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INTRODUCTION

When David Butler left Burien Toyota and joined the competition, Larson Toyota, he took with him a customer list, contacting everybody on the list. In just 18 months, Butler and Larson Toyota sold 207 cars to Burien Toyota customers.

Unsurprisingly, the jury found that Butler and Larson Toyota misappropriated Burien Toyota's trade secret. Yet the jury found no damages. The only thing that explains this verdict is the erroneous jury instructions on the burden of proof and "damages."

This Court recently held (in *Petters v. Williamson*, *infra*) that to obtain restitution for unjust enrichment, a plaintiff who has established a trade secret misappropriation must establish only the defendant's resulting sales. The burden then shifts to the defendant to prove that particular sales were not attributable to the misappropriation or that reductions are necessary to net profits.

But the trial court instructed the jury that Burien Toyota had to prove "damages from sales." Requiring Burien Toyota to prove **damages** – a net sum – placed on it the defendant's burden of carving out sales and reductions to prove net profits. This Court therefore should presume prejudice, reverse and remand for a new trial on damages, and award Burien Toyota appellate fees.

ASSIGNMENTS OF ERROR

1. The trial court erred in giving Instruction 8, which (read together with Instruction 18) misplaced the burden of proof onto plaintiff Burien Toyota to prove “damages from sales” attributable to defendants’ trade secret misappropriation. CP 555.¹
2. The trial court erred in entering judgment. CP 955.

ISSUE RELATED TO ASSIGNMENTS OF ERROR

This Court has unequivocally held that where, as here, the plaintiff establishes a trade-secret misappropriation, the plaintiff must establish only resulting sales, after which the burden shifts to the defendant to prove sales not attributable to use of the trade secret, or to net profits. *Petters v. Williamson, infra*. Did the trial court err (1) in instructing the jury that plaintiff Burien Toyota had to prove “damages from sales” attributable to the trade secret; and (2) in defining damages to include (a) “the amount of money that will reasonably and fairly compensate Burien Toyota for any injury . . . proximately caused by Mr. Butler and/or Larson Toyota [including] restitution for unjust enrichment”; and (b) “defendants’ gain as unjust enrichment”? CP 555, 565.

¹ The jury instructions and special verdict form are attached as App. A.

STATEMENT OF THE CASE

A. When Butler began working for Burien Toyota, it provided Butler with potential customers through its outside marketing firm, Sobel.

Respondent David Butler began working for Appellant Burien Toyota in February 2003, after a 32-year career at Nordstrom. CP 57, 150. Butler was a very successful shoe salesman, easily transitioning into selling cars in his retirement. CP 57-58, 616. He was by all accounts a top salesperson. CP 616.

When Butler first started at Burien Toyota, management provided him with “‘orphan’ owner customers,” customers who had purchased cars from Burien Toyota, but did not have a salesperson following up with them. CP 573. Early on, this supplemented the few customers to whom Butler initially sold cars. *Id.*

Burien Toyota contracts with Sobel & Associates to manage its customer databases and provide direct-marketing materials, such as newsletters and address labels. CP 46, 571, 576-77, 581. Burien Toyota provides customer lists directly to Sobel for each Burien Toyota salesperson. CP 571, 576, 581. Burien Toyota does not give customer lists directly to salespeople, and salespeople do not submit customer information directly to Sobel. *Id.*

Butler asked to go on the Sobel program earlier than most salespeople, seeking the opportunity to be more competitive. CP 573. Burien Toyota provided customer information directly to Sobel and Sobel produced direct marketing materials for Butler. CP 571, 576-77, 581. This became known as “the Sobel list.” *Id.*

B. Butler claimed that he brought a Nordstrom list with him to Burien Toyota, but no one at Burien Toyota saw that list, and it was never downloaded into their database.

Butler claimed that he directly provided Sobel with a customer list that he took from Nordstrom. CP 45, 62-63. Sobel’s Kathy Orlando also stated that Butler “personally” gave her a customer list, claiming that she gave it to an unnamed Sobel employee for “data entry.” CP 47. This claim was hotly contested. CP 571, 576, 577.

