

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT TACOMA

SUAREZ CORPORATION INDUSTRIES;
and MHE CORPORATION,

Plaintiffs,

v.

EARTHWISE TECHNOLOGIES, INC.;
EARTHWISE INNOVATIONS, INC.; and
BRUCE R. SEARLE, individually,

Defendants.

EARTHWISE TECHNOLOGIES, INC. and
BRUCE SEARLE,

Plaintiffs,

v.

SUAREZ CORPORATION INDUSTRIES,

Defendant.

Case No. C07-5577RJB
Case No. C07-2020RJB
(Consolidated)

ORDER

(1) GRANTING IN PART AND
DENYING IN PART SCI'S AND
MHE'S MOTION FOR
SUMMARY JUDGMENT
REGARDING TRADEMARK,
LANHAM ACT, AND UNFAIR
COMPETITION LIABILITY;
(2) GRANTING SCI'S MOTION
FOR SUMMARY JUDGMENT
ON SEARLE'S TRADE SECRET
MISAPPROPRIATION CLAIM;
AND
(3) GRANTING SCI'S MOTION
TO DISMISS OR IN THE
ALTERNATIVE FOR
SUMMARY JUDGMENT ON
SEARLE'S BREACH OF
AGREEMENT CLAIM

This matter comes before the Court on SCI's and MHE's Motion for Summary Judgment Regarding Trademark, Lanham Act, and Unfair Competition Liability (Dkt. 67), SCI's Motion for Summary Judgment on Searle's Trade Secret Misappropriation Claim (Dkt. 70), and SCI's

1 Motion to Dismiss or in the Alternative for Summary Judgment on Searle's Breach of Agreement
2 Claim (Dkt. 73). The Court has considered the pleadings filed in support of and in opposition to
3 the motions and the remainder of the file herein. Matters raised in the motions are suitable for
4 decision without oral argument, and the requests for oral argument are therefore denied.

5 I. FACTUAL AND PROCEDURAL BACKGROUND

6 Unless otherwise indicated, the following facts are undisputed or taken in the light most
7 favorable to Earthwise Technologies, Inc. ("Earthwise Technologies"), Earthwise Innovations,
8 Inc. ("Earthwise Innovations"), and Bruce Searle (collectively "Earthwise"), the nonmoving
9 parties: Suarez Corporation Industries ("SCI") markets and sells consumer products, including
10 portable electric space heaters under the trademarks EDENPURE and SUN-TWIN. Mr. Searle
11 became an Internet distributor of SCI's products in 2005 or 2006. Earthwise created four
12 websites to sell SCI's new heaters, heater parts, and refurbished heaters bearing the brand names
13 EDENPURE and SUN-TWIN: *edenpure-heater.com*, *edenpureoutlet.com*,
14 *infraredappliances.com*, and *infraredheating.com*.

15 Sometime before May of 2007, Mr. Searle created a different quartz infrared heater, the
16 ComfortZone heater. Mr. Searle's new heater led to a breakdown of the parties' distributorship
17 agreement, and on October 22, 2007, Mr. Searle informed SCI in writing that he was terminating
18 the distributorship agreement with SCI.

19 On October 19, 2007, Earthwise Technologies, Inc., and Bruce Searle filed a complaint
20 requesting a declaratory judgment pursuant to 28 U.S.C. § 2201 and Fed. R. Civ. P. 57. C07-
21 5577RJB, Dkt. 1.

22 On December 18, 2007, SCI and MHE Corporation filed a complaint against Earthwise
23 for trademark infringement, false designation of origin and unfair competition, cyberpiracy,
24 violation of Washington's Consumer Protection Act, and unfair enrichment. C07-2020RJB, Dkt.
25 1.

26 On February 12, 2008, the two actions were consolidated. C07-5577RJB, Dkt. 30 (unless
27 otherwise indicated, remaining references to the docket are to the docket of C07-5577RJB).
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1 On February 14, 2008, the Court entered a preliminary injunction enjoining Earthwise's
2 use of the EDENPURE and SUN-TWIN trademarks. Dkt. 32 at 14. The injunction was based, in
3 part, on Earthwise's stipulations.

4 On March 7, 2008, Earthwise filed an answer in the consolidated action and asserted
5 counterclaims for breach of agreement and misappropriation of trade secrets. Dkt. 36.

6 Three motions are pending before the Court and ripe for decision: First, SCI and MHE
7 move for summary judgment on SCI's trademark infringement, unfair competition, and
8 cyberpiracy claims, seeking a permanent injunction and an order transferring all domain names
9 incorporating SCI's trademarks. Dkt. 67 at 16. In its response to this motion, Earthwise moves to
10 strike Exhibit A to the Declaration of David A Lowe and moves for summary judgment. Dkt. 88
11 at 2. Second, SCI seeks summary judgment on Mr. Searle's counterclaim for misappropriation of
12 trade secrets. Dkt. 70. Finally, SCI seeks summary judgment on, or dismissal of, Mr. Searle's
13 counterclaim for breach of agreement. Dkt. 73.

