

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

SUPERIOR COURT OF THE STATE OF WASHINGTON  
KING COUNTY

PHYTELLIGENCE, INC.,  
  
Plaintiff,  
  
v.  
  
WASHINGTON STATE UNIVERSITY,  
  
Defendant.

No. 18-2-05212-2 SEA  
  
ANSWER AND  
COUNTERCLAIM

**ANSWER**

- 1. WSU admits, on information and belief, paragraph 1.
- 2. WSU admits paragraph 2.
- 3. Paragraph 3 states a conclusion of law to which no answer is required.
- 4. WSU admits that Dr. Amit Dhingra is an associate professor at WSU, and is without knowledge or information sufficient to form a belief as to the truth of the remaining allegations of paragraph 4.
- 5. WSU is without knowledge or information sufficient to form a belief as to the truth of paragraph 5.
- 6. WSU is without knowledge or information sufficient to form a belief as to the truth of paragraph 6.
- 7. WSU admits the allegations of the first sentence of paragraph 7. WSU denies the allegations of the second sentence of paragraph 7, as it is clear that the first sentence of

1 paragraph 7 uses “WSU” to mean an entity separate from Washington State University  
2 Research Foundation (“WSURF”).

3 8. WSU admits that on or about November 27, 2012, Phytelligence and WSURF  
4 entered into an Agreement to Propagate Apple Cultivar Plant Materials for Washington State  
5 University (“Propagation Agreement”) and that the Propagation Agreement is attached to the  
6 Complaint as Exhibit A. WSU alleges that the Propagation Agreement speaks for itself and is  
7 the best evidence of its contents. WSU admits that the Propagation Agreement contains the  
8 recitals that are quoted in the final sentence of paragraph 8. WSU denies the remaining  
9 allegations of paragraph 8.

10 9. WSU denies paragraph 9.

11 10. WSU denies paragraph 10.

12 11. WSU admits that Phytelligence obtained from WSU certified virus-tested  
13 WA 38 budwood and denies the remaining allegations of paragraph 11.

14 12. WSU denies the allegations of the first sentence of paragraph 12, and is without  
15 knowledge or information sufficient to form a belief as to the truth of the remainder of  
16 paragraph 12.

17 13. WSU denies paragraph 13.

18 14. WSU denies the allegations of the first sentence of paragraph 14. WSU admits  
19 that commercial licenses to propagate WA 38 began to be granted in 2014, is without  
20 knowledge or information sufficient to form a belief as to the truth of the allegation that  
21 Phytelligence has maintained itself as an authorized provider in good standing by the “WA  
22 State Fruit Tree Certification Program,” and denies the remaining allegations of the second  
23 sentence of paragraph 14.

24 15. WSU denies paragraph 15.

25 16. WSU denies paragraph 16.

26 17. WSU admits the first sentence of paragraph 17. WSU lacks knowledge or  
27 information sufficient to form a belief as to the truth of the remainder of paragraph 17.

1           18.     WSU is without knowledge or information sufficient to form a belief as to the  
2 truth of paragraph 18.

3           19.     WSU admits that it and Proprietary Variety Management, LLC (“PVM”)  
4 entered into a Management Contract for Commercialization of Washington State University  
5 Apple Cultivar, ‘WA 38’ (the “Management Contract”), effective June 27, 2014, and alleges  
6 that the Management Contract speaks for itself and is the best evidence of its contents. WSU  
7 denies the remaining allegations of paragraph 19.

8           20.     WSU denies paragraph 20.

9           21.     WSU lacks knowledge or information sufficient to form a belief as to the truth  
10 of the allegations of paragraph 21.

11          22.     WSU admits that Phytelligence contacted it in 2016 regarding obtaining a  
12 license to propagate and distribute WA 38 plants and denies the remaining allegations of  
13 paragraph 22.