Sharon Daniels, Burien Toyota’s customer-service manager, worked directly with Butler, but never saw nor heard of the supposed Nordstrom list. CP 576. Daniels plainly stated that there was no indication that any Nordstrom list was ever put into Burien Toyota’s database. *Id.*

Ted Klarich, Burien Toyota’s general sales manager, heard about the Nordstrom list, but never saw it. CP 570. Klarich would have known about the list if it existed. CP 571. It is against Burien

Toyota's policy to place outside customer information into its database, and the Nordstrom list, if any, was not in the database. *Id.*

Patrick Dillon, Burien Toyota's general manager, also never saw the alleged Nordstrom list. CP 581. He too stated that it is against policy to use others' lists. CP 582. No Nordstrom list was loaded into Burien Toyota's database. *Id.* Dillon would not have allowed Butler to use a customer list he took from Nordstrom. *Id.*

C. Despite acknowledging that all Burien Toyota customer information was confidential and proprietary, Butler took the Sobel list when he left Burien Toyota, giving it to his new employer, competitor Larson Toyota.

Burien Toyota salespeople know that customer information is confidential and proprietary and that it remains so when Burien Toyota sends it to Sobel. CP 571. Butler, like all Burien Toyota employees, was advised when his employment began, and repeatedly reminded throughout his tenure, that Burien Toyota customer information is confidential. CP 573, 578, 581-82, 587-88. Butler signed many documents agreeing to and acknowledging these privacy policies. CP 582, 591, 592, 594-95.

Yet Butler openly admits that when he left Burien Toyota in March 2011, he took the "Sobel list" to Burien Toyota's competition, Larson Toyota. CP 72, 619, 625-27. When Butler started working for Larson Toyota, he told the management team, Craig Noyes, Tom

Todak and Rob Larson, that he had the Sobel list on computer disk, explaining that it was a list of customers he had sold to while at Burien Toyota. CP 627-28. Although Butler did not specifically recall how they responded, management never instructed Butler not to put the Sobel list into Larson Toyota's database. CP 628. Butler believes that Larson Toyota management knew that he intended to download the list. CP 629.

Butler enlisted someone in Larson Toyota's IT department to help him download the Sobel list into Larsen Toyota's database. CP 625-26. Butler acknowledged that there were "at least a thousand . . . 500" Burien Toyota customers on the Sobel list. CP 652. He admitted calling Burien Toyota customers and emailing "everybody" on the Sobel list while at Larson Toyota. CP 650, 652.

When asked, Butler returned the Sobel list to Burien Toyota, but kept a hardcopy of the list and a disk containing the list. CP 648-50. Butler never informed Burien Toyota that he had duplicates of the same list he was supposedly returning. *Id.* He acknowledged telling Burien Toyota that he had not shown or given the Sobel list to anyone, but "ha[d] no idea" why he would have said that. CP 648.

D. Burien Toyota instructed Butler to immediately stop using the Sobel list, and sued for trade-secret misappropriation and related torts.

Shortly after Butler left Burien Toyota in March 2011, Burien Toyota began receiving many complaints from customers stating that Butler was contacting them from Larson Toyota. CP 72, 573. These customers did not understand why Butler was contacting them from a different dealership, as they had an ongoing relationship with Burien Toyota. *Id.* They were unhappy and wanted it stopped. *Id.* Burien Toyota was forced to send a cease and desist letter on April 4, 2011. CP 65-66, 574.

E. Burien Toyota established that in just 18 months after Butler moved to the competition, he and Larson Toyota sold not less than 207 cars to Burien Toyota customers.

Per court order, Larson Toyota produced three separate lists of car sales in response to Burien Toyota's discovery requests. CP 343, 682, 849. These lists include Butler's sales, as well as sales from other Larson Toyota employees, from March 2011 (when Butler left Burien Toyota) to November 2012, including the sales prices for those cars. *Id.*; Exs 16, 22, 23. Burien Toyota cross-checked these lists against its customer database, finding 207 sales to Burien Toyota customers. CP 343, 584, 682, 849. This works out to over 10 cars per month, or 1 car every two-to-three days. *Id.*

- F. **Over both sides' objections, the trial court gave Instructions 8 and 18, telling the jury that Burien Toyota had to prove "damages from sales," not just resulting sales, as this Court has required.**

This Court has previously held that a plaintiff seeking restitutionary unjust enrichment damages caused by a trade-secret misappropriation has the burden of establishing the defendant's resulting sales. *Petters v. Williamson & Assocs., Inc.*, 151 Wn. App. 154, 164-65, 210 P.3d 1048 (2009), *rev. denied*, 168 Wn.2d 1007 (2010). The burden then shifts to the defendant to prove any sales not attributable to the misappropriation, or reductions to determine net profits. *Petters*, 151 Wn. App. at 164-65.

