IN THE SUPERIOR COURT OF THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

PROFESSIONAL INVESTIGATING & CONSULTING AGENCY, INC.,	)	
Plaintiff,	)	
v.	)	C.A. No. N12C-06-196 MMJ CCLD
HEWLETT-PACKARD COMPANY,	)	
Defendant.	)	

Submitted: January 29, 2015
Decided: March 23, 2015

On Defendant's Renewed Motion for Judgment as a Matter of Law
DENIED
On Defendant's Motion for a New Trial or Remittitur
DENIED
On Plaintiff's Motion for Exemplary Damages and Attorneys' Fees
GRANTED IN PART, DENIED IN PART
On Plaintiff's Motion for Attorneys' Fees & Expenses
GRANTED IN PART, DENIED IN PART
On Plaintiff's Motion for Costs & Interest
GRANTED IN PART, DENIED IN PART

OPINION

Blake A. Bennett, Esquire (Argued), Christopher H. Lee, Esquire, Gregory Fischer, Esquire, Cooch and Taylor, P.A., Attorneys for Plaintiff.

Michael P. Kelly, Esquire, Christopher A. Selzer, Esquire, McCarter & English, LLP, William J. Wade, Esquire, Travis S. Hunter, Esquire, Richards Layton & Finger, P.A., Jeffrey T. Thomas, Esquire (Argued), Joshua A. Jessen, Esquire, Gibson Dunn & Crutcher LLP, Attorneys for Defendant.

JOHNSTON, J.

FACTUAL & PROCEDURAL CONTEXT

Plaintiff Professional Investigating & Consulting Agency, Inc. ("PICA") is an Ohio corporation with its principal place of business in Ohio. Defendant Hewlett-Packard Company ("HP") is a Delaware corporation with its principal place of business in Palo Alto, California. PICA and HP filed their respective motions following the conclusion of a 12-day jury trial.

Jury selection for trial in the Superior Court began on October 6, 2014. During trial, PICA presented testimony from eight witnesses for its case-in-chief. Two were experts and four were read-in by deposition. HP presented testimony from seven witnesses for its case-in-chief, all of whom appeared in person, and two were experts.

At the close of trial, the jury was presented with four counts: (1) Count I—Misappropriation of Trade Secrets; (2) Count II—Intentional Interference with Employment Relationships; (3) Count III—Breach of Duty of Good Faith and Fair Dealing; and (4) Count IV—Defamation. The jury returned a verdict on October 27, 2014 ("Verdict").

For Count I, the jury found that PICA's Channel Management Program Proposal ("Channel Management Proposal") and PICA's Investigative Ways, Means, and Methods ("Ways, Means, & Methods") were trade secrets. With respect to the Channel Management Proposal, the jury found that HP willfully and maliciously misappropriated the proposal. The jury assessed PICA $300,000 in

damages for out-of-pocket expenses or lost profits, and $700,000 in damages for HP's unjust enrichment.

The jury also found that HP misappropriated PICA's Ways, Means, & Methods, but that the misappropriation was not willful or malicious. The jury did not assess PICA any damages, finding that PICA did not suffer a loss of out-of-pocket expenses or lost profits, and that HP was not unjustly enriched by the misappropriation.

For Count II, the jury found that HP did not intentionally interfere with the employment relationship of any of PICA's employees. Therefore, the jury did not assess any damages.

For Count III, the jury found that HP breached the implied covenant of good faith and fair dealing, and that PICA had suffered damages as a result. The jury assessed PICA $18,000 in damages.

For Count IV, the jury found that HP defamed PICA at the Costa Rica training session. As a result, the jury assessed PICA Humiliation Damages in the amount of $5,500,000.

Following trial, PICA and HP filed their respective motions. Oral argument for all motions was heard on January 29, 2015.

ANALYSIS

HP's Renewed Motion for Judgment as a Matter of Law and Motion for a New Trial or Remittitur

Pursuant to Superior Court Civil Rules 50 and 59, HP renewed its Motion for Judgment as a Matter of Law and filed a Motion for a New Trial or Remittitur. HP's general argument is that the Verdict was flawed on the issues of HP's liability and damages awarded on PICA's claims for defamation, misappropriation of trade secrets, and breach of the implied covenant of good faith and fair dealing.

While the standards for Rules 50 and 59 are different, they are sufficiently similar to allow the Court to discuss the motions together. Further, at oral argument, counsel argued the Rule 50 and 59 motions together, breaking the issues down by claim, then by liability and damages.