14          23.     WSU denies the allegations of the first sentence of paragraph 23, and alleges  
15 that the Propagation Agreement speaks for itself and is the best evidence of its contents. WSU  
16 is without knowledge or information sufficient to form a belief as to the truth of the allegations  
17 of the second and third sentences of paragraph 23. WSU admits the allegations of the fourth  
18 sentence of paragraph 23. WSU denies the allegations of the fifth sentence of paragraph 23.

19          24.     WSU denies the allegations of paragraph 24.

20          25.     WSU admits that on January 16, 2018 it gave Phytelligence notice that the  
21 Propagation Agreement was terminated effective March 17, 2018 because of Phytelligence’s  
22 material breach of the agreement, and has demanded that Phytelligence destroy all Plant  
23 Materials of the WA 38 cultivar, as required by paragraph 7 of the Propagation Agreement.  
24 WSU denies all remaining allegations of paragraph 25.

25          26.     WSU restates and incorporates by reference its responses to paragraphs 1  
26 through 25 above.

27          27.     WSU denies paragraph 27.

1 28. WSU denies paragraph 28.

2 29. WSU restates and incorporates by reference the responses to paragraphs 1  
3 through.

4 30. WSU denies paragraph 30.

5 31. WSU denies paragraph 31.

6 **AFFIRMATIVE DEFENSES**

7 1. WSU's duty to perform under the Propagation Agreement has been excused by  
8 Phytelligence's material breach of that agreement.

9 2. Phytelligence's claims are barred in whole or in part by its failure to perform a  
10 condition precedent to WSU's performance.

11 3. Phytelligence's claims are barred in whole or in part by estoppel.

12 4. Phytelligence's claims are barred in whole or in part by unclean hands.

13 **COUNTERCLAIM**

14 **I. INTRODUCTION**

15 1. This Counterclaim involves WSU's rights in the patented apple cultivar known  
16 as WA 38, the tree that bears COSMIC CRISP brand apples. The Propagation Agreement  
17 permitted Phytelligence to propagate WA 38 trees, but strictly forbade it from transferring or  
18 selling the trees to any third party. The Propagation Agreement also gave Phytelligence the  
19 possibility of obtaining permission in the future to sell WA 38 trees as well as propagating  
20 them. To this day, Phytelligence has never taken the steps necessary to obtain that permission.  
21 Rather, in violation of the Propagation Agreement, Phytelligence has sold and delivered WA 38  
22 trees to at least one grower, Evans Fruit Company. By its actions, Phytelligence has breached  
23 the Propagation Agreement and has also infringed both the plant patent that protects the WA 38  
24 cultivar and WSU's COSMIC CRISP trademark. In this Counterclaim, WSU seeks redress for  
25 Phytelligence's breach of the Propagation Agreement. Because this Court does not have  
26 subject matter jurisdiction to hear WSU's patent infringement claim, *see* 28 U.S.C. § 1338(a),  
27 WSU has asserted its patent infringement claim against Phytelligence in an action pending in

1 the United States District Court for the Western District of Washington, No. 2:18-cv-00361  
2 filed March 8, 2018.

3 **II. PARTIES**

4 2. WSU is a state university of the State of Washington.

5 3. Phytelligence is a Washington corporation with its principal place of business in  
6 Seattle, Washington. Phytelligence has regular and established places of business located in  
7 Seattle, Burien, and Pullman, Washington.

