NDA on March 15, 2005, she and Gogi proceeded to

perform various services for TNI in exchange for payment at \$65 an hour. *RP (4/29/09) 20:4-6 25:3-12, Ex. 1.*

The NDA signed by Ms. Chung specifies a term of five (5) years or until March 14, 2010. The NDA contains an integration clause (paragraph 8) that prohibits any waiver or modification of the agreement unless made in writing. The parties to the NDA have never made a written modification or waiver of the NDA. *RP (4/30/09) 86:1-9.*

TNI paid Gogi \$140,045.20 for its services during their business relationship. *RP 5/4/09 123:19-124:4.* On September 6, 2007, Ms. Chung personally and on behalf of Gogi declined to perform any further services for TNI. *RP 4-29-09 112:25-113:17.* TNI had paid all invoices that it had received for services from Gogi at the time that Ms. Chung terminated the relationship on September 6, 2007. *RP 4-29-09 116:7-12.* Dr. Ombrellaro had rescheduled for September 6, 2007, a prior meeting that Ms. Chung failed to attend and had instructed Ms. Chung to deliver various source data files of TN Games materials to him. *RP 4-29-09 107:21-109:16.* Ms. Chung met with Dr. Ombrellaro on September 6, 2007 and delivered disks to him that she told him contained electronically stored data files of all logos, product information, and

other files of the work that had been prepared by Gogi for TNI and for which TNI had paid. *RP 4-29-09 110:11-21*. Dr. Ombrellaro did not attempt to access the data files until a day or two after the final meeting with Ms. Chung on September 6, 2007, and when he and his TNI colleague each attempted to access the data, they discovered that many files were missing and/or corrupt. *RP 4-29-09 111:9-112:2*.

Once TNI was unable to access the requested data files from Gogi, Dr. Ombrellaro requested that Ms. Chung provide a new disk with the useable data files plus additional missing files relating to "The Beatdown" video. *RP 4-29-09 112:7-24*. Ms. Chung and Gogi never provided a replacement disk. *RP 4-29-09 116:13-117:1*. Dr. Ombrellaro continued to communicate with Gogi after the September 6, 2007 meeting in an effort to obtain all of the source data files that it had paid Gogi to generate and which, TNI believed it was additionally entitled pursuant to the NDA signed by Ms. Chung *RP 4-29-09 117:2-119:7*. TNI was not seeking anything outside of the files related to and derived from its own services and products. *RP 4-29-09 117:8-14*. After 26 days without receiving a replacement disk of data files, Dr. Ombrellaro emailed Ms. Chung and indicated that he would send someone over to Gogi's office to

retrieve a disk with all of the source files the following day. *RP* 4-29-09 125:3-19. At that point in early October, 2007, Mr. Miller sent letters to Dr. Ombrellaro declining to provide the data, claiming that all data was “the intellectual property of Gogi,” and demanding additional payment to Gogi by TNI for both invoices and a \$75,000 licensing fee to use the data that TNI had already paid Gogi approximately \$140,045.20 to assemble. *RP* 4-29-09 125:20-127:2, *RP* 5-4-09 123:19-124:4.

At no time during the parties’ 30 month business relationship did Ms. Chung claim that Gogi owned any of the promotional or packaging materials that it was being paid to work on by TNI. *RP* 5-4-09 97:8-20. Throughout the relationship, Ms. Chung allowed TN Games or TNI copyright notice marks to appear on the promotional items and did not attempt to place Gogi copyright notices on the items. *RP* 5-4-09 121:2-10; see e.g. *RP* 4-28-09 115:10-116:23, Exhibit 30.

TNI next filed a lawsuit against Gogi and Ms. Chung in which it sought a restraining order to require delivery of the data files and to enforce the NDA. *RP* 4-29-09 129:23-130:19. Ms. Chung removed the case to the U.S. District Court for the Western District of Washington and asserted counterclaims alleging copyright

infringement by TNI but the District Court remanded the case to the King County Superior Court on December 20, 2007. A true and correct copy of the remand order is attached to this brief as Appendix D. The District Court remanded on the grounds that the causes of action at issue in the case are governed by state law and not preempted by the U.S. Copyright Act. *Id.*

In March, 2008, TNI learned through discovery that Gogi had submitted copyright registrations for TNI's materials. *RP 4-29-09 131:3-13*. TNI was unable to determine through inquiry to Gogi and Ms. Chung or through the copyright office the fact of Gogi's registrations that were eventually provided through formal discovery only. *RP 4-29-09 131:14-132:4*. TNI incurred substantial re-design expenses and damage to its product and brand as a result of the copyright registrations for essentially all of the TNI & TN Games logos, an animated TN Games promotional video, TN Games packaging art and graphics, and the product user manual relating to TN Games' 3rd Space Vest product undertaken by Appellants. *RP 4-29-09 132:11-138:13, 146:7-152:22, Exs. 31-33*. TNI's redesign costs totaled \$72,224.00. *Id.*

Over the summer of 2007, TN Games was developing its 3d Space gaming vest product in coordination with a game called 3d

Space Incursion. *RP 4-28-09 187:13-16*. TN Games relied on third parties to develop the functionality of the game and vest. *RP 4-28-09 187:17-188:11*. TN Games shared information with its developers regarding modifications to its products that it considered and treated as confidential and proprietary trade secrets. *RP 4-28-09 191:10-197:1*. In July, 2007, Ms. Chung shared TN Games' confidential and proprietary product information without authorization by TNI with Drew Staltman (misspelled "Stalton" in the report of proceedings), the lead person for a competitor of TN Games. *RP 4-28-09 197:2-198:22*, Ex. 24.

II. ARGUMENT

A. The Trial Court Followed Controlling State Law and Did Not Abuse Its Discretion

The trial court properly entered judgment in favor of Respondent at the conclusion of the bench trial. Appellants do not challenge any finding of fact made by the trial court and the findings are "verities" for purpose of review. *Davis v. Department of Labor & Industries*, 94 Wn.2d 119, 123, 615 P.2d 1279 (1980). The trial court's findings support the court's conclusions that Appellants breached the contract signed by Appellants, that the Appellants violated the Uniform Trade Secrets Act ("UTSA"), and the dismissal

of Appellants' copyright counterclaims. While the standard of review of conclusions of law is de novo, the trial court's analysis is consistent with relevant and applicable state law and should be affirmed. The trial court did not abuse its discretion in the resolution of any discovery matter and Appellants had ample opportunity to be heard regarding any and all discovery matters prior to trial.

B. The Trial Court Applied Washington's Objective Manifestation Theory to the Contract at Issue

"Washington follows the 'objective manifestation' theory of contracts [which means] that we 'impute an intention corresponding to the reasonable meaning of the words used', and 'give words in a contract their ordinary, usual, and popular meaning unless the entirety of the agreement clearly demonstrates a contrary intent.'" *Oliver v. Flow Int'l Corp.*, 137 Wn. App. 655, 660, 155 P.3d 140 (2006) (quoting *Hearst Communications v. Seattle Times Company*, 154 Wn.2d 493, 503, 115 P.3d 262 (2005)). The words in the NDA in this case define "Proprietary Information," say that TNI retains its ownership of all "Proprietary Information" and "information derived therefrom," and required Ms. Chung and Gogi to acknowledge and agree at the outset of the business

engagement that TNI “is the sole owner of all copyrights, trademarks, and other proprietary rights related to [the] Proprietary Information.” The trial court in Conclusions of Law 2.6 and 2.7 merely applied Washington law to determine that the foregoing operative provisions of the contract signed by Ms Chung mean what they say. As the Washington Supreme Court puts it, “when interpreting contracts, the subjective intent of the parties is generally irrelevant if the intent can be determined from the actual words used.” *Hearst*, 154 Wn.2d at 503-04. The trial court followed the controlling legal principle and should be affirmed.