14 **II. SCI AND MHE'S MOTION FOR SUMMARY JUDGMENT REGARDING** 15 **TRADEMARK, LANHAM ACT AND UNFAIR COMPETITION LIABILITY**

16 SCI and MHE move for summary judgment, contending that Earthwise Technologies,
17 Earthwise Innovations, and Mr. Searle committed trademark infringement and cyberpiracy.
18 Earthwise opposes the motion in three respects, contending that no trademark infringement
19 occurred after January 30, 2008, that Earthwise Technologies is not liable for any trademark
20 infringement, and that Mr. Searle is not personally liable for any trademark infringement.

21 Two threshold matters warrant the Court's attention before reaching the merits of this
22 motion. First, Earthwise moves to strike evidence offered in support of the motion. Second,
23 though not filed as a cross motion, Earthwise's response seeks partial summary judgment in favor
24 of Earthwise.

25 **A. MOTION TO STRIKE**

26 Earthwise moves to strike Exhibit A to the Declaration of David A Lowe in Support of
27 SCI and MHE's Motion for Summary Judgment Regarding Trademark, Lanham Act and Unfair
28 Competition Liability (Dkt. 67). Dkt. 88 at 2. Earthwise contends that Exhibit A consists of

1 emails that constitute hearsay. Exhibit A is extremely lengthy. Much of the exhibit concerns the
2 time period before January 30, 2008, and Earthwise concedes that its actions caused consumer
3 confusion during this time period. Therefore, the admissibility of much of Exhibit A is not before
4 the Court.

5 In addition, the emails in Exhibit A are offered to demonstrate the apparent confusion of
6 Earthwise customers and not to prove the truth of the matters asserted in the emails. For example,
7 Earthwise moves to strike Exhibit 174 of Exhibit A. Dkt. 88 at 5. Exhibit 174 appears to consist
8 of an email to Earthwise and Earthwise's response thereto. The original email is as follows: "I am
9 interested in a dealership for your infrared heaters - Comfort Zone/Eden Pure. I have a retail store
10 and sell outdoor wood furnaces. What would be the wholesale prices?" Dkt. 69-5, Exh. A at 50.
11 Earthwise's response is as follows: "I have distributor information available for you, but
12 unfortunately only have it in paper packet format. If you would like to send a mailing address, I
13 can give you the distributor info packet." *Id.* The contents of this email and others like it are not
14 offered to prove the truth of the matters asserted. The Court should therefore deny the motion to
15 strike the emails contained in Exhibit A on this ground.

16 Earthwise contends that even if the emails were admissible, they are not credible because
17 the identity of the authors and their affiliation with SCI, if any, is unknown and because the emails
18 do not reveal the source of their confusion. To this end, Earthwise suggests that the source of
19 confusion may be "an SCI site, advertising circular, discussion with friends, or other medium."
20 Dkt. 88 at 2. Matters of credibility are resolved by the finder of fact. The Court does not weigh
21 the probative value of evidence when deciding a motion for summary judgment. The Court should
22 therefore deny the motion to strike in this respect.

23 Exhibit A also consists of usage statistics and purports to show the number of hits on
24 Earthwise's websites that were generated by certain Internet searches. Earthwise contends that
25 this evidence constitutes inadmissible hearsay and does not fall within an exception to the hearsay
26 rule. Dkt. 88 at 3. SCI contends that Brook Foster identified this evidence as business records in
27 his deposition. In the portion of the deposition cited by SCI for this purpose, Mr. Foster testifies
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1 that he printed out the statistics in response to discovery requests. Dkt. 102-2, Exh. A at 7. This
2 testimony does not establish that the statistics are “kept in the course of a regularly conducted
3 business activity” for purposes of Federal Rule of Evidence 803(6). In this respect, the motion to
4 strike should be granted.

5 **B. EARTHWISE’S “CROSS MOTION”**

6 In its Response to SCI’s Motion for Summary Judgment Regarding Trademark, Lanham
7 Act and Unfair Competition Liability (Dkt. 88), Earthwise urges the Court to “render summary
8 judgment that neither EWT nor Searle have any liability on on SCI’s claims and that any customer
9 confusion on the part of EWI ceased by January 30, 2008.” Dkt. 88 at 2-3. This request for relief
10 was not made by motion and was not noted in accordance with Local Rule CR 7(d)(3). SCI and
11 MHE therefore have been deprived of a full and fair opportunity to respond. In addition, the
12 response was filed after the deadline for filing dispositive motions. *See* Dkt. 45. Therefore, the
13 Court declines Earthwise’s invitation to consider or enter summary judgment in its favor.

14 Having determined these threshold issues, the Court now turns to the merits of SCI and
15 MHE’s motion, which seeks summary judgment as to whether Earthwise committed trademark
16 infringement and cyberpiracy. These matters will be addressed in turn.