8 **III. FACTS**

9 **A. Development of WA 38 and COSMIC CRISP Apples**

10 4. Beginning in 1998, WSU Professor Bruce H. Barritt began the work that  
11 resulted in the new apple variety that is now called WA 38. Dr. Barritt selected the WA 38  
12 cultivar from among thousands of seedlings that he created by cross-pollinating existing apple  
13 varieties. The seed for WA 38 was germinated and grown in a greenhouse at the Washington  
14 State University Tree Fruit Research and Extension Center in Wenatchee in 1998. The  
15 seedling was transferred to a collaborating commercial nursery in May 1998, where it grew  
16 until September 1999, when it was budded onto root stock. The resulting tree was planted in  
17 WSU's Columbia View Orchard in April 2001. Dr. Barritt and his co-workers evaluated fruit  
18 from this original budded tree in 2002 and 2003. Based on the excellent quality of that fruit, a  
19 second generation of trees was created in September 2004 by taking buds from the original  
20 seedling tree and propagating them onto root stock. These second generation trees were  
21 planted at three sites in Washington State. Additional trees were propagated in 2006 by  
22 propagating buds from the original seedling tree onto root stock. These trees were used for  
23 larger scale plantings in 2008 at four commercial orchard sites in central Washington. Since  
24 2008, trees reproduced from the original seedling tree have been grown in four locations across  
25 Washington and evaluated for horticultural traits and storage behavior by WSU Professor  
26 Katherine Evans and scientists from the Washington Tree Fruit Research Commission. A  
27

1 comparison of the second generation trees against the originally budded tree showed them to be  
2 essentially the same and stable over the years 2009 through 2012.

3 5. On February 23, 2012, Dr. Barritt filed an application with the United States  
4 Patent & Trademark Office seeking a plant patent on the WA 38 apple tree. The United States  
5 Patent & Trademark Office issued U.S. Plant Patent No. 24,210, which discloses and claims the  
6 WA 38 apple tree, on February 4, 2014. U.S. Plant Patent No. 24,210 has been assigned to  
7 WSU.

8 6. An apple from a WA 38 apple tree is large and juicy, and remarkably firm with  
9 crisp texture. Its flavor profile provides ample sweetness and tartness, making it an excellent  
10 eating apple. It is also slow to brown when cut and maintains its texture and flavor in storage  
11 for more than a year.

12 7. WA 38 is the generic name for the apple cultivar that Dr. Barritt developed and  
13 is claimed by U.S. Plant Patent No. 24,210. WSU has adopted the trademark COSMIC CRISP  
14 as a brand name for use in marketing those trees and the apples they produce. The U.S. Patent  
15 and Trademark Office has issued U.S. Trademark Registration No. 5,330,199 to WSU for the  
16 trademark COSMIC CRISP in connection with apples and apple trees, and WSU has common  
17 law rights in the COSMIC CRISP trademark that predate the issuance of the registration.

18 8. WSU issues licenses to grow WA 38 apple trees and to use the COSMIC CRISP  
19 trademark only to growers located in the state of Washington. As of 2017, approximately  
20 629,000 WA 38 trees had been planted in Washington, and approximately 5,000,000 additional  
21 WA 38 trees are expected to be planted in 2018. COSMIC CRISP brand apples are expected to  
22 be on the market in significant quantities beginning in 2019.

23 **B. Phytelligence and the Propagation Agreement**

24 9. On information and belief, Phytelligence was formed in 2011 to commercialize  
25 technology that was developed at WSU by WSU Professor Amit Dhingra, Ph.D., in areas  
26 including soilless tissue culture and ripening chemistries. In 2012 WSURF granted  
27 Phytelligence an exclusive, royalty-bearing license on this WSU-developed technology, and in

1 connection with the grant of that license Phytelligence issued shares in the company to  
2 WSURF. WSU has since succeeded to WSURF's rights and obligations under the exclusive  
3 license agreement with Phytelligence. WSU has an interest in the company's success, because  
4 it receives royalties based on revenue Phytelligence earns from the licensed technologies, and  
5 because it has a beneficial interest in the shares that Phytelligence issued to WSURF.

6 10. In November 2012, Phytelligence and WSURF entered into the Propagation  
7 Agreement. WSU has since succeeded to WSURF's rights and obligations under the  
8 Propagation Agreement.