With respect to Gogi’s post-litigation assertion of copyright to the various promotional materials and manuals for TN Games and its product, the words in the NDA that say that TNI “is the sole owner of all copyrights, trademarks and other proprietary rights related to [the] Proprietary Information” means that Gogi had no legitimate basis to make its Copyright Office applications or to assert any ownership interest in the copyrights to the promotional materials for TN Games and its products. The words “related to” and “derived from” are reasonably interpreted to mean any work generated by Gogi and Ms. Chung about TNI and its products belongs to TNI. The entirety of the agreement does not contradict this interpretation. *Id.* at

504 (citing *Universal/Land Constr. Co. v. City of Spokane*, 49 Wash.App. 634, 637, 745 P.2d 53 (1987)).

C. The Copyright Act Is Not At Issue in this Case

During a moment of candor early in this dispute, Appellants offered some unvarnished truth in their Notice of Removal, stating that the central issue of the case is “who is the owner of the requested intellectual property.” The answer (TNI) appears plainly in the state law contract at issue. The incidental involvement of copyright or even the Copyright Act does not change the case into a copyright infringement dispute. As Judge Pechman noted in the Order to Remand the case to the trial court: “The parties entered into a contract governing ownership of TNI’s proprietary information.” *Appendix D, Order Granting Motion to Remand 12/20/07*, 7:16-17. The law of the Ninth Circuit supports the District Court’s remand decision. See *Topolos v. Caldewey*, 698 F.2d 991, 993 (9th Cir. 1983). There is no valid reason to delve into copyright jurisprudence where the undisputed facts show that the parties entered into a contract governing the ownership of proprietary information that is subject to state law.

D. Appellants Acknowledged TNI's Copyright Ownership On the Face of the Items That They Later Submitted to the Copyright Office

Ms. Chung acted in accordance with the terms of the NDA during the course of the 30 month business relationship with TNI and TN Games by dutifully placing the copyright registration circled "R" on the items that she submitted to the U.S. Copyright Office after TNI sued her to recover its proprietary information pursuant to the NDA. Ms. Chung did not place or seek to place a copyright registration mark or legend of Gogi Design on any of the works for which she and Gogi provided service to TNI during the relationship.

E. The Trial Court's Conclusion That Defendants Misappropriated TNI's Confidential Information in Violation of the Uniform Trade Secrets Act Is Proper

"The Uniform Trade Secrets Act, RCW 19.108.030(1) provides that a plaintiff can receive actual damages for misappropriation of trade secrets." *Boeing v. Sierracin*, 108 Wn.2d 38, 46 (1987). The UTSA "defines 'misappropriation' as 'acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means.'" *Id.* TNI presented sufficient evidence at trial to show the misappropriation of a trade secret as found by the trial court. The

trial court should be affirmed as to its conclusion that Appellants violated the UTSA.

F. The Trial Court Properly Awarded Damages Supported by Evidence of Economic Loss to TNI Flowing from Appellants' Breach of Contract

TNI presented evidence at trial that Appellant's conduct in refusing to deliver its proprietary information to it as provided by the NDA and Appellants' subsequent acts of encumbrance and sabotage of the proprietary information cost TNI \$72,224.00 in re-design costs. The entire judgment consisted of economic loss to TNI within the scope and contemplation of the parties to the NDA and costs including attorneys' fees provided in the NDA.

Washington law supports such an award of damages under the economic loss rule in breach of contract actions. *Alejandre v. Bull*, 159 Wn.2d 674, 153 P.3d 864 (2007). "Contract law . . . carries out an 'expectation-bargain protection policy' that 'protects expectation interests, and provides an appropriate set of rules when an individual bargains for a product of particular quality or for a particular use.'" *Id.* 159 Wn.2d at 682 (quoting *Stuart v. Coldwell Banker Commercial Group, Inc.*, 109 Wash.2d 406, 420-21, 745 P.2d 1284 (1987)). The trial court properly determined that TNI bargained for the ownership of its broadly defined proprietary

information, including copyright, and is and remains entitled to damages within the scope of the bargain for breach as well as injunctive relief spelled out by the NDA. The trial court should be affirmed.

G. TNI Is Entitled To Costs Including Reasonable Attorneys' Fees on Appeal

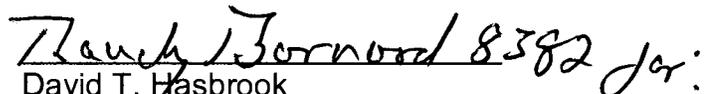
TNI respectfully requests an award of its costs including reasonable attorneys' fees pursuant to both paragraph 6 of the NDA and the Trade Secrets Act, *RCW* 19.108.040 and consistent with RAP 18.1 in an amount to be determined.

III. CONCLUSION

For the foregoing reasons, the Court should affirm the judgment of the trial court and order Appellant to pay Respondent's reasonable attorney fees in an amount to be determined pursuant to RAP 18.1 (f).

DATED this 23rd day of June, 2010.

Respectfully submitted,


David T. Hasbrock
WSBA No. 28140
Attorneys for Respondent

APPENDIX

- A. Summary Decision
- B. Findings of Fact and Conclusions of Law
- C. Judgment for Plaintiff
- D. Order Granting Motion to Remand

Exhibit A

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**IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF KING**

TOUCH NETWORKS, INC., a Washington
corporation,
Plaintiff,

v.

GOGI DESIGN, LLC, a Washington limited
liability company, and HYUNSOOK CHUNG,
Defendants.

No. 07-2-33454-8 SEA

SUMMARY DECISION

[Formal Findings of Fact and Conclusions of
Law to Follow]

THIS MATTER came before the undersigned judge for trial, without jury, on April 28,
2009. All parties were present and participated in trial through legal counsel. The court
considered the testimony, exhibits admitted during trial, and argument of counsel, and finds for
Plaintiff on its breach of contract claim and violation of the Uniform Trade Secrets Act. The
court dismisses Defendants' copyright counterclaims, but finds that Plaintiff owes Defendants an
outstanding balance for work performed.

1 The case set was set for trial in this court after the Honorable Marsha Pechman granted
2 Plaintiff's motion to remand the case from federal court on the grounds that the cause of actions
3 are governed by state law and not preempted by the Copyright Act. Plaintiff relies upon a
4 contract for its assertion that any work produced by Defendants is owned by Plaintiff and that
5 Defendants misappropriated trade secrets in violation of the Uniform Trade Secrets Act.
6

7 Although a general legal presumption exists that the author of a work is the owner of such
8 work, the court reaches the contrary result because of a specific contract entered into by the
9 parties. The contract entitled the NonDisclosure Agreement ("NDA") includes a definition of
10 "Proprietary Information." The definition is broad, but reasonable given the nature of the
11 industry and business Plaintiff was undertaking (electronic gaming). There is no dispute that
12 Defendants signed the NDA before performing work for Plaintiff.
13
14

15 The NDA also includes two other relevant provisions. One requires that all "Proprietary
16 Information" and any information derived therefrom shall be held in strict confidence (par. 1).
17 The second requires that the Defendant acknowledge that Plaintiff "is the sole owner of all
18 copyrights, trademarks and other proprietary rights *related to* [the] Proprietary Information"
19 (par.2 *emphasis added*).
20

21 The court did not hear any evidence that would support the court setting aside the NDA.
22 In addition, the course of conduct between the parties during the 30 month relationship and the
23 fact that ownership or a claim to copyright did not arise until after the litigation was commenced
24 lends credibility to Plaintiff's theory as to why the NDA should be enforced and why the work
25 produced by Defendants is owned by Plaintiff.
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1 In regard to Plaintiff's claim of misappropriation of a trade secret, the court finds that the
2 e-mail disclosure to Drew Staltman, a competitor, violated the NDA and the Uniform Trade
3 Secrets Act, RCW 19.108.010(2)(b)(ii)(B). However, the court does not find that the
4 misappropriation was willful or malicious and, therefore, does not find that Plaintiff suffered
5 damages as a result of such disclosure.
6