Standards of Review

Superior Court Civil Rule 50(b)[1] permits a motion for judgment as a matter of law to be renewed after the entry of a judgment. "[B]arring exceptional circumstances, a trial judge should not set aside a jury verdict…unless...the evidence preponderates so heavily against the jury verdict that a reasonable jury could not have reached the result."[2] Therefore, the Court must consider whether

[1] All "Rules" referred to hereinafter will be the Superior Court Civil Rules.
[2] *Himes v. Liu*, 2008 WL 4147579, at *1 (Del. Super.) (citing *Storey v. Camper*, 401 A.2d 458, 465 (Del. 1979)).

"under any reasonable view of the evidence the jury could have justifiably found for the non-moving party."[3]

In contrast to Rule 50, when considering a Rule 59 motion for a new trial, the Court "weighs the evidence in order to determine if the verdict is one which a reasonably prudent jury would have reached."[4] The Court should only set aside a verdict if it is clear that the "verdict was the result of passion, prejudice, partiality, corruption, or if it is clear that the jury disregarded the evidence or law."[5] A jury's verdict with respect to damages is presumed to be correct, "unless it is so grossly disproportionate to the injuries suffered so as to shock the Court's conscience and sense of justice."[6]

HP's Defamation Liability and PICA's Damages

Parties' Contentions

HP contends that no reasonable jury could have found HP liable for defamation or awarded PICA $5.5 million in humiliation damages based on the evidence presented at trial. HP argues the statements about PICA's "poor performance" or being "poorly managed" at the ISMA/OSAC conference are constitutionally-protected statements of opinion because they cannot be objectively

[3] *Mazda Motor Corp. v. Lindahl*, 706 A.2d 526, 530 (Del. 1998).
[4] *Burgos v. Hickok*, 695 A.2d 1141, 1145 (Del.).
[5] *Cooke v. Murphy*, 2014 WL 3764177, at *2 (Del.). *See also Burgos v. Hickok*, 695 A.2d 1141, 1145 (Del. 1997) ("[T]he trial judge should set aside a jury verdict pursuant to a Rule 59 motion only when the verdict is manifestly and palpably against the weight of evidence, or for some reason, justice would miscarry if the verdict were allowed to stand.").
[6] *Id.*

verified. HP also argues that the statement about the Latin America Region having the lowest return-on-investment ("ROI") in the world was at least substantially true, a defense to defamation, based on the evidence presented at trial. In addition, HP argues that PICA offered no evidence to support the jury's humiliation damages award of $5.5 million.

HP also contends that the jury's $5.5 million assessment for humiliation damages should shock the Court's conscience. HP argues that the jury's $5.5 million damages award was speculative, and must have been the result of the jury's sympathy for PICA and/or desire to punish HP, because there was no evidence to support that an award for that amount. HP asserts that the $5.5 million award represents a "notion that PICA was 'humiliated' in an amount thirty-five times its net income over a five year period [which] defies comprehension."

HP next argues that PICA did not present any evidence that HP's defamatory statements at the ISMA/OSAC conference actually diminished PICA's reputation, or caused humiliation. Alternatively, HP argues that if PICA had offered evidence of reputational damage, PICA did not present any evidence that any damage suffered was proximately caused by HP's statements in Costa Rica.

PICA contends that it was reasonable for the jury to find HP liable for defamation and assess $5.5 million in humiliation damages. PICA argues the testimony of Bob Cooper provides sufficient evidence to show that all the statements at the ISMA/OSAC conference—relating to poor performance, poor

management, and lowest ROI—were objectively false. Specifically, PICA argues that HP's statements at the Costa Rica training about "poor performance" and "poor management" were not statements of opinion, and were false. PICA asserts that its performance and management were objectively verifiable under the metrics PICA was being judged on at that time. PICA also argues that HP's statement about ROI was not substantially true because it was not based on the metrics being used to judge PICA at that time.

PICA also contends that the jury's assessment of $5.5 million in humiliation damages does not shock the conscience. PICA argues the jury's assessment of $5.5 million was reasonable given HP's introduction of evidence that PICA had been paid $16 million for prior services rendered to HP. PICA also argues that the $5.5 million in damages was reasonable because PICA may never know the full extent of the damage caused by HP's defamation. PICA asserts it is the role of the jury to award damages that would reasonably compensate PICA from the wrong done to PICA's reputation and good name as the probable consequences of HP's defamation. Finally, PICA argues that $5.5 million in damages is reasonable because the jury could have concluded from the evidence that PICA was going to continue to make profits above its 2010 net income had HP not defamed PICA in Costa Rica.