The trial court gave Jury Instruction 8, requiring Burien Toyota to prove not just resulting sales, but "damages from sales":

TRADE SECRETS – BURDEN OF PROOF

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

(1) That Burien Toyota had a trade secret;

(2) That Mr. Butler and/or Larson Toyota misappropriated Burien Toyota's trade secret; and

(3)(a) That Mr. Butler and/or Larson Toyotas' [*sic*] misappropriation was a proximate cause of damages to Burien Toyota (Actual Damages);

and/or

(3)(b) That, is a result of the misappropriation, Mr. Butler and/or Larson Toyota received money or benefits that

in justice and fairness belong to Burien Toyota (Unjust Enrichment). Under (3)(b) (Unjust Enrichment), plaintiff has the initial burden of proving **damages from sales** attributable to the use of a trade secret. The burden then shifts to Mr. Butler and/or Larson Toyota to establish any portion of the sales not attributable to the trade secret and any expenses to be deducted in determining net profits.

If you find from your consideration of all the evidence that proposition (1), (2) and either (3)(a) or (3)(b) have been proved, then your verdict should be for Burien Toyota. On the other hand, if you find that propositions (1) nor (2) nor alternatives (3)(a) or (3)(b) have not been proved, your verdict should be for Mr. Butler and Larson Toyota.

CP 555 (emphasis added). Burien Toyota specifically objected to Instruction 8 on the ground that it required Burien Toyota to prove not just “sales,” but “damages from sales.” 1/31 RP 7-8. Burien Toyota argued that in stating “damages from sales,” Instruction 8 impermissibly shifted the burden back to the plaintiff. *Id.*

Burien Toyota also objected to Instruction 18, defining the measure of trade-secret misappropriation damages. 1/31 RP 10-11. Burien Toyota proposed alternate instructions on the measure of damages and the burden of proof, and objected to the trial court’s refusal to give its proposed instructions. *Id.* at 12; CP 894, 901.

Interestingly, Larson Toyota also objected to Jury Instructions 8 and 18. 1/31 RP 14, 15. On No. 8, Larson Toyota stated, “we do

think that the new Number 8² does not accurately state the law, and so we except on that basis.” 1/31 RP 14. On No. 18, Larson Toyota stated: “The defense also excepts to giving of Instruction Number 18. It’s potentially confusing with the additional language with the parts from the WPI.” 1/31 RP 15.

G. The jury found that Butler and Larson Toyota had misappropriated Burien Toyota’s trade secret, but found that Burien Toyota suffered no damages.

By special verdict, the jury found that the Sobel list Butler took from Burien Toyota constituted a trade secret. CP 906. The jury also found that both Butler and Larson Toyota misappropriated that trade secret. CP 907. Yet the jury found that the misappropriation did not financially harm Burien Toyota. *Id.*

Burien Toyota timely appealed. CP 970. Larson Toyota filed a “conditional” cross appeal. CP 1016-17.

² By “new Number 8” Larson Toyota meant that this version of No. 8 – drafted overnight by the trial judge – had been provided to the parties for the first time that morning. 1/31 RP 2. Larson stated: “we would except for some of the reasons – for some of the reasons previously discussed” (1/31 RP 14), which appears to refer back to Burien Toyota’s objections; this could also refer back to the previous day’s discussions, but this was a new instruction, and such a vague reference would make no sense.

ARGUMENT

A. Standard of Review.

This Court reviews jury instructions *de novo* for errors of law. **Anfinson v. FedEx Ground Package Sys., Inc.**, 174 Wn.2d 851, 860, 281 P.3d 289 (2012) (citing **Joyce v. Dep't of Corr.**, 155 Wn.2d 306, 323, 119 P.3d 825 (2006)); **City of Bellevue v. Raum**, 171 Wn. App. 124, 142, 286 P.3d 695 (2012), *rev. denied*, 176 Wn.2d 1024 (2013). Jury instructions must allow counsel to argue his theory of the case, must not be misleading, and “when read as a whole [must] properly inform the trier of fact of the applicable law.” **Anfinson**, 174 Wn.2d at 860 (quoting **Bodin v. City of Stanwood**, 130 Wn.2d 726, 732, 927 P.2d 240 (1996)); **Raum**, 171 Wn.2d at 142. “If any of these elements are absent, the instruction is erroneous.” **Anfinson**, 174 Wn.2d at 860 (citing **Joyce**, 155 Wn.2d at 323-25).

This Court will reverse where an erroneous jury instruction prejudices a party. **Anfinson**, 174 Wn.2d at 860; **Raum**, 171 Wn.2d at 142. Prejudice must be demonstrated if an instruction is “merely misleading.” **Anfinson**, 174 Wn.2d at 860. But this Court will presume prejudice when the instruction contains a clear misstatement of law. **Anfinson**, 174 Wn.2d at 860 (citing **Keller v. City of Spokane**, 146 Wn.2d 237, 249-50, 44 P.3d 845 (2002)).