7 The NDA provides for recovery of fees and costs, which the court shall award to Plaintiff
8 and such award shall be joint and several between the Defendants. The court shall also issue an
9 order directing that all "source data" be provided to Plaintiff. The court does not find any legal
10 basis to award the requested compensatory damages or the alleged loss of value to its product
11 sales and brand development since there was no service agreement governing the delivery of
12 design or PR services. The court will permit the parties to file additional legal authorities on this
13 question if Plaintiff wishes to pursue such damages.
14
15

16 In regard to Defendants' counterclaims, the court finds that Defendants are owed a
17 balance of \$7220.00 for work performed, and orders Plaintiff to pay the invoices. All other
18 counterclaims are dismissed and Defendants are not entitled to an award of fees.
19

20 In accordance with CR 52, Plaintiff shall present revised Findings of Fact and
21 Conclusions of Law consistent with this Summary Decision. Since counsel for Defendants
22 resides out of state, the court will permit counsel to appear telephonically if an in-court hearing is
23 requested. Otherwise, final presentation may be noted without oral argument.
24

25 IT IS SO ORDERED this 7th day of May, 2009

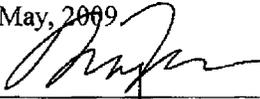
26
27 
28 _____
29 Judge Mary I. Yu
KING COUNTY SUPERIOR COURT

Exhibit B

FILED
KING COUNTY, WASHINGTON

The Honorable Mary Yu
Attorneys for Plaintiff

JUN 02 2009

**SUPERIOR COURT CLERK
ANGIE VILLALOVOS
DEPUTY**

FILED
KING COUNTY, WASHINGTON

JUN 02 2009

**DEPARTMENT OF
JUDICIAL ADMINISTRATION**

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IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF KING

TOUCH NETWORKS, INC., a Washington
corporation,

NO. 07-2-33454-8 SEA

Plaintiff,

FINDINGS OF FACT AND
CONCLUSIONS OF LAW

vs.

GOGI DESIGN, LLC, a Washington limited
liability company, and HYUNSOOK
CHUNG,

Defendants.

THIS MATTER came before the undersigned judge for trial, without jury, on April 28-30 and May 4, 2009. Plaintiff, Touch Networks, Inc. was represented by David T. Hasbrook. Defendants Gogi Design, LLC and HyunSook Chung were represented by Matthew E. Miller.

Now, having considered the testimony and exhibits admitted during trial, and argument of counsel, the Court makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT
& CONCLUSIONS OF LAW-1

10013

ORIGINAL

O'SHEA BARNARD MARTIN
A Professional Service Corporation

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I. FINDINGS OF FACT

1.1. Plaintiff Touch Networks, Inc. is a Washington corporation doing business in King County, Washington ("TNI"). TN Games is a wholly owned subdivision of TNI that also does business in King County, Washington. TN Games engages in the electronic gaming business.

1.2. Defendant, HyunSook Chung ("Ms. Chung"), is a resident of King County, Washington.

1.3. Defendant Gogi Design, LLC, was a sole proprietorship of Ms. Chung until it formed as a Washington limited liability company doing business in King County, Washington on November 15, 2006 ("Gogi"). Gogi and Ms. Chung engage in promotional work including graphic design. + Ms Chung signed the NDA in her personal capacity + on behalf of Gogi Design

1.4. This case was set for trial in this court after the Honorable Marsha Pechman granted Plaintiff's motion to remand the case from the U.S. District Court for the Western District of Washington by order dated December 20, 2007.

1.5. On March 15, 2005, before performing any work for Plaintiff, Defendants signed a contract with Plaintiff entitled the Nondisclosure Agreement ("NDA"). Plaintiff relies on the NDA for its assertion that any work produced by Defendants for Plaintiff is owned by Plaintiff and that Defendants misappropriated trade secrets in violation of the Uniform Trade Secrets Act.

1.6. A true and correct copy of the NDA that was admitted at trial without objection as Trial Exhibit 1 is attached and incorporated by reference herein.

1 1.7. No evidence was presented that would support the court setting aside the
2 NDA.

3 1.8. Defendants declined to perform additional services for Plaintiff on and
4 after September 6, 2007, and the business relationship between the parties ended at
5 that time.

6 1.9. Plaintiff and Defendants orally agreed that defendants would perform
7 services for Plaintiff in exchange for Plaintiff's promise to pay \$65 an hour to
8 Defendants. Plaintiff paid all of Defendants' invoiced amounts based on the hourly rate
9 through September 6, 2007, but did not pay \$7,220 that Defendants billed to Plaintiff
10 after September 6, 2007.

11 1.10. Throughout 2007, Plaintiff was in the process of developing its business,
12 TN Games, in the electronic gaming industry and working to release for sale its product,
13 the 3rd Space Gaming Vest.

14 1.11. On November 2, 2007, after Plaintiff had commenced this lawsuit and
15 while the case was temporarily removed to federal court, Defendants submitted seven
16 applications to register copyrights as to various items of promotional materials
17 contained in the electronic data files at issue in this case. The U.S. Copyright office
18 declined to register copyrights for three of the applications submitted by Defendants and
19 entitled by Defendants as:
20
21
22

- 23 • TN Games Logo Collection
- 24 • Touch Networks Logo & Logo Icon Collection
- 25 • 3d Space Logo and Logo Icon Collection

FINDINGS OF FACT
& CONCLUSIONS OF LAW-3

10013

O'SHEA BARNARD MARTIN
A Professional Service Corporation

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1 The U.S. Copyright Office permitted Defendant, Gogi, to register the following items with
2 the effective date of November 2, 2007, with Gogi's titles indicated and the registration
3 number indicated:

- 4 a. 3d Space Vest Collection, No. VAU 959-029;
- 5 b. "The Beatdown," No. PA 1-590-169;
- 6 c. TN Games GDC Collection, No. VA 1-630-183; and
- 7 d. TN Games Website 2.0 Collection, No. VA 1-632-440.

8 Trial Exhibit 27.

9 1.12. "The Beatdown" digitally animated motion picture with sound bearing U.S.
10 Copyright Registration No. PA 1-590-169 lists copyright claimants as Rafael Calonzo,
11 Jr., David Green, and Gogi Design, LLC. Mr. Calonzo and Mr. Green were engaged by
12 Gogi to contribute elements to the motion picture.

13 1.13. The works identified in the copyrights registered to Gogi and others as
14 indicated above are materials related to the Proprietary Information of TNI.

15 1.14. TNI has incurred \$72,224.00 in out-of-pocket re-design expenses
16 associated with the materials at issue in this matter including with respect to design
17 elements contained in the materials for which Gogi claimed copyright ownership.

18 1.15. On July 26, 2007, Defendants disclosed confidential information of Plaintiff
19 to a competitor of its TN Games division by e-mail from Defendants to Drew Staltman of
20 a company then known as Gas Powered Games.

21 1.16. TNI has incurred damages due to delay in and harm to the development of
22 both its TN Games company brand and its 3rd Space Gaming Vest product brand.

23 1.17. TNI has incurred costs including attorneys' fees. *Which the Ct finds were*
reasonably related to success on the claims re: the contract & the damages
support.

24 FINDINGS OF FACT
25 & CONCLUSIONS OF LAW-4

10013

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1 Based on the foregoing FINDINGS OF FACT, the Court makes the following
2 CONCLUSIONS OF LAW:

3
4 **II. CONCLUSIONS OF LAW**

5 2.1 The court rules for Plaintiff on its breach of contract claim.

6 2.2 The court rules for Plaintiff on its claim for violation of the Uniform Trade
7 Secrets Act.

8 2.3 The court dismisses Defendants' copyright counterclaims.

9 2.4 The court rules that Plaintiff owes Defendants an outstanding balance for
10 work performed in the amount of \$7220.

11 2.5 The U.S. District Court for the Western District of Washington granted
12 Plaintiff's motion to remand this case from federal court on the grounds that the causes
13 of action are governed by state law and not preempted by the U.S. Copyright Act.

14 2.6 The NDA includes a definition of "Proprietary Information" that is broad but
15 reasonable given the nature of the industry and electronic gaming business that Plaintiff
16 was undertaking.