17 **C. TRADEMARK INFRINGEMENT**

18 SCI and MHE seek summary judgment on their claim for trademark infringement. Dkt.
19 67. Earthwise stipulates that certain content on five of Earthwise Innovation’s Internet sites used
20 to sell new heaters, parts, and refurbished heaters and service warranty claims resulted in
21 customer confusion from October 23, 2007, to January 30, 2008. Dkt. 88 at 2-3. As to this period
22 of time, summary judgment is proper.

23 Earthwise does not stipulate as to any customer confusion existing after January 30, 2008.
24 *Id.* Furthermore, Mr. Searle and Earthwise Technology do not stipulate that they are culpable or
25 liable for customer confusion caused by Earthwise Innovations. *Id.* Therefore, the remaining
26 issues raised in SCI’s motion are (1) whether any trademark infringement occurred after January
27
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30, 2008, (2) whether Earthwise Technology is liable for any trademark infringement, and (3) whether Mr. Searle is personally liable for any trademark infringement.

1. Trademark Infringement After January 30, 2008

A claim for trademark infringement under the Lanham Act, 15 U.S.C. § 1114, may be based on the use of a trademark that is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of one person with another person. *See* 15 U.S.C. §§ 1114, 1125(a)(1). The test for “likelihood of confusion” is whether a “reasonably prudent consumer in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks.” *Surfvivor Media, Inc. v. Survivor Productions*, 406 F.3d 625, 630 (9th Cir. 2005). When analyzing the likelihood of confusion, courts consider the following eight factors, generally referred to as the *Sleekcraft* factors: (1) strength of the mark; (2) relatedness of the goods; (3) similarity of the marks; (4) actual confusion; (5) marketing channels; (6) degree of consumer care; (7) the defendants’ intent; and (8) likelihood of expansion. *Id.* at 631 (citing *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979)). The test is fluid, and a plaintiff need not satisfy every factor if there is a strong showing as to some of the factors. *Id.* One or more of the factors may be deemed more important than others, depending upon the facts and circumstances of the case, and the eight factors are not exhaustive. *Brookfield Commc’ns, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999).

If the alleged trademark infringement occurs on the Internet, courts consider three of the *Sleekcraft* factors, known as the “Internet trinity,” to be the most important: (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the parties’ simultaneous use of the Web as a marketing channel. *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 942 (9th Cir. 2002). If those three factors suggest that confusion is likely, a finding of infringement will follow unless the other *Sleekcraft* factors “weigh strongly” against a likelihood of confusion. *Id.*

1 To determine whether SCI and MHE are entitled to summary judgment on their trademark
2 infringement claims, the Court addresses first the Internet trinity and then the remaining *Sleekcraft*
3 factors.

4 **a. Internet Trinity**

5 **i. Similarity of the Marks**

6 To determine the degree of similarity between the marks, courts examine the mark within
7 the context of other identifying features to compare the marks' sight, sound, and meaning; and
8 similarities weigh more heavily than differences. *Survivor*, 406 F.3d at 633; *Sleekcraft*, 599 F.2d
9 at 351. In this case, Earthwise used SCI's EDENPURE and SUN-TWIN marks on Earthwise's
10 websites and in Earthwise's domain names. Specifically, the domain names *edenpure-heater*
11 *edenpureoutlet* are largely identical to SCI's marks, with the addition of the words "heater" and
12 "outlet." Consideration of this factor favors SCI.

13 **ii. Relatedness of Goods or Services**

14 To determine whether the parties' goods are related, courts consider whether customers
15 are "likely to associate" the goods and whether the buying public could reasonably conclude that
16 the goods originate from the same source. *Survivor*, 406 F.3d at 633. If the marks are identical
17 and are used with identical goods or services, "likelihood of confusion would follow as a matter
18 of course." *Brookfield*, 174 F.3d at 1056.

19 The Ninth Circuit has cautioned against "overemphasiz[ing] differences in principal lines
20 of business, as . . . 'the relatedness of each company's prime directive isn't relevant.'" *Id.* Rather,
21 courts should focus on whether the consuming public is likely to associate the defendant's
22 products with the plaintiff's mark. *See id.*; *see also Interstellar Starship Servs.*, 304 F.3d 936,
23 945-46 (computer circuit boards and the Rocky Horror Picture Show not related); *Sleekcraft*, 599
24 F.2d at 350 (high-speed waterskiing boats related to family-oriented recreational boats); *Toys*
25 *"R" Us, Inc. v. Feinberg*, 26 F. Supp. 2d 639, 643 (S.D.N.Y. 1998) (toys and guns not related).

26 In this case, Earthwise and SCI both sell heaters, and there can be no dispute that SCI and
27 Earthwise sell related goods.

1 **iii. Simultaneous Use of the Web to Market**

2 Both parties' use of the Internet as a marketing tool is "a factor that courts have
3 consistently recognized as exacerbating the likelihood of confusion." *Brookfield*, 174 F.3d at
4 1057; *see also Sleekcraft*, 599 F.2d at 353 ("Convergent marketing channels increase the
5 likelihood of confusion."). Both SCI and Earthwise simultaneously utilized the Internet to market
6 their heaters, and consideration of this factor favors SCI.