B. The trial court erroneously instructed the jury that plaintiff Burien Toyota had to prove not only Butler's and Larson Toyota's sales, but also damages from sales.

The trial court instructed the jury that "plaintiff has the initial burden of proving **damages from sales** attributable to the use of a trade secret," after which the burden shifts to the defendant to prove "any portion of the sales not attributable to the trade secret and any expenses to be deducted in determining net profits." CP 555 (emphasis added). But this Court plainly held that a plaintiff who has established a trade-secret misappropriation must prove only "the defendant's sales," not "damages from sales." Compare *Pettters*, 151 Wn. App. at 164-65 with CP 555. Instruction 8 misstates the applicable law, and when read in conjunction with damages Instruction 18, misplaces the burden onto Burien Toyota. This Court should reverse and remand for a new trial on damages.

1. This Court has held that once the plaintiff proves the defendant's sales attributable to the misappropriation, the burden then shifts to the defendant to prove sales not attributable to the misappropriation, or reductions to determine net profits.

A plaintiff seeking relief under the Uniform Trade Secrets Act ("UTSA") must initially prove: (1) that there is a trade secret; *i.e.*, a legally protectable secret; and (2) that the secret has been misappropriated. *Pettters*, 151 Wn. App. at 164. A plaintiff may

recover damages “for the actual loss caused by misappropriation,” and “for the unjust enrichment caused by misappropriation that is not taken into account in computing damages for actual loss.” RCW 19.108.030(1).

While these principles are well established, “[t]he burden of proving the measure of damages in cases addressing misappropriation of trade secrets is not a subject that has received significant attention from Washington’s appellate courts.” *Pettors*, 151 Wn. App. at 164-65. Indeed, in *Pettors*, this Court addressed for the first time in Washington who has “the burden of proving the proper amount of restitutionary unjust enrichment damages” for a trade-secret misappropriation. 151 Wn. App. at 164-65. Our appellate courts have not revisited the issue since.

In *Pettors*, the Court adopted the RESTATEMENT (THIRD) OF UNFAIR COMPETITION, under which the plaintiff has the burden to prove “the defendant’s sales,” after which the defendant has the burden to prove any portion of its sales not attributable to the misappropriation, or any reductions to determine net profits:

The traditional form of restitutionary relief in an action for the appropriation of a trade secret is an accounting of the defendant’s profits on sales attributable to the use of the trade secret. ... The plaintiff has the burden of establishing the defendant’s sales; the defendant has the burden of

establishing any portion of the sales not attributable to the trade secret and any expenses to be deducted in determining net profits.

Id. at 165 (quoting RESTATEMENT (THIRD) OF UNFAIR COMPETITION, § 45 cmt. f. at 516-17 (1995)). This Court found this “a logical and unremarkable formulation of the rule” that properly places the burden on the defendant, who has “possession of the relevant information,” and is “widely adopted” in other jurisdictions:

This is a logical and unremarkable formulation of the rule. It places on the party in possession of the relevant information—the defendant—the burden of demonstrating which portion, if any, of the revenue obtained through the transfer of a trade secret was not, in fact, attributable to the transfer. That is, it requires the defendant to explain why any particular portion of the money that it received as a result of the misappropriating transaction should *not* be considered an “actual loss” suffered by the plaintiff under RCW 19.108.030(1). The rule has been widely adopted in jurisdictions applying the model act.

Pettors, 151 Wn. App. at 165 (citing ***Vt. Microsystems, Inc. v. Autodesk, Inc.***, 138 F.3d 449, 450 (2nd Cir. 1998)).

Thus, under ***Pettors***, Burien Toyota had the burden to prove that the Sobel list was a trade secret, that Butler and/or Larson Toyota misappropriated the Sobel list, and that Butler and/or Larson/Toyota made sales attributable to their misappropriation. ***Pettors***, 151 Wn. App. at 164-65. The burden then should have shifted to Butler and Larson Toyota to prove what portion of their

sales, if any, were not attributable to the Sobel list, and any other reductions to determine net profits. 151 Wn. App. at 164-65.

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

Read as a whole, the instructions misstate the applicable law. *Anfinson*, 174 Wn.2d at 860; *Raum*, 171 Wn.2d at 142. Over both parties' objections, the trial court instructed the jury that to obtain restitution for unjust enrichment, Burien Toyota "has the initial burden of proving **damages from sales** attributable to the use of a trade secret." CP 555 (emphasis added). Burien Toyota objected precisely to the phrase "damages from sales," arguing that plaintiff must prove only resultant "sales," not "damages from sales." 1/31 RP 7-8,10-11.