9 11. The Propagation Agreement grants Phytelligence permission to propagate  
10 WA 38 apple trees, subject to strict limits. Phytelligence was free to propagate as many or as  
11 few WA 38 trees as it desired (or none at all), using budwood obtained from a source approved  
12 by WSU. The Propagation Agreement specifies that any WA 38 trees propagated by  
13 Phytelligence would remain the sole and absolute property of WSU or WSURF, unless  
14 Phytelligence later obtained permission to distribute them to third parties.

15 12. Under the Propagation Agreement, Phytelligence's only affirmative obligations  
16 with respect to WA 38 trees it propagated were to (a) secure them against misappropriation by  
17 third parties to the best of its ability, (b) pay all costs of establishing and maintaining the trees,  
18 (c) permit WSU Professor Katherine Evans a reasonable opportunity to observe the trees upon  
19 request, and (d) provide annual written propagation reports. The Propagation Agreement  
20 forbade Phytelligence to ship, transport, transfer, sell, offer to sell, or disclose any information  
21 regarding WA 38 trees to any third party, or to abandon any of the trees. The Propagation  
22 Agreement does not grant permission to use the COSMIC CRISP trademark.

23 13. The Propagation Agreement also granted Phytelligence the opportunity to  
24 participate as a provider or seller of WA 38 trees, if WA 38 was officially released by WSU  
25 and became available for licensing by WSURF, or an agent of WSURF. The Propagation  
26 Agreement specifies that, if these conditions are met, Phytelligence would need to sign a  
27 separate contract with WSURF, or an agent of WSURF to take advantage of this opportunity.

1           14.     Before it entered into the Propagation Agreement, Phytelligence was aware that  
2 agreement did not grant it permission to sell WA 38 trees, and was also aware that there was no  
3 guarantee that it would ultimately obtain permission to participate as a provider or seller of  
4 WA 38 trees. Shortly before he executed the Propagation Agreement, Phytelligence’s then-  
5 CEO Chris Leyerle exchanged email messages regarding the terms of the draft agreement with  
6 Tom Kelly, WSURF’s Technology Manager. In that email exchange, Mr. Leyerle stated, “My  
7 reading is that the agreement allows Phytelligence to propagate WA-38 as much as we like, and  
8 to acquire, grow and maintain derivative plant material at our sole expense, but without any  
9 ability to sell it. True?” Mr. Kelley responded, “Yes, true at this time.” Mr. Leyerle also  
10 wrote, “If I understand the language correctly, we have an ‘option’ to sell WA-38 plantlets at  
11 an indeterminate future date if and only if WSU/WSURF decide both to commercialize and to  
12 grant us a separate license for the purpose of selling.” In response, Mr. Kelly stated  
13 Mr. Leyerle’s understanding was correct and warned that “there exists the possibility that if we  
14 license WA 38 to an exclusive licensee, that company/person/group may want to do his/her  
15 own plant propagation without outside assistance or may want to do that under contract with its  
16 own contractors.” Not long after this email exchange, Mr. Leyerle signed the Propagation  
17 Agreement on behalf of Phytelligence.

18           **C.     Commercialization of WA 38**

19           15.     In 2014, after U.S. Plant Patent No. 24,210 issued, WSU entered into a  
20 management contract with Proprietary Variety Management, LLC (“PVM”) under which PVM  
21 would commercialize WA 38, by licensing nurseries to propagate WA 38 trees and sell them to  
22 growers, and by licensing growers to grow WA 38 trees and sell apples from those trees under  
23 the COSMIC CRISP trademark. The management contract provides that PVM will work with  
24 the Northwest Nursery Improvement Institute (“NNII”), a nonprofit association of nurseries  
25 located in the Pacific Northwest that grow and sell fruit trees for the tree fruit industry, in the  
26 commercialization process. Namely, PVM would subcontract exclusively with NNII, which  
27

1 would then grant licenses to its member and affiliated nurseries allowing them to propagate  
2 WA 38 trees for sale to growers.