7 **b. Remaining Sleekcraft Factors**

8 **i. Strength of the Marks**

9 A mark is "strong" if it is memorable and if the public would likely associate it with the
10 mark's owner. *Brookfield*, 174 F.3d at 1058 (9th Cir. 1999). Analysis of this prong serves to
11 determine the scope of trademark protection to which the mark is entitled; more unique marks are
12 entitled to greater protection. *Survivor*, 406 F.3d at 631. Marks that have no commonly known
13 connection with the product, whether the marks consist of common words or coined phrases, are
14 considered the strongest marks. *See id.* at 631-32 (describing five categories of trademarks).

15 In this case, SUN-TWIN and EDENPURE are invented, unique terms that are entitled to
16 more protection than if the terms were merely generic or descriptive.

17 **ii. Evidence of Actual Confusion**

18 Evidence of actual confusion by merchants, actual consumers, and non-purchasing
19 members of the public constitutes strong evidence of likelihood of confusion. *Survivor*, 406 F.3d
20 at 633; *Playboy Enterprises v. Netscape Communications*, 354 F.3d 1020, 1026 (9th Cir.2004)
21 ("actual confusion among significant numbers of consumers provides strong support for the
22 likelihood of confusion"). A lack of evidence is considered "generally unnoteworthy," however,
23 because actual confusion is difficult to prove. *Brookfield*, 174 F.3d at 1050.

24 SCI has submitted evidence suggesting that potential Earthwise customers continued to
25 inquire as to the availability of SUN-TWIN or EDENPURE heaters after January 30, 2008, and
26 may have been confused as to Earthwise's identity. *See* Dkt.102-2, Exh. E at 37-39; *see also* Dkt.

69-5, Exh. A at 64 (inquiry as to specifications of EDENPURE). This factor does not weigh substantially in favor of either party.

iii. Degree of Consumer Care

To determine the degree of care exercised by consumers when purchasing the parties' goods, courts consider whether a "reasonably prudent consumer" under the circumstances would take the time to distinguish between the goods. *Surfvivor*, 406 F.3d at 634. Where the goods in question are small and inexpensive, customers are likely to exercise very little care. *Id.*; *Brookfield*; 174 F.3d at 1060. If the goods are moderately priced, there is no clear standard for determining the degree of customer care. *Surfvivor*, 406 F.3d at 634.

In this case, the heaters cannot be characterized as inexpensive, and customers could therefore be expected to exercise some care when purchasing the heaters. There is also evidence in the record that Earthwise received inquiries from customers seeking to compare different heater models. On the other hand, one of Earthwise's sales people characterized Earthwise customers as elderly and confused. Dkt. 69-6, Exh. E at 126. Ultimately, there is insufficient evidence to establish the level of care exercised by Earthwise's customers, and consideration of this factor does not favor either party.

iv. Defendants' Intent

This factor favors plaintiffs where the defendant employed the mark with actual or constructive knowledge of the plaintiff's mark. *See Surfvivor*, 406 F.3d at 634. An absence of intent to infringe is not dispositive, however, because lack of malice is not a defense to trademark infringement. *Id.* If the alleged infringer adopts the mark and knows of its similarity to another mark, courts presume that the infringer will accomplish its purpose and confuse the public. *Sleekcraft*, 599 F.2d at 354. Similarly, in the Internet context, courts hold that the intentional registration of a domain name with knowledge of the other company's trademark weighs in favor of likelihood of confusion. *Brookfield*, 174 F.3d at 1059.

In this case, there is no issue of fact as to Earthwise's knowledge of SCI's SUN-TWIN and EDENPURE marks. This factor favors SCI.

1 **v. Likelihood of Expansion**

2 If the parties are already in competition to a significant extent, the likelihood of expansion
3 factor is deemed relatively unimportant. *Id.* at 1060. In this case, the parties were in direct
4 competition, and the likelihood of expansion is unclear. Consideration of this factor does not
5 favor either party.

6 **c. Initial Interest Confusion**

7 Initial interest confusion is defined as “customer confusion that creates initial interest in a
8 competitor’s product.” *Playboy Enterprises*, 354 F.3d at 1025. Initial interest confusion occurs
9 when customers seek the holder of the trademark but are instead directed to the alleged infringer.
10 While the customers may be only initially confused as to the identity of the trademark holder and
11 may voluntarily continue to instead pursue the alleged infringer, the alleged infringer is said to
12 have benefitted from goodwill developed by the holder of the trademark, which generated the
13 customer’s initial interest. *See Brookfield*, 174 F.3d at 1062.