17 2.7 The NDA also includes two other relevant provisions: Paragraph 1
18 requires that all "Proprietary Information" and any information derived therefrom shall be
19 held in strict confidence, and Paragraph 2 requires that Defendants acknowledge that
20 Plaintiff "is the sole owner of all copyrights, trademarks, and other proprietary rights
21 related to [the] Proprietary Information." (emphasis added).
22
23
24
25

1 2.8 Plaintiff is entitled to declaratory relief that it is the owner of copyright as to
2 all works for which defendants submitted applications and received copyright
3 registration from the U.S. Copyright Office as more particularly identified above.

4
5 2.9 The defendants are liable, jointly and severally, to the plaintiff for breach of
6 contract.

7 2.10 The defendants are liable, jointly and severally, to the plaintiff for
8 misappropriation of plaintiff's trade secrets in violation of the Uniform Trade Secrets Act,
9 RCW 19.108.010, *et seq.*

10 2.11 TNI has incurred general damages as a result of Defendants' breach of
11 the NDA.

12 2.12 Plaintiff is entitled to recover compensatory damages in the amount of
13 \$ 72,224.00
14

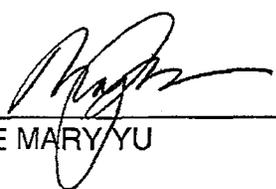
15 2.13 Plaintiff is entitled to a permanent injunction for the return of its source
16 data from Defendants.

17 2.14 Plaintiff is entitled to an award of reasonable attorneys' fees and costs in
18 the amount of $92,970.00 + 654.75 = 99,534.75$ * The Ct. could only
19 find 329.3 hours
attributable to Hasbrook

20 2.15 Judgment shall be entered against the Defendants, Gogi Design, LLC and
21 HyunSook Chung, jointly and severally.

22 Dated: June 2, 2009.

23 *The Ct denies the request*
for oral argument
24 *MP*

25 

JUDGE MARY YU

329.3 x 275 =
90,557.50 +
other fees 2,412.50
92,970.00
MP

FINDINGS OF FACT
& CONCLUSIONS OF LAW-6

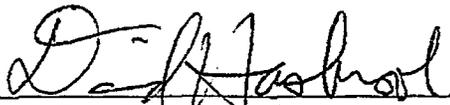
10013

O'SHEA BARNARD MARTIN
A Professional Service Corporation
1500 Skyline Tower
10900 NE Fourth Street
Bellevue, WA 98004-5844
Phone: (425) 454-4800 Fax: (425) 454-6575

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Presented by:

O'SHEA BARNARD MARTIN & OLSON, P.S.

By: 
David T. Hasbrook, WSBA No. 28140
Attorneys for Plaintiff

FINDINGS OF FACT
& CONCLUSIONS OF LAW-7

10013

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NONDISCLOSURE AGREEMENT

THIS NONDISCLOSURE AGREEMENT is made as of the 17 day of March, 2005, by HyunSook Chung, a Gold design ("Obligated Person"), and Touch Networks, Inc., a Washington corporation ("Company")

RECITAL

A. [Solely for the purpose of evaluating whether Obligated Person desires to , Obligated Person is interested in reviewing certain of Company's books, records, operating methods and other information and property].

Any and all information furnished or made available to Obligated Person (or his/her agents or employees) by Company, or its agents, either prior to or after the date of this Agreement, including but not limited to books, records, contracts, financial statements and information, work papers, tax returns, customer lists, supplier lists, technical data, techniques, know-how, designs, inventions, plans for future development, marketing plans, market research data, product development plans, business operations, customer requirements and any and all other records and information, is Company's confidential, proprietary, trade secret information and any and all such information will hereafter be referred to as "Proprietary Information."

NOW, THEREFORE, for good and valuable consideration, Obligated Person hereby agrees as follows:

1. For a period of five (5) years from the date of this Agreement, Obligated Person: will hold in strict confidence and trust and maintain as confidential all Proprietary Information and any information derived therefrom; and will not disclose any Proprietary Information or any information derived therefrom to any person, except to those employees or legal counsel of Obligated Person who are required to evaluate the Proprietary Information for the purpose described in A. above and who have agreed to be bound by the provisions of this Agreement. Obligated Person will not use the Proprietary Information except to evaluate such information for the purpose described in A. above.

2. Obligated Person acknowledges that: all Proprietary information will at all times be and remain the sole property of Company; and Company is the sole owner of all copyrights, trademarks and other proprietary rights related to Proprietary information. Nothing in this Agreement shall be construed as granting to or permitting Obligated Person an implied license in, or right or option to use any Proprietary Information for any reason other than for the purpose described in A. above.

3. Obligated Person's obligations of confidentiality do not apply to any information: (i) which now is in the public domain through no action or inaction by Obligated Person or his/her agents or employees; (ii) which hereafter comes into the public domain through no action or inaction by Obligated Person or his/her agents or employees; or (iii) which Obligated Person can establish was known to him/her prior to receipt from Company or its employees or agents.

4. Within 30 days after receiving any information which is described in 3(i) or 3(ii) above or within 30 days after Obligated Person discovers that information which was not in the public domain when received has become information described in 3(i) above, Obligated Person will provide Company with written notice specifically describing the information which he/she contends is described in 3(i), 3(ii), or 3(iii).

5. Immediately upon cessation of discussions between Obligated Person and Company concerning the purpose described in A above, or upon Company's request, Obligated Person will turn

EXHIBIT 1

over to Company all Proprietary Information and all documents or data storage media containing any such Proprietary Information and any and all copies thereof, and Obligated Person will delete all proprietary information from his/her documents or data storage media.

6. In the event a party to this Agreement commences any action or proceeding (or an appeal of such action or proceeding) against the other or otherwise retains an attorney by reason of any breach or claimed breach of any provision of this Agreement, or to seek judicial declaration of rights hereunder or judicial or equitable relief, the prevailing party in such action or proceeding shall be entitled to recover its reasonable attorneys' fees and costs.

7. This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Washington. Obligated Person hereby submits to jurisdiction in federal or state court in King County, Washington, and, at Company's option, venue for any equitable or legal action shall lie in King County, Washington.

8. This Agreement supersedes all prior discussions and writings and constitutes the entire agreement between the parties with respect to the subject matter hereof. No waiver or modification of this Agreement shall be binding upon the parties hereto unless made in writing.

9. The obligations of the parties hereunder shall survive the return of any Proprietary Information. The persons signing this Agreement represent or warrant they have the authority to bind the persons on whose behalf they are signing.

OBLIGATED PERSON:



ADDRESS: 800 NE 1st St
8th Fl WA 98105

(206) 848-0505

Exhibit C

FILED
KING COUNTY, WASHINGTON

JUN 02 2013

**SUPERIOR COURT CLERK
ANGIE VILLALOVOS
DEPUTY**

IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF KING

TOUCH NETWORKS, INC., a Washington
corporation,

Plaintiff,

vs.

GOGI DESIGN, LLC, a Washington limited
liability company, and HYUNSOOK
CHUNG,

Defendants.

NO. 07-2-33454-8 SEA

JUDGMENT FOR PLAINTIFF

"Clerk's Action Required"

JUDGMENT SUMMARY

- 1. Judgment Creditor: Touch Networks, Inc.
- 2. Judgment Debtors: Gogi Design, LLC and HyunSook Chung,
jointly and severally.
- 3. Principal Judgment Amount: \$ 72,224.00
- 4. Interest to Date of Judgment \$ -0-
- 5. Attorneys' Fees: \$ 92,970.00
- 6. Costs: \$ 6,564.75
- 7. Other Recovery Amounts: \$ -0-

JUDGMENT-1

10013

ORIGINAL

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10900 NE Fourth Street
Bellevue, WA 98004-5844
Phone: (425) 454-4800 Fax: (425) 454-6575

- 1 8. Principal Judgment Amount Shall Bear Interest at 12% per annum.
2
3 9. Attorneys' Fees, Costs and Other Recovery Amounts Shall Bear Interest at 12%
4 per annum.
5 10. Attorney for Judgment Creditor: David T. Hasbrook, O'Shea Barnard Martin,
6 P.S., 10900 NE 4th Street, Suite 1500, Bellevue, WA 98004

7 **JUDGMENT**

8 This matter was tried by the court from April 28 to May 4, 2009, the Honorable
9 Mary I. Yu presiding. Plaintiff Touch Networks, Inc. appeared through its attorneys of
10 record, O'Shea Barnard Martin & Olson, P.S., David T. Hasbrook. Defendants, Gogi
11 Design, LLC, and HyunSook Chung, appeared through its attorneys of record, Cuneo
12 Gilbert & LaDuca, LLP, Matthew E. Miller.