3 16. As of summer 2014, commercial licenses to propagate and sell WA 38 trees  
4 were available to any member of NNII. By spring 2017, eleven nurseries had obtained such  
5 licenses.

6 17. Phytelligence did not take any steps to obtain a license for commercial  
7 propagation of WA 38 trees until late March 2016, when it contacted WSU asking how to  
8 obtain one. In early April 2016, WSU put Phytelligence in touch with PVM and NNII, who  
9 instructed Phytelligence to submit an application for membership in NNII as a first step toward  
10 obtaining a commercial propagation license. Phytelligence never submitted an application for  
11 membership in NNII.

12 18. Phytelligence again contacted WSU regarding obtaining a commercial  
13 propagation license for WA 38 in 2017. WSU informed Phytelligence in June 2017 that it  
14 should contact NNII to start the process of becoming a member. In response, Phytelligence  
15 asked to receive a commercial propagation license for WA 38 without having to become a  
16 member of NNII by receiving a license directly from WSU or PVM.

17 19. In an effort to accommodate Phytelligence, in September 2017, WSU and PVM  
18 offered Phytelligence three ways in which it could obtain a commercial license to propagate  
19 and sell WA 38 trees. The first option was the one contemplated in the management contract  
20 between WSU and PVM: Phytelligence would apply for and obtain membership in NNII, and  
21 receive from NNII a license to propagate and sell WA 38 trees. Alternatively, if Phytelligence  
22 chose not to apply for membership in NNII, or if NNII were to reject its application for  
23 membership, Phytelligence could commercially propagate WA 38 under the other two options:  
24 either by contracting with an NNII member nursery, or by contracting with a grower having  
25 land in the state of Washington who is unable to fulfill its needs for WA 38 trees from NNII  
26 member nurseries. Phytelligence declined to pursue any of these three options and never  
27 applied to become a member of NNII.





1 B. Finding that the Propagation Agreement was terminated effective March 17,  
2 2018;

3 C. Awarding WSU damages adequate to compensate for Phytelligence's breach of  
4 the Propagation Agreement, infringement of its trademark rights, and violation of the  
5 Consumer Protection Act;

6 D. Granting preliminary and permanent injunctions enjoining Phytelligence, its  
7 officers, agents, servants, employees, and attorneys, and other persons who are in active concert  
8 or participation with any of the foregoing, from using in any manner the COSMIC CRISP  
9 trademark or any other trademark confusingly similar to the COSMIC CRISP mark;

10 E. Granting preliminary and permanent injunctions directing Phytelligence, its  
11 officers, agents, servants, employees, and attorneys, and other persons who are in active concert  
12 or participation with any of the foregoing, to destroy or return to WSU WA 38 plant material  
13 within its possession, custody, or control;

14 F. Awarding WSU its costs and attorneys' fees; and

15 G. Granting such other and further relief as the Court deems just and proper.

16 DATED March 8, 2018.

17 Davis Wright Tremaine LLP  
18 Attorneys for Defendant Washington State  
19 University

20 By: s/ Stuart R. Dunwoody  
21 Stuart R. Dunwoody, WSBA #13948  
22 Conner G. Peretti, WSBA #46575  
23  
24  
25  
26  
27

**CERTIFICATE OF SERVICE**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27

I hereby certify that on this day, I caused the document to which this certificate is attached to be served as indicated:

Daniel A., Brown  
Daniel J. Velloth  
WILLIAMS, KASTNER & GIBBS PLLC  
601 Union Street, Suite 4100  
Seattle, WA 98101-2380

- Via Legal Messenger
- U.S. Mail, postage prepaid
- Federal Express
- Facsimile
- E-Serve Application
- Email

*Attorneys for Plaintiff*

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

Executed at Seattle, Washington this 8<sup>th</sup> day of March, 2018.

s/Stuart R. Dunwoody  
Stuart R. Dunwoody