Instruction 18 defines "damages" as "the amount of money that will reasonably and fairly compensate Burien Toyota for any injury you find was proximately caused by Mr. Butler and/or Larson Toyota." CP 565. The instruction states that Burien Toyota may recover "restitution for unjust enrichment," defined as "defendants' gain." *Id.* Burien Toyota objected to Instruction 18 on the same basis as its objection to Instruction 8: it shifts the burden back to Burien Toyota to prove **damages**. 1/31 RP 7-8,10-11.

Reading together the damages definitions from Instruction 18 (underlined below) and the burden-shift language in Instruction 8, they placed two burdens on Burien Toyota with respect to the measure of unjust enrichment “damages,” or restitution:

- ◆ [P]laintiff has the initial burden of proving damages [– *i.e.*, the amount of money that will reasonably and fairly compensate Burien Toyota –] from sales attributable to the use of a trade secret.
- ◆ [P]laintiff has the initial burden of proving damages [– *i.e.*, defendants’ gain –] from sales attributable to the use of a trade secret.

CP 555, 565. This is not the law. **Pettors** plainly holds that plaintiff’s initial burden is to prove resulting sales, not reasonable and fair compensation or the defendant’s gain. 151 Wn. App. at 164-65.

These dual burdens plainly contradict the **Pettors** holding. Under **Pettors**, a plaintiff seeking restitutionary unjust enrichment damages has the initial burden of “establishing the defendant’s sales.” **Pettors**, 151 Wn. App. at 165 (quoting RESTATEMENT, *supra*, § 45 cmt. f). If the plaintiff establishes resultant sales, then the burden shifts to the defendant to prove “any portion of the sales not attributable to the trade secret and any expenses to be deducted in determining net profits.” *Id.* The rationale behind this “logical and unremarkable” rule is that the defendant must establish the contours

of his unjust enrichment because it possesses the information relevant to this determination. *Id.*

This case illustrates the wisdom of this rule. The jury found that Butler and Larson Toyota misappropriated Burien Toyota's trade secret. CP 906-07. Burien Toyota established that Butler and Larson Toyota made at least 207 sales to Burien Toyota customers on the misappropriated Sobel list, and established the sales price for each of these 207 cars. CP 343, 682, 849; Exs 16, 22, 23. It then should have been up to Butler and/or Larson Toyota to prove that some of those 207 sales were not attributable to the trade secret and/or that it had expenses that should be deducted from the gross sales price to establish net profits. **Petters**, 151 Wn. App. at 165. But the "damages" instructions placed that burden on Burien Toyota.

Butler and Larson Toyota are far better situated to establish reasonable reductions from gross sales prices to "determin[e] net profits." *Id.* But the instructions required Burien Toyota to prove (1) fair compensation; and (2) Butler and/or Larson Toyota's gain, both of which are net sums. CP 555, 565. Instructions 8 and 18 thus required Burien Toyota to satisfy both its own burden, and also Butler/Larson Toyota's burden. This Court should reverse and remand for a new trial on damages.

3. The rule adopted in *Petters* is consistent with persuasive authority from around the country, dating as far back as 1888.

Petters is consistent with foreign cases addressing the burden of proof in trade-secret misappropriation cases, as well as cases involving copyright infringement, trademark infringement, and patent infringement. Two leading trade-secret cases emerge from Massachusetts, which (like Washington) permits a plaintiff who has established a trade-secret misappropriation to recover the greater of actual damages or the defendant's "wrongful profits" (*i.e.*, unjust enrichment). *Jet Spray Cooler, Inc. v. Crampton*, 377 Mass. 159, 170-71, 385 N.E.2d 1349 (1979) ("*Jet Spray II*"). Liability was resolved in the first of two appeals, *Jet Spray Cooler, Inc. v. Crampton*, 361 Mass. 835, 282 N.E.2d 921 (1972) ("*Jet Spray I*").