13 The parties presented evidence, testimony, and argument to the court and on
14 May 7, 2009, the court issued its Summary Decision in favor of Plaintiff on its claims for
15 breach of contract and violation of the Uniform Trade Secrets Act and dismissed the
16 Defendants' copyright counterclaims but found that Plaintiff owes Defendants an
17 outstanding balance for work performed. A copy of the court's Summary Decision is
18 attached as Exhibit 1.

19 Consistent with the court's decision in this action and based upon the Court's
20 Findings of Facts and Conclusions of Law, the Court ENTERS JUDGMENT as follows:

21
22 Principal Judgment Amount: Plaintiff Touch Networks, Inc., is
23 awarded judgment against Defendants Gogi Design, LLC and
24 HyunSook Chung in the amount of: \$ 72,224.00
25 Costs: Plaintiff Touch Networks, Inc., is
awarded costs in the amount of: \$ 6564.75

JUDGMENT-2

10013

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Bellevue, WA 98004-5844
Phone: (425) 454-4800 Fax: (425) 454-6575

1
2 Attorneys' Fees:

Plaintiff Touch Networks, Inc., is
awarded reasonable attorneys' fees
of:

\$ 92,970.00

3
4
5 All sums awarded to Plaintiff shall bear interest at 12% per annum from the date of entry
6 of this judgment until paid.

7 IT IS FURTHER ORDERED, ADJUDGED AND DECREED that

8 1. The copyrights with the effective U.S. Copyright Office registration date of
9 November 2, 2007, currently registered to Gogi and others and bearing the titles and
10 the registration number indicated as follows

- 11
12 a. 3d Space Vest Collection, No. VAU 959-029,
13 b. "The Beatdown," No. PA 1-590-169,
14 c. TN Games GDC Collection, No. VA 1-630-183, and
15 d. TN Games Website 2.0 Collection, No. VA 1-632-440

16 belong to Touch Networks, Inc. as sole owner of each respective copyright pursuant to
17 contract;

18 2. Defendants shall immediately and within three ¹⁵~~3~~ court days of this MP
19 judgment return to TNI all Proprietary Information and all documents or data storage
20 media containing any Proprietary Information of TNI and any and all copies thereof,
21 including, without limitation, all electronically stored data and related information in the CP
22 appropriate source software format ^(including all editable computer versions) for all elements of TN Games' box, product manual,
23 and website design (all fonts and custom built letters, backgrounds, photos both raw
24 images as well as the retouched images, etc., including the source animation/art/ video
25 for TN Games' promotional character known as "Bruce" in the video entitled "The

JUDGMENT-3

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1 Beatdown" in Flash video format (and whatever other master files of the video that
2 Defendants have) and within its control + within the control of any of its
3 subcontractors. *of*

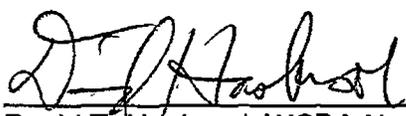
4 3. Defendants shall immediately and within three ~~3~~¹⁵ court days of this order
5 remove and delete all of Touch Networks, Inc.'s Proprietary Information from Gogi
6 Design's documents or data storage media including, without limitation, removal from
7 any and all websites owned, operated, directed by, or licensed to Gogi Design and/or
8 HyunSook Chung (including, without limitation, "www.gogidesign.com") of all marketing
9 and promotional materials, designs, and artwork depicting or relating to Touch
10 Networks, TN Games, TN Games logos, TN Games products, all animated and still
11 versions of the marketing character known as "Bruce," the Forcewear Vest, the 3rd
12 Space Vest, 3rd Space Incursion, or other materials derived from or related to Touch
13 Networks, Inc. or TN Games.
14

15
16 DONE IN OPEN COURT this 2 day of June, 2009.

17
18
19 
JUDGE MARY I. YU

20 Presented by:

21 O'SHEA BARNARD MARTIN & OLSON, P.S.
22

23
24 By: 
25

David T. Hasbrook WSBA No. 28140
Attorneys for Plaintiff

JUDGMENT-4

10013

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IN THE SUPERIOR COURT OF THE STATE OF WASHINGTON
IN AND FOR THE COUNTY OF KING

TOUCH NETWORKS, INC., a Washington corporation,

Plaintiff,

v.

GOGI DESIGN, LLC, a Washington limited liability company, and HYUNSOOK CHUNG,

Defendants.

No. 07-2-33454-8 SEA

SUMMARY DECISION

[Formal Findings of Fact and Conclusions of Law to Follow]

THIS MATTER came before the undersigned judge for trial, without jury, on April 28, 2009. All parties were present and participated in trial through legal counsel. The court considered the testimony, exhibits admitted during trial, and argument of counsel, and finds for Plaintiff on its breach of contract claim and violation of the Uniform Trade Secrets Act. The court dismisses Defendants' copyright counterclaims, but finds that Plaintiff owes Defendants an outstanding balance for work performed.

1 The case set was set for trial in this court after the Honorable Marsha Pechman granted
2 Plaintiff's motion to remand the case from federal court on the grounds that the cause of actions
3 are governed by state law and not preempted by the Copyright Act. Plaintiff relies upon a
4 contract for its assertion that any work produced by Defendants is owned by Plaintiff and that
5 Defendants misappropriated trade secrets in violation of the Uniform Trade Secrets Act.
6

7 Although a general legal presumption exists that the author of a work is the owner of such
8 work, the court reaches the contrary result because of a specific contract entered into by the
9 parties. The contract entitled the NonDisclosure Agreement ("NDA") includes a definition of
10 "Proprietary Information." The definition is broad, but reasonable given the nature of the
11 industry and business Plaintiff was undertaking (electronic gaming). There is no dispute that
12 Defendants signed the NDA before performing work for Plaintiff.
13
14

15 The NDA also includes two other relevant provisions. One requires that all "Proprietary
16 Information" and any information derived therefrom shall be held in strict confidence (par. 1).
17 The second requires that the Defendant acknowledge that Plaintiff "is the sole owner of all
18 copyrights, trademarks and other proprietary rights *related to* [the] Proprietary Information"
19 (par.2 *emphasis added*).
20

21 The court did not hear any evidence that would support the court setting aside the NDA.
22 In addition, the course of conduct between the parties during the 30 month relationship and the
23 fact that ownership or a claim to copyright did not arise until after the litigation was commenced
24 lends credibility to Plaintiff's theory as to why the NDA should be enforced and why the work
25 produced by Defendants is owned by Plaintiff.
26
27
28

1 In regard to Plaintiff's claim of misappropriation of a trade secret, the court finds that the
2 e-mail disclosure to Drew Staltman, a competitor, violated the NDA and the Uniform Trade
3 Secrets Act, RCW 19.108.010(2)(b)(ii)(B). However, the court does not find that the
4 misappropriation was willful or malicious and, therefore, does not find that Plaintiff suffered
5 damages as a result of such disclosure.
6

7 The NDA provides for recovery of fees and costs, which the court shall award to Plaintiff
8 and such award shall be joint and several between the Defendants. The court shall also issue an
9 order directing that all "source data" be provided to Plaintiff. The court does not find any legal
10 basis to award the requested compensatory damages or the alleged loss of value to its product
11 sales and brand development since there was no service agreement governing the delivery of
12 design or PR services. The court will permit the parties to file additional legal authorities on this
13 question if Plaintiff wishes to pursue such damages.
14
15