14 In *Brookfield*, the Ninth Circuit provided the following fictional depiction of initial interest
15 confusion:

16 Suppose West Coast’s competitor (let’s call it “Blockbuster”) puts up a billboard
17 on a highway reading-“West Coast Video: 2 miles ahead at Exit 7”-where West
18 Coast is really located at Exit 8 but Blockbuster is located at Exit 7. Customers
19 looking for West Coast’s store will pull off at Exit 7 and drive around looking
20 for it. Unable to locate West Coast, but seeing the Blockbuster store right by the
21 highway entrance, they may simply rent there. Even consumers who prefer West
22 Coast may find it not worth the trouble to continue searching for West Coast
since there is a Blockbuster right there. Customers are not confused in the
narrow sense: they are fully aware that they are purchasing from Blockbuster and
they have no reason to believe that Blockbuster is related to, or in any way
sponsored by, West Coast. Nevertheless, the fact that there is only initial
consumer confusion does not alter the fact that Blockbuster would be
misappropriating West Coast's acquired goodwill.

23 *Id.* at 1064. The Ninth Circuit has recognized that use of metatags that are confusingly similar to a
24 trademark can create initial interest confusion and constitute trademark infringement. *Id.* at 1065,
25 1045 (“Search engines look for keywords in places such as domain names, actual text on the web
26 page, and metatags. Metatags are HTML code intended to describe the contents of the web
27 site.”).

1 In this case, there is evidence that customers conducting Internet searches for “edenpure”
 2 or “suntwin” would suffer initial interest confusion, even after January 30, 2008, because such
 3 searches would lead consumers to Earthwise’s websites. For example, as of February 15, 2008,
 4 *edenpureoutlet.com* contained the following disclaimer:

5 Copyright © 2006 E.I. Inc., ComfortZone™ Heaters EDENPURE™ is
 6 a trademark of Suarez Corporation [sic] Industries; SUN-TWIN™ is a
 7 registered trademark of MHE Corp. Earthwise Innovations Inc. is not affiliated
 8 with Suarez Corporation Industries or MHE Corp. Neither Suarez Corporation
 9 Industries nor NHE [sic] Corp endorses or [sic] warrants any refurbished heaters
 10 or parts purchased on this site.

11 Dkt. 102-2, Exh. H at 178. As a result of the disclaimer, a Google search for “edenpure” or
 12 “suntwin,” as of November 6, 2008, generated a ComfortZone website in the first page of results.
 13 See Dkt. 102-2, Exh. K.

14 **d. Conclusion Regarding the Occurrence of Trademark Infringement**

15 In this case, consideration of the Internet trinity and the remaining *Sleekcraft* factors
 16 favors SCI. Consideration of the Internet trinity strongly favors SCI because the trademarks at
 17 issue are identical, and Earthwise and SCI simultaneously sold related products marketed through
 18 the Internet. The remaining *Sleekcraft* factors slightly favor SCI because SCI’s marks are unique
 19 and because there is no question as to Earthwise’s knowledge of SCI’s marks.

20 Moreover, Earthwise fails to create a genuine issue of material fact as to whether
 21 Earthwise’s use of SCI’s marks ceased on January 30, 2008. For example, as of February 15,
 22 2008, *edenpureoutlet.com* claimed to be “America’s source for EdenPURE™ and SunTwin™
 23 Parts and Refurbished Heaters,” even though Earthwise was preliminarily enjoined “from buying
 24 and/or selling refurbished Edenpure or Sun-Twin heaters on the *edenpure-heater.com* and/or
 25 *edenpureoutlet.com* websites.” Dkt.102-2, Exh. H at 181; Dkt. 32 at 14. Similarly, as of February
 26 15, 2008, Earthwise continued to advertise its program to buy EDENPURE and SUN-TWIN
 27 heaters via *edenpure-heater.com* and to use SCI’s marks on *infraredappliances.com*,
 28 *infrared-heating.com*, and *comfortzoneinfraredheaters.com*. Dkt.102-2, Exh. H at 179;. Dkt.
 102-2, Exh. I at 186, 207, 229. In this respect the motion should be granted.

1 Having determined that trademark infringement occurred and that such infringement
2 extended beyond January 30, 2008, the Court now addresses Earthwise's contentions as to which
3 parties are liable for such infringement.

4 **2. Liability of Earthwise Technologies**

5 Earthwise Technologies opposes summary judgment on the grounds that Earthwise
6 Technologies and Earthwise Innovations are separate and that Earthwise Technologies is not
7 responsible for any trademark infringement. There is evidence in the record suggesting that
8 Earthwise Technologies sells only to distributors and does not advertise or solicit distributors via
9 the Internet. Dkt. 89 at 2; Dkt. 90 at 2. There is also evidence suggesting that the mission of
10 Earthwise Technologies includes more than merely soliciting distributors. In a previous
11 declaration filed with the Court, Mr. Searle described Earthwise Technologies as follows: "its
12 purpose was to market and sell the new ComfortZone heater we had developed." Dkt. 13 at 3.
13 Several of the websites at issue in this case were originally registered to Earthwise Technologies
14 and bear the name Earthwise Technologies. C07-2020RJB, Dkt. 8-3, Exh. G at 2, 4, 6, 8, 10;
15 Dkt. 102-2, Exh. G at 121; Dkt. 102-2, Exh. I at 216 ("EarthWise Technologies, Inc., Number 1
16 in EdenPure™ Heaters"). At this juncture, the responsibilities and involvement of Earthwise
17 Technologies are unclear because the facts are not completely developed. As to Earthwise
18 Technologies, the Court should therefore deny without prejudice SCI's and MHE's Motion for
19 Summary Judgment Regarding Trademark, Lanham Act, and Unfair Competition Liability (Dkt.
20 67).