In the second appeal, the defendant challenged the damages calculation, arguing that it was error not to deduct the defendant's claimed losses from its net profits. *Jet Spray II*, 377 Mass. at 174-75. Affirming, the appellate court noted that any failure to prove deductions cuts against defendants:

Once the plaintiffs demonstrate that the defendants have made profits from sales of products incorporating the misappropriated trade secrets, the burden shifts to the defendants to demonstrate the portion of their profits which is not attributable to the trade secrets. . . . When an apportionment of the defendants' profits is not possible on the

basis of the evidence, “[t]he fact that he may lose something of his own is a misfortune which he has brought upon himself”

Id. at 174 n.14 (citations omitted, quoting **Westinghouse Elec. & Mfg. Co. v. Wagner Elec. & Mfg. Co.**, 225 U.S. 604, 622, 32 S. Ct. 691, 56 L. Ed 1222 (1912)).⁴ The Massachusetts appellate court more recently reiterated that any misfortune falls on defendants:

Once a plaintiff demonstrates that a defendant made a profit from the sale of products produced by improper use of a trade secret, the burden shifts to the defendant to demonstrate those costs properly to be offset against its profit and the portion of its profit attributable to factors other than the trade secret. . . . If a defendant cannot meet its burden as to costs and profits, the defendant must suffer the consequences. . . .

USM Corp. v. Marson Fastener Corp., 392 Mass. 334, 338, 467 N.E.2d 1271 (1984).

Citing **USM Corp.**, **Jet Spray II**, and other cases, the Tenth Circuit applied the same burden shift in a trade-secret-misappropriation case, **Cartel Asset Mgmt. v. Ocwen Fin. Corp.**, 249 Fed. App’x 63, 78-79 (10th Cir. 2007). There, defendant did not contest the burden shift itself, but argued that the burden never shifted because plaintiff failed to present sufficient evidence that a sale was attributable to the misappropriated trade secret. **Cartel**,

⁴ The court affirmed, other than to correct a transposition of accounting figures in the damages calculation. **Jet Spray II**, 377 Mass. at 161.

249 Fed. App'x at 79. But the appellate court held that the jury heard sufficient evidence to reasonably infer that the defendant profited from its misappropriation. 249 Fed. Appx. at 79. Thus, the circuit court reversed, holding that the trial court erroneously placed the burden on the plaintiff to prove "specific net profits from the sale," where the defendant "is in the best position to rationally apportion its net profits." *Id.*

The same rule has been applied in copyright-infringement actions. *Id.* at 78 (discussing ***Data Gen. Corp. v. Grumman Sys. Support Corp.***, 36 F.3d 1147, 1173 (1st Cir. 1994)). Under 17 U.S.C. § 504(b), which sets forth the remedies for copyright infringement, in addition to recovering "actual damages suffered . . . as a result of the infringement," the copyright owner is entitled to recover "any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." 17 U.S.C. § 504(b); ***Cream Records, Inc. v. Jos. Schlitz Brewing Co.***, 754 F.2d 826, 828 (9th Cir. 1985). The statute also allocates the burden of proof: "the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to

factors other than the copyrighted work.” 17 U.S.C. § 504(b); ***Cream Records***, 754 F.2d at 828.

The First Circuit described this burden shift as follows:

[T]he plaintiff must meet only a minimal burden of proof in order to trigger a rebuttable presumption that the defendant’s revenues are entirely attributable to the infringement; the burden then shifts to the defendant to demonstrate what portion of its revenues represent profits, and what portion of its profits are not traceable to the infringement.

Data Gen., 36 F.3d at 1173; *see also* ***Bucklew v. Hawkins, Ash, Baptie & Co., LLP***, 329 F.3d 923, 932 (7th Cir. 2003). Stated another way, a copyright infringer “carries the burden of disentangling” profits from the copyrighted material and profits from other sources. ***Sheldon v. Metro-Goldwyn Pictures***, 106 F.2d 45, 48 (2nd Cir. 1939), *aff’d*, 309 U.S. 390, 60 S. Ct. 681, 84 L. Ed. 825 (1940) (“Where there is a commingling of gains, [defendant] must abide the consequences, unless he can make a separation of the profits so as to assure to the injured party all that justly belongs to him”); *see also* ***Callaghan v. Myers***, 128 U.S. 617, 666, 9 S. Ct. 177, 32 L. Ed. 547 (1888) (“it is the defendants who are responsible for having blended the lawful with the unlawful, and they must abide the consequences”). “The law requires [the infringer] to resolve any doubts arising from his wrong” ***Sheldon***, 106 F.2d at 48.

In sum, precedent across the country is consistent with **Petters**. Butler and Larsen Toyota misappropriated trade secrets. Any doubt as to the damages must fall on them. But these jury instructions placed the loss on the victim, Burien Toyota. This Court should reverse and remand for a new trial on damages.