16 In regard to Defendants' counterclaims, the court finds that Defendants are owed a
17 balance of \$7220.00 for work performed, and orders Plaintiff to pay the invoices. All other
18 counterclaims are dismissed and Defendants are not entitled to an award of fees.
19

20 In accordance with CR 52, Plaintiff shall present revised Findings of Fact and
21 Conclusions of Law consistent with this Summary Decision. Since counsel for Defendants
22 resides out of state, the court will permit counsel to appear telephonically if an in-court hearing is
23 requested. Otherwise, final presentation may be noted without oral argument.
24

25 IT IS SO ORDERED this 7th day of May, 2009

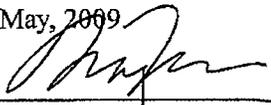
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27 
28 _____
29 Judge Mary I. Yu
KING COUNTY SUPERIOR COURT

Exhibit D

1 use TNI's confidential and proprietary information for limited purposes. The NDA governs the
2 parties' rights and obligations concerning TNI's confidential and proprietary information and contains
3 a Washington choice of law provision.¹

4 In September 2007, Gogi informed TNI that it no longer wished to provide promotional
5 services for TNI. In response, TNI asked Gogi to return all of TNI's proprietary information and to
6 deliver all the products which Gogi had created for TNI. (Cmplt. ¶ 2.5.) When Gogi failed to deliver
7 the requested materials, TNI filed suit in King County Superior Court bringing two causes of action:
8 breach of contract and misappropriation of trade secrets.² Ms. Chung removed the action to federal
9 court and alleges that TNI's state law cause of actions are preempted by the federal Copyright Act, 17
10 U.S.C. § 301.³ TNI has filed a motion to remand on the ground that the cause of actions are governed
11
12

13
14 ¹The record suggests that Ms. Chung intended to sign the NDA on behalf of Gogi Design. The
15 first sentence of the Agreement incorporates typed text with blank spaces which were filled in to read
16 as follows: "This Nondisclosure Agreement is made as of the 5 day of March, 2005, by Hunsook
Chung, a Gogi Design ("Obligated Person"), and Touch Networks, Inc., a Washington corporation
17 ("Company").

18 ²Defendants assert that the complaint contains "(at least) three distinct claims (based on five
19 legal theories)...." (Def.'s Opp'n at 2.) Defendants characterize the claims as (1) breach of the
20 services contract with a remedy seeking delivery of the products created by Defendants for TNI; (2)
21 breach of the nondisclosure agreement with a remedy seeking the return of TNI's proprietary
22 information; and (3) a demand for injunctive relief requiring that Defendants remove Plaintiff's
23 proprietary information from their website. The Court relies on its own examination of the complaint
24 to inform its analysis. Further, Defendants are reminded that "[t]he well-pleaded complaint rule
25 makes the plaintiff the master of the claim; he or she may avoid federal jurisdiction by exclusive
reliance on state law." Ben Nat'l Bank v. Anderson, 539 U.S. 1, 12 (2003) (internal quotation marks
omitted).

³Ms. Chung filed her notice of removal pro se on October 18, 2007. (Dkt. No. 1.) Exhibit A
of the document contained a "Written Unanimous Consent of Member of Gogi Design, LLC" signed
by Ms. Chung and representing Gogi's consent to the removal. A Limited Liability Company cannot
be represented pro se in this Court. However, Defendants succeeded in curing their removal notice on
October 19, 2007 when attorney John H. Ludwick entered an appearance on behalf of Ms. Chung and
Gogi. See Prize Frize Inc. v. Matrix Inc., 167 F.3d 1261, 1266 (9th Cir. 1999).

1 by state law and are not preempted by the Copyright Act. Absent federal copyright law, this Court
2 lacks subject matter jurisdiction.

3 Discussion

4 In a case lacking diverse parties, removal is proper only if a federal question appears on the
5 face of a well-pleaded complaint. 28 U.S.C. § 1441(b); Caterpillar Inc. v. Williams, 482 U.S. 386,
6 392 (1987). The well-pleaded complaint rule recognizes that the plaintiff is the master of his or her
7 claim. “[H]e or she may avoid federal jurisdiction by exclusive reliance on state law.” Id. A court
8 cannot exercise removal jurisdiction on the ground that the complaint gives rise to a potential or
9 anticipated defense that might raise a federal question, even if the defense is the only question truly at
10 issue in the case. Franchise Tax Bd. v. Constr. Laborers Vacation Trust, 463 U.S. 1, 10-13 (1983).
11 However, removal jurisdiction may be proper when a plaintiff’s state law claims are “completely
12 preempted” by federal law. See Balcorta v. Twentieth Century-Fox Film Corp., 208 F.3d 1102, 1107
13 (9th Cir. 2000). For purposes of the well-pleaded complaint rule, a federal court will have original
14 jurisdiction over an action when the preemptive force of federal law is so extraordinary that it converts
15 the plaintiff’s ordinary state common-law complaint into one stating a federal claim. Caterpillar, 482
16 U.S. at 393. When state law claims are completely preempted by federal law, the plaintiff’s complaint
17 arises under federal law and removal is proper.

18 Application of the complete preemption doctrine is rare. The Supreme Court has
19 acknowledged only three areas of federal law to which it applies: the Labor Management Relations
20 Act, the Employee Retirement Income Security Act, and the National Bank Act. See Avco Corp. v.
21 Aero Lodge No. 735, Int’l Assoc. of Machinists, 390 U.S. 557, 560 (1968); Metropolitan Life Ins.
22 Co. v. Taylor, 481 U.S. 58, 53-67 (1987); Ben. Nat’l Bank v. Anderson, 539 U.S. 1, 11 (2003). The
23 Second, Fourth, and Sixth Circuits have concluded that federal courts also have removal jurisdiction
24 over state law claims preempted by the Copyright Act. See Briarpatch, Ltd. v. Phoenix Pictures, Inc.,
25 373 F.2d 296 (2d. Cir. 2004); Roscieszewski v. Arete Assoc., 1 F.3d 225 (4th Cir. 1993); Ritchie v.

1 Williams, 395 F.2d 283 (6th Cir. 2005). While the Ninth Circuit has not directly addressed whether
2 complete preemption applies to the Copyright Act, several district courts within the Ninth Circuit have
3 held that state law claims preempted by the Copyright Act are removable. See Mattel, Inc. v. Bryant,
4 441 F. Supp. 2d 1081 (C.D. Cal. 2005); Firoozye v. Earthlink Network, 153 F. Supp. 2d 1115 (N.D.
5 Cal. 2001).

6 In Anderson, the Supreme Court suggested that the complete preemption doctrine is applicable
7 when a federal statute creates an exclusive federal cause of action. 539 U.S. at 9. The Copyright Act
8 explicitly preempts state law and substitutes an exclusive federal remedy for “all legal or equitable
9 rights that are equivalent to any of the exclusive rights within the general scope of copyright.” 17
10 U.S.C. § 301(a); Altera Corp. v. Clear Logic, Inc., 424 F.3d 1079, 1089 (9th Cir. 2005). As such, this
11 Court concludes that removal jurisdiction is proper when state claims are preempted by the Copyright
12 Act.

13 The Ninth Circuit has adopted a two-part test to determine whether a state law claim is
14 preempted by the Copyright Act. First, the work at issue must fall within the subject matter of
15 copyright as defined in sections 102 and 103 of the Copyright Act. Second, the state law rights “must
16 be equivalent to rights within the general scope of copyright as specified by section 106 of the
17 Copyright Act.” Del Madera Properties v. Rhodes and Gardner, Inc., 820 F.2d 973, 977 (9th Cir.
18 1987); Laws v. Sony Music Entertainment, Inc., 448 F.3d 1134, 1137-38 (9th Cir. 2005).