21 **3. Liability of Mr. Searle**

22 Mr. Searle contends that he cannot be held personally liable for any trademark
23 infringement by Earthwise Technologies or Earthwise Innovations. Dkt. 88 at 5. An individual
24 may be held personally liable under Section 43(a) of the Lanham Act for using in commerce, in
25 connection with services, a name that is likely to confuse. *Committee for Idaho's High Desert,*
26 *Inc. v. Yost*, 92 F.3d 814, 823 (9th Cir. 1996). In addition, a corporate officer or director is
27 personally liable for torts the officer authorizes or directs or in which the officer participates. *Id.*
28

SCI's motion does not distinguish among Mr. Searle, Earthwise Technologies, and Earthwise Innovations. While Mr. Searle may have acted in a manner that would subject him to personal liability, the Court cannot yet determine the extent of Mr. Searle's personal participation in or direction of actions amounting to trademark infringement. Therefore, the Court should deny SCI's and MHE's Motion for Summary Judgment Regarding Trademark, Lanham Act, and Unfair Competition Liability (Dkt. 67) as to Mr. Searle.

D. CYBERPIRACY

In SCI's and MHE's Motion for Summary Judgment Regarding Trademark, Lanham Act, and Unfair Competition Liability (Dkt. 67), SCI seeks summary judgment as to whether Earthwise committed cyberpiracy. A cybersquatter is liable under the Anticybersquatting Consumer Protection Act ("ACPA") to the owner of a protected mark if cybersquatter does the following:

- (i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and
- (ii) registers, traffics in, or uses a domain name that—
 - (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark; [or]
 - (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark.

15 U.S.C. § 1125(d)(1)(A). Bad faith is "an essential prerequisite" to an ACPA violation. *Interstellar Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 946 (9th Cir. 2002). Congress has enumerated a nonexhaustive list of nine factors for courts to consider when determining whether bad faith is present:

- (I) the trademark or other intellectual property rights of the person, if any, in the domain name;
- (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
- (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
- (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

1 (VI) the person's offer to transfer, sell, or otherwise assign the domain
2 name to the mark owner or any third party for financial gain without having used,
3 or having an intent to use, the domain name in the bona fide offering of any goods
4 or services, or the person's prior conduct indicating a pattern of such conduct;

5 (VII) the person's provision of material and misleading false contact
6 information when applying for the registration of the domain name, the person's
7 intentional failure to maintain accurate contact information, or the person's prior
8 conduct indicating a pattern of such conduct;

9 (VIII) the person's registration or acquisition of multiple domain names
10 which the person knows are identical or confusingly similar to marks of others
11 that are distinctive at the time of registration of such domain names, or dilutive of
12 famous marks of others that are famous at the time of registration of such domain
13 names, without regard to the goods or services of the parties; and

14 (IX) the extent to which the mark incorporated in the person's domain
15 name registration is or is not distinctive and famous within the meaning of
16 subsection (c) of this section.

17 15 U.S.C. § 1125(d)(1)(B)(i). The ACPA also has a safe harbor provision: "Bad faith intent
18 described under subparagraph (A) shall not be found in any case in which the court determines
19 that the person believed and had reasonable grounds to believe that the use of the domain name
20 was a fair use or otherwise lawful." *Interstellar Starship*, 304 F.3d at 947.

21 Under the third factor enumerated above, there is, at least, a question of fact as to
22 whether Earthwise's prior use of domain names was in connection with the bona fide offering of
23 goods as a distributor for SCI. SCI contends that it only authorized use of two sites, and many
24 sites went beyond the bounds of the distributorship because Earthwise was not a distributor of
25 air purifiers or vacuums. Mr. Searle testified that he offered EDENPURE vacuums for sale for
26 nine months and then assigned the website to Julius Toth and that he sold EDENPURE water
27 filters over the Internet. Dkt. 102-2, Exh. B at 21-22; Dkt. 102-2, Exh. B at 22.; *but see* Dkt. 69-
28 6, Exh. C at 27. This evidence is sufficient to create a genuine issue of material fact as to whether
Earthwise's prior use of the domain names was in connection with the bona fide offering of
goods.

Under the sixth factor above, Mr. Searle admittedly offered to sell some of the domain
names at the time he terminated the distributorship. Dkt. 89 at 2. On the other hand, Earthwise
contends that the additional websites were not acquired as a bargaining chip and were instead
acquired in an effort to protect Earthwise from competition from other distributors. Dkt. 89 at 2.