Discussion

The Court instructed the jury on defamation and humiliation damages. The instruction given was proposed by HP. The jury was told: "In deciding upon a reasonable sum, you must be governed by the evidence in the case and by the purpose of a damages award: fair and reasonable compensation for harm wrongfully caused by another. You may use your own experience and judgment in determining what is fair and reasonable. A person who has been defamed but who has not suffered any injury may recover nominal damages, usually in the amount of $1.00."

A statement maligning "one in a trade, business or profession" is slander *per se*, and is a category of defamation that is actionable without proof of special damages.[7] Prior to post-trial motions, HP did not raise the issue of whether PICA, as a corporation, could recover humiliation damages. Therefore, the Court finds that HP's argument on this issue has been waived.

As required by Rule 50(b), the Court has reviewed the evidence to determine whether under any reasonable view, the jury could have justifiably found in favor of HP. Under Rule 59, the Court has weighed the evidence in order to determine whether the Verdict is one which a reasonably prudent jury could have reached. Further, the Court has examined the evidence in consideration of whether it is clear that the Verdict was the result of passion, prejudice, partiality, corruption, or in

[7] *Spence v. Funk*, 396 A.2d 967, 970 (Del. 1978).

clear disregard of the evidence or the law. The Court viewed the damages award to determine whether it is so grossly disproportionate to the injuries suffered so as to shock the Court's conscience and sense of justice.

The Court finds that a reasonable jury could have found that HP's statements at the ISMA-OSAC conference were not merely statements of opinion. Rather, the statements could be found by a reasonable jury to be false, as objectively verifiable under the relevant metrics placed into evidence by PICA. Therefore, HP's defamatory statements were not pure expressions of opinion, protected under the First Amendment.[8] To the extent HP's statements could, in part, be viewed as opinion, the Court finds that a reasonable jury could find that such statements were defamatory because they implied "the existence of an undisclosed defamatory factual basis."[9]

Additionally, the Court has considered extensive and detailed evidence of: the amounts paid by HP to PICA over the course of their relationship; the relatively insular nature of the brand protection industry in Latin America; PICA's reputation in the area before and after HP's defamatory statements; the persons who heard HP's statements; the likely effect such statements would have on those listening in the context of the totality of circumstances surrounding the business relationships and competitive climate; PICA's income figures during the relevant

[8]*See Riley v. Moyed*, 529 A.2d 248, 251 (Del. 1987).
[9]*Ramunno v. Cawley*, 705 A.2d 1029, 1036 (Del. 1998).

time period; as well as PICA's evidence of profit projections. The award of $5.5 million in humiliation damages shocks neither the Court's conscience nor sense of justice.

As an alternative to granting a new trial, the Court may reduce the damages award by granting remittitur. The Court must consider whether the "jury either misunderstood the Court's instructions or was motivated by passion or prejudice in making such an enormous award to plaintiff and against defendant, a multinational corporation . . . ."[10] The question, similar to the Rule 59(b) analysis, is whether the verdict is so grossly disproportionate to the evidence as to shock the Court's conscience and sense of justice. The Court finds that remittitur is not warranted. Weighing the evidence, and considering all reasonable inferences,[11] the Court finds that the award can reasonably be viewed as proportional to PICA's damages, and not the result of any misunderstanding or improper motivation.

HP's Trade Secret Misappropriation Liability and PICA's Damages

Parties' Contentions

HP contends that no reasonable jury could have found HP liable for misappropriation of PICA's trade secrets or awarded PICA $1 million in damages. HP argues that PICA did not offer any evidence for the jury to find that the Channel Management Proposal was a trade secret. Specifically, HP argues that

[10]*Scalia v. Sears, Roebuck & Co.*, 1987 WL 14863, at *1-2 (Del.).
[11]*See Stewart v. Genesco, Inc.*, 406 A.2d 25, 27 (Del. 1979).

PICA did not offer evidence: (1) that the Channel Management Proposal derived any independent economic value from not being generally well-known because "every aspect of PICA's proposal was generally known;" or (2) that PICA reasonably attempted to keep the Channel Management Proposal confidential.

HP also argues PICA offered no evidence that HP actually implemented the Channel Management Proposal in its SDF or ACF units. HP asserts that PICA's only evidence of implementation is that HP increased its test-buys after receiving the Channel Management Proposal, which HP argues PICA admitted was not a trade secret by itself. In addition, HP argues PICA did not offer any evidence of damages recoverable for misappropriation of trade secrets.