19 The Court may only consider the factual allegations in TNI’s complaint and the information
20 included in Defendants’ notice of removal to inform its analysis. Chesler/Perlmutter Prods., Inc. v.
21 Fireworks Entertainment Inc., 177 F. Supp. 2d 1050, 1058 (C.D. Cal. 2001) (citing Schroeder v.
22 Trans World Airlines, Inc., 702 F.2d 189, 191 (9th Cir. 1983)). A notice of removal includes a “short
23 and plain statement of the grounds for removal, together with a copy of all process, pleadings, and
24 orders served upon such defendant or defendants in such action.” 28 U.S.C. § 1446(a). TNI opened
25 this action in King County Superior Court by filing a motion for temporary restraining order (“TRO”).

1 That motion and supporting documents were submitted as part of Defendants' notice of removal and
2 shall be considered in this analysis.

3 **I. Breach of Contract**

4 TNI alleges that Defendants have breached the NDA and the parties' "contract for services"
5 and seeks a remedy requiring the Defendants to return TNI's proprietary information, remove the
6 proprietary information from Defendants' websites, and to deliver the services which TNI has
7 purchased. (Cmplt. ¶¶ 2.5, 2.6, 2.7.) The record contains no evidence of a services contract and it is
8 unclear whether a written contract exists or whether the parties operated under an implied or oral
9 agreement. Regardless, the substance of TNI's complaint and motion for TRO indicate that TNI relies
10 only on the NDA for its assertion that it owns the work at issue.

11 **1. Step One: Copyright Subject Matter**

12 When determining whether a claim meets the preemption requirements, the work at issue need
13 not be protected by a copyright, it merely has to be "within the subject matter" of the Copyright Act.
14 Firoozye, 153 F. Supp. 2d at 1124. The Copyright Act provides copyright protection for "original
15 works of authorship fixed in any tangible medium of expression," including "pictorial, graphic, and
16 sculptural works" and "motion pictures and other audiovisual works," but excludes any idea or
17 concept. 17 U.S.C. § 102. The work at issue in TNI's claim for breach of contract is TNI's
18 proprietary information, defined in the complaint as "promotional character designs, artwork, ideas,
19 and related confidential information." (Cmplt ¶¶ 2.6, 3.2). The NDA defines proprietary information
20 as:

21 Any and all information furnished or made available to Obligated Person (or his/her
22 agents or employees) by Company, or its agents, either prior to or after the date of this
23 Agreement, including but not limited to books, records, contracts, financial statements
24 and information, work papers, tax returns, customer lists, supplier lists, technical data,
25 techniques, know-how, designs, inventions, plans for future development, marketing
plans, market research data, product development plans, business operations, customer
requirements and any and all other records and information, is Company's confidential,
proprietary, trade secret information and any and all such information will hereafter be
referred to as "Proprietary Information."

1 Further, TNI asserts that any work derived from the confidential information which TNI provided to
2 Defendants must also be delivered to TNI under the terms of the NDA. These works include:

- 3 • promotional services including review and presentation of promotional materials (Cmplt
4 ¶ 2.2),
- 5 • the products Chung and Gogi created for Plaintiff (Cmplt ¶ 2.5),
- 6 • all electronically stored data and related information in the appropriate source software
7 format for all elements of TN Games' box, product manual, and website design (all
8 fonts and custom built letters, backgrounds, photos both raw images as well as the
retouched images, etc., including the source animation/art/video for TN Games'
promotional character known as "Bruce" in video format (or whatever master file of
the video that Defendants have) (Cmplt ¶ 2.5).

9 While the work at issue encompasses ideas or concepts not protected by the Copyright Act, it also
10 includes "artwork," "books," "designs," and "audiovisual works" which are protected subject matter.

11 **2. Step Two: Equivalent State Rights**

12 The Copyright Act creates exclusive rights to protect a copyright holder against infringement.
13 17 U.S.C. § 106. These rights include: (1) the right to reproduce the copyrighted work; (2) the right
14 to prepare derivative works based on the copyrighted work; (3) the right to distribute copies of the
15 copyrighted work; and, with respect to certain artistic works, (4) the right to perform the work
16 publicly; and (5) the right to display the copyrighted work publicly. *Id.* The statute specifically states
17 that the Copyright Act does not preempt state or common law rights which "are not equivalent to any
18 of the exclusive rights... specified by section 106." 17 U.S.C. § 301(b)(3).

19 A state law action is not preempted by the Copyright Act if it requires an "extra element"
20 instead of or in addition to the acts of reproduction, performance, distribution or display, and that
21 "extra element" changes the nature of the action such that it is qualitatively different from a copyright
22 infringement claim. *Rosciszewski*, 1 F.3d at 229-230; *Altera Corp.*, 424 F.3d 1079. Courts have
23 consistently found that the rights asserted in breach of contract claims are not equivalent to rights
24 which could be asserted in copyright and are therefore not preempted by the Copyright Act. *Altera*
25 *Corp.*, 424 F.3d at 1089 (citing *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996)). A claim

1 for breach of contract requires an element not found in infringement claims: the promise exchanged by
2 the parties to abide by the terms of a contract.

3 The parties' NDA contains specific terms enforcing rights of ownership, stating that "all
4 Proprietary Information will at all times be and remain the sole property of [TNI]; and [TNI] is the
5 sole owner of all copyrights, trademarks and other proprietary rights related to Proprietary
6 Information." (Dkt. No. 3 at 6.) Further, TNI asserts that the NDA governs ownership rights over
7 any work derived from proprietary information because it contains a clause stating that the Obligated
8 Person will hold in confidence "all Proprietary Information and any information derived therefrom."
9 Id. The Court does not comment on the merits of these claims, but simply identifies them as claims for
10 breach of contract. On the face of its complaint, TNI does not attempt to exercise any of the rights
11 protected by the Copyright Act but seeks to enforce the terms of the NDA which govern ownership of
12 the work at issue.

13 When a claim "is essentially for some common law or state-created right, most generally for a
14 naked declaration of ownership or contractual rights, [federal] jurisdiction has been declined, even
15 though the claim might incidentally involve a copyright or the Copyright Act." Topolos v. Caldewey,
16 698 F.2d 991, 993 (9th Cir. 1983) (internal citation omitted). The parties entered into a contract
17 governing ownership of TNI's proprietary information. TNI alleges that the contract also governs
18 ownership rights of any work derived from the proprietary information. TNI's allegation that
19 Defendants have breached that contract is a state law claim and is not preempted by the Copyright
20 Act.

21 Defendants argue that the products and services requested by TNI are not proprietary
22 information governed by the NDA. Instead, Defendants assert that TNI is demanding delivery of
23 intellectual property created by Ms. Chung and Gogi and rightfully owned by them under federal
24 copyright laws. According to Defendants,

25 [t]he central issue presented by the TRO is who is the owner of the requested
intellectual property, a question governed exclusively by federal copyright law....

1 Gogi will contend that all, or substantially all, of the property that is subject [sic]
2 of the TRO Motion is original art created by Gogi. Pursuant to Section 201 (a) of
3 the Copyright Act, that original art is the intellectual property of Gogi, not plaintiff.
The plaintiff has absolutely no legal or equitable right to the possession of property
that it does not own.

4 (Notice of Removal at 2.) In assessing the merit of Defendants' argument, the Court looks to the
5 Plaintiff's descriptions of the requested materials in its pleadings. These descriptions include:

- 6 • "public relations and promotional services" (Ombrello Decl. at ¶ 2),
- 7 • "proprietary and confidential commercial information" (Ombrello Decl. at ¶ 3),
- 8 • "information derived from the Proprietary Information" (Ombrello Decl. at ¶ 5),
- 9 • "TNI/TN Games' original design, artwork, and animation of a character known as "Bruce"
10 (Ombrello Decl. at ¶ 6),
- 11 • "confidential proprietary information, including copies of all the core elements of our box,
12 product manual, and website design (all fonts and custom built letters, backgrounds, photos
13 (both raw images as well as the retouched images, etc) ... in its appropriate source format so
14 that it can be used/edited/changed/ and not just PDF pages which can only be viewed and not
15 edited" (Ombrello Decl. at ¶ 8; Ex. 4, Ombrellaro email),
- 16 • "the source animation/art/video for our Bruce video (or whatever master file of the video that
17 [Defendants] have)" (Ombrello Decl. at ¶ 11),
- 18 • "TNI/TN Games' 'Bruce' character and video and the original source files for the Bruce
19 video" (Ombrellaro email, 9/7/07),
- "a copy of the entire master list/contact info for our media/press contacts that we have
developed before and after the GDC up until the present, as well as any and all related work
product regarding our PR efforts (old and new)" (Ex. 4, Ombrellaro email),
- "the source images for the all [sic] of the GDC related projects: kiosk graphics, booth
graphics, the buttons, and the T-shirts as well" (Ex. 6, Ombrellaro email).