1 Similarly, Earthwise's use of a banner to inform customers that Earthwise is not the
2 owner of the SUN-TWIN and EDENPURE marks is subject to competing inferences. On the
3 one hand, the disclaimer may evidence intent to clarify the distinction between Earthwise and
4 SCI and a lack of bad faith. On the other hand, as a result of the disclaimer, a Google search for
5 "edenpure" or "suntwin," as of November 6, 2008, generated a ComfortZone website in the first
6 page of results.

7 Also, Earthwise contends that it maintained its websites after terminating the
8 distributorship in order to maintain a presence for customers with warranty claims. While SCI
9 may contest the extent to which Earthwise's use of SCI's marks served this purpose, the
10 question of whether Earthwise acted in bad faith is a matter for the finder of fact at trial. The
11 Court should therefore deny SCI's and MHE's Motion for Summary Judgment Regarding
12 Trademark, Lanham Act, and Unfair Competition Liability (Dkt. 67) as to the cyberpiracy claim.

13 **III. SCI'S MOTION FOR SUMMARY JUDGMENT ON SEARLE'S TRADE SECRET** 14 **MISAPPROPRIATION CLAIM**

15 Mr. Searle asserts a counterclaim for misappropriation of trade secrets in violation of
16 RCW 19.108 *et seq.* Specifically, Mr. Searle contends that he determined how to integrate a low-
17 RPM scroll fan into SCI's EDENPURE and SUN-TWIN heaters, relocate the wiring to avoid
18 the flow path, utilize contact plates to mount connection wires more securely, install a digital
19 thermostat on the front of the heater, and employ an electrostatic filter. *See* Dkt. 84 at 2.

20 SCI moves for summary judgment as to all alleged trade secrets. Dkt. 70. In response,
21 Mr. Searle opposes summary judgment only as to the scroll fan. *See* Dkt. 84 at 2 n.1 ("Bruce
22 Searle is not pursuing claims for the location of wiring, contact plates, front digital thermostat
23 and electrostatic filter, although they are all trade secrets which SCI did misappropriate from
24 Searle."). As to the relocation of wiring, the contact plates, the digital thermostat, and
25 electrostatic filter, summary judgment should therefore be granted.

26 As to the scroll fan, SCI seeks summary judgment on the grounds that the alleged trade
27 secret is generally known or readily ascertainable, was not subject to reasonable efforts to
28

1 maintain secrecy, and was disclosed freely without restriction or expectation of compensation.

2 Dkt. 70.

3 The Washington Uniform Trade Secrets Act, RCW 19.108 *et seq.*, prohibits
4 misappropriation of trade secrets. By statute, misappropriation is defined as follows:

5 (a) Acquisition of a trade secret of another by a person who knows or
6 has reason to know that the trade secret was acquired by improper means; or

7 (b) Disclosure or use of a trade secret of another without express or
8 implied consent by a person who:

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

10 (ii) At the time of disclosure or use, knew or had reason to know that
11 his or her knowledge of the trade secret was (A) derived from or through a
12 person who had utilized improper means to acquire it, (B) acquired under
13 circumstances giving rise to a duty to maintain its secrecy or limit its use, or
14 (C) derived from or through a person who owed a duty to the person seeking
15 relief to maintain its secrecy or limit its use; or

16 (iii) Before a material change of his or her position, knew or had
17 reason to know that it was a trade secret and that knowledge of it had been
18 acquired by accident or mistake.

19 RCW 19.108.010(2). Trade secrets are defined as follows:

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

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

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

28 RCW 19.108.010(4).

Mr. Searle fails to articulate any “formula, pattern, compilation, program, device, method,
technique, or process” used to integrate the scroll fan into SCI’s heaters. In a declaration filed in
opposition to SCI’s motion, Mr. Searle contends, “My concept and design were not known to the
general public.” Dkt. 85 at 5. Mr. Searle’s deposition testimony undermines this conclusory
statement. In his deposition, Mr. Searle described his alleged trade secret as follows:

Q. Okay. And so you’re saying it required some modification of
the case to allow a cylindrical tunnel scroll fan to be placed in the case to
replace the axial fan; is that right?

A. Correct.

Q. Okay. And any number of engineers could have done that, but it’s
your contention that you’re the one that came to SCI and showed them how
to do that and that was the trade secret?

1 A. What I'm saying is that if they had gone to another engineering firm
2 and paid that engineering firm to redesign their heater with the scroll fan in the
3 back, most undoubtedly another engineering firm could have found a way to
4 do it, but that engineering firm would have also entered into an agreement
5 with them and been compensated for the work. And the problem we've got
6 here is no engineering firm out there told them that they needed a scroll fan in
7 the unit. I told them. I then designed the heater around the new modifications
8 and installed the scroll fan in the heater.

9 Now, could another engineering firm have done that, possibly, but
10 they would have had to have done it and been compensated for it. I did not
11 receive the compensation for what I provided to them under contract. So if
12 that was a trade secret, yes, it was mine. I designed it.

