

Original

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

U.S. DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
FILED
JUN - 3 2004
CLERK, U.S. DISTRICT COURT
By _____
Deputy

IN RE DIPPIN' DOTS, INC.,
PATENT LITIGATION

396cv1954-L
MDL DOCKET NO. 1377
ALL CASES

1:00cv907
1:01cv202
1:01cv262
1:01cv357

FILED IN CHAMBERS
THOMAS W. THRASH JR.
U. S. D. C. Atlanta

JUN 3 2004

LUTHER D. THOMAS, Clerk
By: *[Signature]*
Deputy Clerk

ORDER

This is an action for patent infringement, trademark and trade dress infringement and misappropriation of trade secrets. It is before the Court on the Defendants' Motion for Attorneys' Fees on Trade Secrets Claims [Doc. 841]. For the reasons set forth below, the Defendants' motion is denied.

I. BACKGROUND

This action was filed by Plaintiffs Dippin' Dots, Inc. ("Dippin' Dots"), and its founder, Curt Jones. Dippin' Dots is an Illinois corporation with its principal place of business in Paducah, Kentucky. Dippin' Dots is engaged in the business of manufacturing and distributing flash frozen novelty ice cream. The Defendants in this action are engaged in either the manufacture or distribution of a competing flash frozen novelty ice cream product known as Frosty Bites.

The Plaintiffs' Complaint asserted a claim for breach of the Kentucky Uniform Trade Secrets Act ("Trade Secrets Act"). The Plaintiffs contended that the Defendants misappropriated trade secrets relating to the Plaintiffs' business, and in so doing, violated the Trade Secrets Act and breached contractual agreements between the Plaintiffs and the Defendants. On March 31, 2003, this Court granted the Defendants' motion for summary judgment with respect to the Plaintiffs' trade secret and breach of contract claims, due to the fact that the Plaintiffs failed to use reasonable efforts to protect their trade secrets. In so doing, this Court noted the following: (1) the Plaintiffs made unprotected disclosures of the information they sought to claim as trade secrets; (2) the Plaintiffs failed to require a confidentiality agreement for the first four years of their relationship with the Defendants, during which time the alleged trade secrets were disclosed; and (3) even after a confidentiality agreement was introduced in 1998, the Plaintiffs failed to identify what information was subject to the confidentiality agreement's protection. In re Dippin' Dots Patent Litigation, 249 F. Supp. 2d 1346, 1376-77 (N.D. Ga. 2003). The Distribution Party Defendants now seek an award of attorneys' fees based on the Trade Secrets Act, contending that the Plaintiffs' claims were made in bad faith.

II. STANDARD

The Kentucky Trade Secrets Act provides that a court may award attorneys' fees to the prevailing party when a claim of misappropriation of trade secrets is made in "bad faith." K.R.S. § 365.886. To show bad faith, the party seeking attorneys' fees must satisfy a two prong test. First, the trade secrets claim must have been objectively specious, meaning that there was a complete lack of evidence to support it. Contract Materials Processing, Inc. v. Katalauna GmbH Catalysts, 222 F. Supp. 2d 733, 744 (D. Md. 2002). Once objective speciousness is shown, the party seeking attorneys' fees must then show that the party claiming trade secret misappropriation exercised subjective misconduct in bringing or maintaining the action. Id. Subjective misconduct exists when the party asserting a claim knows or is reckless in not knowing that the claim has no merit. Id. Both objective speciousness and subjective misconduct must be shown before an award of attorneys' fees is appropriate.

III. DISCUSSION

The Plaintiffs failed to produce evidence to warrant a jury trial on their trade secrets claims. Nevertheless, this Court must avoid the temptation to use post hoc reasoning as a means for concluding that an ultimately unsuccessful action was filed in objective speciousness and with subjective misconduct. See Christiansburg Garment Co. v. EEOC, 434 U.S. 412, 421-22 (1978); Professional Real Estate

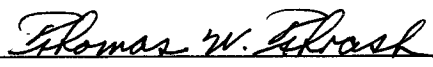
Investors, Inc. v. Columbia Pictures Industries, Inc., 508 U.S. 49, 61 (1993).

Although the Plaintiffs' alleged trade secrets were publicly disclosed, the Plaintiffs believed that such disclosures did not forfeit trade secret protection, because the disclosures were insufficient to permit comprehension of the trade secrets to observers. The Plaintiffs also took some steps to protect their trade secrets, such as requiring confidentiality agreements with distributors starting in 1998, and having plant visitors agree to confidentiality. Additionally, the Plaintiffs contended that there was an inherent duty of confidentiality between them and the Defendants in this case. Under all of the circumstances, this Court cannot conclude the Plaintiffs' claims were objectively specious. An award of attorneys' fees under the Trade Secrets Act is not appropriate.

IV. CONCLUSION

For the reasons set forth above, the Defendants' Motion for Attorneys' Fees on Trade Secrets Claims [Doc. 841] is DENIED.

SO ORDERED, this 3 day of June, 2004.



THOMAS W. THRASH, JR.
United States District Judge