20 These descriptions do not contradict TNI's allegations that it is requesting proprietary information and
21 work derived therefrom. Instead, TNI clearly states in its motion for TRO the essence of its claim:

22 Chung and a series of her employees who worked on the original art and design
23 provided by Plaintiff, TN Games, signed the nondisclosure agreement that plainly states
24 that all information, including know-how, designs, inventions, or plans, furnished or
25 made available to Gogi and/or its agents, are TNI's "confidential, proprietary, trade
secret information", including any information derived from the Proprietary
Information. In other words, if Gogi edited the Bruce promotional character video, that
remains the Proprietary Information of TNI as the edited video is derived from the

1 Bruce character proved by TN Games to Gogi and the editing work has been paid for
2 by TN Games.

3 (Motion for TRO at 8.) Stated simply, TNI alleges that it “developed the artwork and designs that it
4 provided to Gogi” and simply paid Gogi “to modify or manipulate” those materials. Id.

5 Defendants have failed to persuade the Court that TNI’s allegations extend beyond a claim for
6 breach of contract to allege a right protected by the Copyright Act. Because the federal courts are
7 courts of limited jurisdiction, the removal statute is strictly construed and the burden of persuasion is
8 placed upon the party seeking removal. Gaus v. Miles, Inc., 980 F.2d 564, 566 (9th Cir. 1992).

9 Defendants have not met this burden because they have failed to convince the Court that TNI’s claims
10 allege something more than ownership rights under the NDA. The Court finds no basis for
11 Defendants’ conclusion that TNI’s claim of ownership stems from a “work for hire” provision or a
12 theory of contribution.⁴ The complaint and Motion for TRO clearly indicate that TNI’s assertion of
13 ownership is based on the terms of the NDA. Whether or not TNI’s ownership rights to the requested
14 materials are protected by the NDA is a matter of contract law, not federal copyright law.

15 Finally, Gogi argues that TNI’s breach of contract claim is qualitatively a claim of infringement
16 because TNI requests that Gogi “remove Plaintiff’s Proprietary Information from Defendants’
17 website(s).” While this request appears to implicate a right protected by copyright law, it does not
18 constitute a cause of action but is instead a remedy sought in conjunction with the breach of contract
19 claim. The NDA states that, at TNI’s request, Defendants “will delete all proprietary information from
20 his/her documents or data storage media.” Again, enforcement of the terms of the NDA is a matter of
21 state contract law and is not preempted by the Copyright Act.

22 ⁴Defendants argue that the claim is governed by the Copyright Act because “the determination
23 of ownership depends on construction of the Copyright Act,” and cite to Gaiman v. McFarlane, 360
24 F.3d 644, 652-53 (7th Cir. 2004) and Cambridge Literary Props., Ltd. v. Goebel Porzellanfabrik
25 G.m.b.H. & Co. Kig., 448 F. Supp. 2d 244, 255 (D. Mass. 2006). This authority is not controlling
and is distinguishable. In both cases, the plaintiffs claimed to have a copyright interest in the work at
issue and sought profits resulting from the use of that work. TNI does not seek a declaration that it is
a co-owner of the work at issue but instead claims ownership under the NDA.

1 **II. Misappropriation of Trade Secrets**

2 TNI's Complaint also alleges that Defendants have misappropriated TNI's trade secrets in
3 violation of the Uniform Trade Secrets Act ("UTSA"). (Cmplt. ¶¶ 3.2, 3.3.) TNI alleges that it
4 provided Defendants with proprietary information including "promotional character designs, artwork,
5 ideas and related confidential information" which constitute a "trade secret" under the Uniform Trade
6 Secrets Act. (Cmplt. ¶ 3.2; RCW 19.108.010(4).) Plaintiff seeks the return of that information
7 through injunctive relief pursuant to RCW 19.108.010.

8 **1. Step One: Copyright Subject Matter**

9 Again, the Copyright Act provides copyright protection for "original works of authorship fixed
10 in any tangible medium of expression," including "pictorial, graphic, and sculptural works" and
11 "motion pictures and other audiovisual works," but excluding any idea or concept. 17 U.S.C. § 102.
12 The trade secrets allegedly misappropriated by Defendants consist of TNI's proprietary information.
13 As discussed above, this material is protected by the Copyright Act.

14 **2. Step Two: Equivalent State Rights**

15 A state law action is not preempted by the Copyright Act if it requires an "extra element"
16 instead of or in addition to the acts of reproduction, performance, distribution or display, and that
17 "extra element" changes the nature of the action such that it is qualitatively different from a copyright
18 infringement claim. Rosciszewski, 1 F.3d at 229-230; Altera Corp., 424 F.3d 1079. It is well
19 established that actions alleging misappropriation of trade secrets do not meet the extra element test.
20 "Actions for disclosure and exploitation of trade secrets require a status of secrecy, not required for
21 copyright, and hence, are not pre-empted. This conclusion follows whether or not the material subject
22 to the trade secret is itself copyrightable." Firoozye, 153 F. Supp. 2d at 1130 (citing Nimmer on
23 Copyright, § 1.01[B][1][h], at 1-39 to 1-40).

24 The Washington Supreme Court has held that federal copyright law does not preempt state
25 trade secret claims. Boeing Co. v. Sierracin Corp., 108 Wn.2d 38, 49 (Wash. 1987). Under

1 Washington law, a plaintiff must establish that a legally protectable trade secret exists before prevailing
2 on a claim for misappropriation of a trade secret. RCW 19.108 et seq. TNI's misappropriation of
3 trade secrets claim is not preempted by copyright law and provides no basis for federal jurisdiction.

4 **Conclusion**

5 Because Plaintiff's well-pleaded complaint does not establish that federal copyright law creates
6 any claims asserted or that TNI's right to relief necessarily depends on resolution of a substantial
7 question of federal copyright law, the Court finds that removal under 28 U.S.C. § 1338 or 28 U.S.C. §
8 1331 is not proper. Because the Court lacks subject matter jurisdiction over this matter, the Court
9 REMANDS this case to King County Superior Court pursuant to 28 U.S.C. § 1447(c). Each side will
10 bear its own fees and costs in connection with this motion.

11 The Clerk is directed to send copies of this order to all counsel of record.

12 Dated: December 20, 2007.

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16 Marsha J. Pechman
17 U.S. District Judge
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COURT OF APPEALS
THE STATE OF WASHINGTON
DIVISION I

TOUCH NETWORKS, INC.,

Respondent,

vs.

GOGI DESIGN, LLC, et al.,

Appellants.

NO. 63648-1

PROOF OF SERVICE

I, Irene Norse, declare that I am a person over eighteen years of age, competent to be a witness and not a party to the above-entitled and enumerated cause.

On June 23, 2010 I caused to be served via legal messenger, the original and one copy of Respondent's Brief and this Proof of Service herein addressed to:

Court of Appeals Division I
One Union Square
600 University Street
Seattle, WA 98101

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COURT OF APPEALS
STATE OF WASHINGTON
2010 JUN 23 PM 1:09

On June 23, 2010, I caused to be served via legal messenger,
US Mail and/or email true and correct copies of Respondent's Brief
and this Proof of Service herein addressed to:

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I declare under penalty of perjury under the laws of the State
of Washington that the foregoing is true and correct.

EXECUTED at Bellevue this 23rd day of June, 2010.



Irene Norse