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

This Court should presume that Burien Toyota was prejudiced, where the instructions, read together, misstate the applicable law. **Anfinson**, 174 Wn.2d at 860; *supra* Argument § B 2. Burien Toyota did not have to prove “damages from sales,” or fair compensation, or “gains,” but resultant sales. *Compare* Instructions 8 and 18 (CP 555 and 565) *with Petters*, 151 Wn. App. at 165. The trial court incorrectly instructed the jury that Burien Toyota had to prove much more than the law requires.

Indeed, Butler and Larson Toyota agreed that Jury Instructions 8 and 18 misstated the law. 1/31 RP 7-8, 10-11, 14, 15. The trial court’s last-minute instructions left the jury at a loss. The jury left Burien Toyota at a loss. This Court should presume prejudice and reverse. **Anfinson**, 174 Wn.2d at 860.

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

RCW 19.108.040 permits a fee award to a prevailing party who has shown that a trade-secret misappropriation was willful and malicious. Here, the special verdict form did not permit the jury to answer whether Butler's and Larson Toyota's trade-secret misappropriation was willful and malicious once it found that Burien Toyota was not damaged. CP 907. On remand, and with proper instructions, the jury could and most likely would conclude that the misappropriation was willful and malicious. Thus, this Court should award appellate fees under RCW 19.108.040, conditioned on the jury's finding that the misappropriation was willful and malicious.

CONCLUSION

Read as a whole, the jury instructions plainly misstate the applicable law. This Court should presume prejudice, reverse, and remand for a new trial on damages. The Court should also award appellate fees, pending the jury's determination of whether Butler's and Larson Toyota's misappropriation was willful and malicious.

RESPECTFULLY SUBMITTED this 16th day of October,
2013.

MASTERS LAW GROUP, P.L.L.C.



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CERTIFICATE OF SERVICE BY MAIL

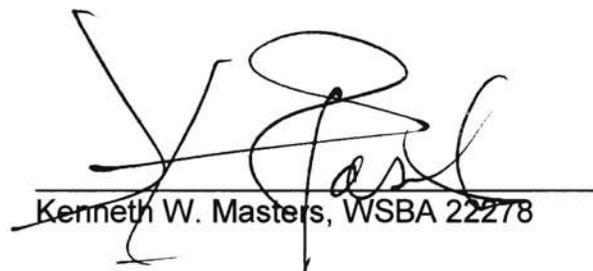
I certify that I caused to be mailed, a copy of the foregoing **BRIEF OF APPELLANT** postage prepaid, via U.S. mail on the 16th day of October 2013, to the following counsel of record at the following addresses:

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RCW 19.108.030

Remedies for misappropriation — Damages.

(1) In addition to or in lieu of injunctive relief, a complainant may recover damages for the actual loss caused by misappropriation. A complainant also may recover for the unjust enrichment caused by misappropriation that is not taken into account in computing damages for actual loss.

(2) If wilful and malicious misappropriation exists, the court may award exemplary damages in an amount not exceeding twice any award made under subsection (1).

[1981 c 286 § 3.]

RCW 19.108.040

Award of attorney's fees.

If a claim of misappropriation is made in bad faith, a motion to terminate an injunction is made or resisted in bad faith, or wilful and malicious misappropriation exists, the court may award reasonable attorney's fees to the prevailing party.

[1981 c 286 § 4.]

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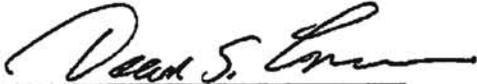
JAN 31 2013

SUPERIOR COURT CLERK
SUNG KIM
DEPUTY

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

ADA MOTORS, INC.)	
)	
Plaintiff,)	Case No. 11-2-14916-1 KNT
vs.)	
)	
DAVID L. BUTLER AND ELIZABETH BUTLER,)	
)	
Defendant,)	

INSTRUCTIONS TO THE JURY



 HONORABLE DEAN LUM
 Judge of Superior Court

INSTRUCTION NO. 8

TRADE SECRETS – BURDEN OF PROOF

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

(1) That Burien Toyota had a trade secret;

(2) That Mr. Butler and/or Larson Toyota misappropriated Burien Toyota's trade secret;

and

(3)(a) That Mr. Butler and/or Larson Toyotas' misappropriation was a proximate cause of damages to Burien Toyota (Actual Damages);

and/or

(3)(b) That, as a result of the misappropriation, Mr. Butler and/or Larson Toyota received money or benefits that in justice and fairness belong to Burien Toyota (Unjust Enrichment). Under (3)(b)(Unjust Enrichment), plaintiff has the initial burden of proving damages from sales attributable to the use of a trade secret. The burden then shifts Mr. Butler and/or Larson Toyota to establish any portion of the sales not attributable to the trade secret and any expenses to be deducted in determining net profits.