13 Dkt. 71-2, Exh. A at 9. Moreover, Mr. Searle testified that “[m]illions of manufacturers use scroll
14 fans in their heater units.” Dkt. 71-2, Exh. A at 7. Mr. Searle fails to create a genuine issue of
15 material fact as to whether incorporation of a scroll fan into SCI’s heaters derives independent
16 economic value from not being generally known to or readily ascertainable. The Court should
17 therefore grant SCI’s Motion for Summary Judgment on Searle’s Trade Secret Misappropriation
18 Claim (Dkt. 70).

19 **IV. SCI’S MOTION TO DISMISS OR IN THE ALTERNATIVE FOR SUMMARY** 20 **JUDGMENT ON SEARLE’S BREACH OF AGREEMENT CLAIM**

21 Mr. Searle alleges two counterclaims in this consolidated action. First, Mr. Searle alleges
22 that SCI breached an agreement concerning the development of a “SolarZone” heater unit. Dkt.
23 36 at 5. Second, Mr. Searle alleges misappropriation of trade secrets. *Id.* at 6. SCI moved
24 separately for summary judgment on the trade secret misappropriation claim (Dkt. 70) and to
25 dismiss or, alternatively, for summary judgment the breach of agreement claim (Dkt. 73). Counsel
26 for Mr. Searle filed a document indicating that Mr. Searle does not oppose the relief requested in
27 SCI’s motion to dismiss or, alternatively, for summary judgment on the breach of agreement
28 claim, and has abandoned his counterclaim for breach of agreement. Dkt. 87. Accordingly, the
Court should grant SCI’s motion to dismiss the breach of agreement counterclaim.

The Court notes, however, that in opposition to SCI’s Motion for Summary Judgment on
Searle’s Trade Secret Misappropriation Claim (Dkt. 70), Mr. Searle appears to contend that he
has a third counterclaim for breach of the parties’ Confidentiality and Non-Disclosure Agreement.
Dkt. 84 at 9. While Mr. Searle’s answer does contain allegations regarding the Confidentiality

1 and Non-Disclosure Agreement, it is not clear from the face of the answer that Mr. Searle seeks
2 to allege a claim for breach of that agreement. In any event, SCI's motions did not address such a
3 claim, and the Court therefore does not reach this issue.

4 V. CONCLUSION

5 The Court having determined that there are issues of fact as to the activities of Mr. Searle
6 and of Earthwise Technologies in infringing upon SCI and MHE's trademarks and as to
7 Earthwise's bad faith, summary judgment should be denied in this respect. Because Mr. Searle
8 fails to create a genuine issue of material fact as to whether his knowledge of how to integrate a
9 scroll fan into SCI's heaters constitutes a trade secret, summary judgment denying Mr. Searle's
10 counterclaim for misappropriation of a trade secret should be granted. Furthermore, pursuant to
11 Mr. Searle's nonopposition to the motion for summary judgment on his breach of agreement
12 counterclaim, that counterclaim should also be dismissed.

13 In their proposed order, SCI and MHE request a permanent injunction, and SCI requests
14 an assignment or transfer of all domain names incorporating the EDENPURE or SUN TWIN
15 marks. Because this order does not decide whether Earthwise Technologies or Mr. Searle
16 committed, or are responsible for, trademark infringement and does not dispose of SCI's
17 cyberpiracy claim, these requests are premature.

18 VI. ORDER

19 Therefore, the Court does hereby **ORDER** as follows:

20 SCI's and MHE's Motion for Summary Judgment Regarding Trademark, Lanham Act,
21 and Unfair Competition Liability (Dkt. 67) is **GRANTED in part** and **DENIED in part** as
22 follows:

- 23 (1) As to trademark infringement and unfair competition by Earthwise Innovations,
24 Inc., the motion is **granted**;
- 25 (2) As to trademark infringement and unfair competition by Earthwise Technologies,
26 Inc., the motion is **denied**;
- 27
- 28

1 (3) As to trademark infringement and unfair competition by Bruce Searle, the motion
2 is **denied**; and

3 (4) As to cyberpiracy, the motion is **denied**.

4 It is further **ORDERED** that

5 (1) SCI's Motion for Summary Judgment on Searle's Trade Secret Misappropriation
6 Claim (Dkt. 70) is **GRANTED** and that claim is dismissed.

7 (2) SCI's Motion to Dismiss or in the Alternative for Summary Judgment on Searle's
8 Breach of Agreement Claim (Dkt. 73) is **GRANTED**, and Mr. Searle's
9 counterclaims for breach of agreement and trade secret misappropriation are
10 **DISMISSED**.

11 (3) Earthwise's motion to strike, contained in its response (Dkt. 88), is **GRANTED** as
12 to usage statistics contained in Exhibit A and is **DENIED** as to emails contained in
13 Exhibit A.

14 (4) Earthwise's cross motion for summary judgment, contained in its response (Dkt.
15 88), is **DENIED**.

16 DATED this 14th day of November, 2008.

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18 ROBERT J. BRYAN
19 United States District Judge
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