If you find from your consideration of all the evidence that proposition (1), (2) and either (3)(a) or (3)(b) have been proved, then your verdict should be for Burien Toyota. On the other hand, if you find that propositions (1) nor (2) nor alternatives (3)(a) or (3)(b) have not been proved, your verdict should be for Mr. Butler and Larson Toyota.

1 INSTRUCTION NO. 18

2 TRADE SECRETS – DAMAGES

3 It is the duty of the Court to instruct you about the measure of damages. By instructing
4 you on damages, the Court does not mean to suggest for which party your verdict should be
5 rendered.

6 If you find for Burien Toyota on its claim, you must determine Burien Toyota's
7 damages. The Plaintiff, Burien Toyota, has the burden of proving damages. Damages means the
8 amount of money that will reasonably and fairly compensate Burien Toyota for any injury you
9 find was proximately caused by Mr. Butler and/or Larson Toyota. Plaintiff may recover actual
10 damages in the form of past and future lost profits as well as related expenses and may recover
11 restitution for unjust enrichment, but the law does not permit the plaintiff to recover twice for
12 the same damages. Thus, you may include as damages both plaintiff's lost profits as actual
13 damages and defendants' gain as unjust enrichment only if and to the extent that they do not
14 overlap in any way.

15 It is for you to determine what damages, if any, have been proved. Your award must be
16 based upon evidence and not upon speculation, guesswork or conjecture.

FILED
~~KING COUNTY WAS HERE~~

THE HONORABLE DEAN LUM

FEB 04 2013

~~SUPERIOR COURT CLERK~~
~~KING COUNTY~~

Debra Bailey Trout

SUPERIOR COURT OF THE STATE OF WASHINGTON
FOR KING COUNTY

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

Plaintiff,)

vs.)

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

Defendants.)

No. 11-2-14916-1 KNT

SPECIAL VERDICT FORM

We, the jury, make the following answers to the questions submitted by the Court:

QUESTION NO. 1: Do you find that the list of customers that David Butler had when he left the employment of Burien Toyota constituted a "trade secret" of Burien Toyota's as that term has been defined in earlier instructions?

Answer "yes" or "no."

Answer: yes

please go to Question No. 2.

1 QUESTION NO. 2: Do you find that either Larson Toyota or David Butler
2 "misappropriated" the "trade secret" of Burien Toyota, as those terms were defined in earlier
3 instructions?

4 Answer "yes" or "no" for each defendant:

5 Answer: Yes (for Larson Toyota)

6 Answer: Yes (for David Butler)

7 If your answers to Question No. 2 for both defendants was "no," then please go to
8 Question No. 8. If your answer to Question No. 2 is "yes" as to either defendant or both
9 defendants, then please go to Question No. 3.

10
11 QUESTION NO. 3: Do you find that this misappropriation of a trade secret has
12 financially harmed Burien Toyota?

13 Answer "yes" or "no."

14 Answer: NO

15 If you answer Question No. 3 "no," then please go to Question No. 8. If you answer
16 Question No. 3 "yes," then please go to Question No. 4.

17
18 QUESTION NO. 4: Do you find that this misappropriation of a trade secret was willful
19 and malicious?

20 Answer "yes" or "no" for each defendant:

21 Answer: _____ (for Larson Toyota)

22 Answer: _____ (for David Butler)

23 Regardless of your answer to Question No. 4, please go to Question No. 5.
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QUESTION NO. 5: Do you find that "equitable estoppel" prohibits Burien Toyota from bringing its claims, as defined in earlier instructions?

Answer "yes" or "no."

Answer: _____

If you answer Question No. 5 "no," then please go to Question No. 6. If you answer Question No. 5 "yes," then please go to Question No. 8.

QUESTION NO. 6: Do you find that "unclean hands" prohibits Burien Toyota from bringing its claims, as defined in earlier instructions?

Answer "yes" or "no."

Answer: _____

If you answer Question No. 6 "no," then please go to Question No. 7. If you answer Question No. 6 "yes," then please go to Question No. 8.

QUESTION NO. 7: What is the total dollar amount of damages that you believe has been proximately caused to Burien Toyota as a result of the misappropriation?

Answer: \$ _____

Regardless of your answer to Question No. 7, please go to Question No. 8.

1 QUESTION NO. 8: Do you find that Buriem Toyota's claim of misappropriation was
2 made in bad faith?

3 Answer "yes" or "no."

4 Answer: NO

5 Sign and return this verdict form.

6 Dated: 2 / 4 /, 2013.

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8 Jennifer Johnson
9 Foreperson

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