HP also contends that the jury's assessment of $1 million in damages for misappropriation of trade secrets lacks any legal or factual support. HP argues PICA sought damages for profits it *would have* earned *if* PICA had entered into a contract with HP for the Channel Management Proposal, which amounts to improper expectation damages—as opposed to damages based on actual loss. HP next argues that Dr. Markham's testimony provided the jury with evidence of unjust enrichment damages that were not rationally tied to the actual use of PICA's Management Channel Proposal. HP also argues that jury's assessment of damages for both PICA's lost profits and HP's unjust enrichment constitutes improper double recovery because the two awards are mutually exclusive. Finally, HP argues that PICA's counsel improperly invited the jury to speculate as to the

damages PICA suffered for HP's implementation of the Channel Management Program in its ACF program.

PICA contends that it was reasonable for the jury to find HP liable for misappropriation of the Channel Management Proposal and assess PICA $1 million for damages. PICA argues that the testimony of Rudy Diaz outlining the scope of the Channel Management Proposal is sufficient evidence of a trade secret when taken as a whole. PICA argues that Diaz's testimony also discussed PICA's reasonable efforts to keep the Channel Management Proposal secret. PICA also argues that Diaz's and Jeff Kwazny's testimony provides sufficient evidence to show that HP implemented parts of PICA's Channel Management Proposal. Further, PICA asserts that Diaz's testimony regarding the ISMA/OSAC slide presentation corroborates that HP implemented PICA's proposal. PICA also argues that PICA's lost profits and HP's unjust enrichment are allowable damages for the misappropriation of a trade secret.

PICA also contends that the jury's assessment of $1 million in damages should not be disturbed because it was not the result of passion, prejudice, partiality, or corruption. PICA argues that it established at trial that PICA was entitled to its lost profits and any unjust enrichment to HP because only PICA was supposed to run the Channel Management Proposal program. PICA argues that recovering both its lost profits and unjust enrichment is not an unlawful double recovery. PICA also argues that Dr. Markham—called as a damages expert—was

not required to form an opinion about HP's liability before calculating PICA's potential damages. Finally, PICA argues that HP waived its right to claim that PICA asked the jury to speculate during closing arguments because HP did not contemporaneously object at trial.

Discussion

In order to prove misappropriation of a trade secret, PICA needed to present evidence that: PICA possessed a trade secret; HP acquired the trade secret by improper means, or used or disclosed the trade secret without PICA's permission; and PICA suffered harm as a result, or HP obtained a benefit from misappropriation.[12] A trade secret is defined by Delaware's Uniform Trade Secret Act as "information, including a formula, pattern, compilation, program, device, method, technique or process, that . . . [d]erives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and [i]s the subject of efforts that are reasonable under the circumstances to maintain its secrecy."[13]

It is not unusual for a compilation of generally-known information or ideas to be deemed worthy of trade secret protection.[14] "Misappropriation includes not only the wholesale pirating of an idea, but also the unauthorized utilization of an

[12] 6 *Del. C.* § 2001.
[13] 6 *Del. C.* § 2001(4).
[14] *Merck & Co. v. SmithKline Beecham Pharm. Co.*, 1999 WL 669354, at *15 (Del. Ch.); *see Agilent Tech., Inc. v. Kirkland*, 2010 WL 610725 at *22 (Del. Ch.).

idea 'as a starting point or guide in developing a process,' or as a means 'to understand what pitfalls to avoid.'"[15] However, it is not enough for the alleged trade secret used by defendant to have coincidental similarities with plaintiff's product.[16] The evidence must show that the defendant did not develop the trade secret on its own.[17]

Misappropriation may be proven by circumstantial evidence. The jury may draw all reasonable inferences from perhaps ambiguous evidence.[18]

HP vigorously argued throughout trial that none of the components of PICA's Channel Management Proposal were trade secrets. Further, the Proposal itself was not a trade secret. And, even if there were any trade secrets, HP neither implemented the Proposal nor benefitted from any alleged use.

PICA produced extensive evidence, including expert testimony, that while certain aspects of the Channel Management Proposal, viewed separately, were not trade secrets, the Proposal, as a whole program, was the trade secret. The issue of efforts to maintain secrecy also was hotly-contested. Both parties expended considerable effort to advocate for or against the proposition that HP's use of the Proposal resulted in damage to PICA and unjust enrichment to HP. Much of the dispute centered on HP's slide presentation in Bogota, Columbia, email exchanges, and other communications among the parties.

[15] *Savor, Inc. v. FMR Corp.*, 2004 WL 1965869, at *8 (Del. Super.) (footnote omitted).
[16] *Id.* at *10.
[17] *Id.*
[18] *Merck*, 1999 WL 669354, at *20.

The following question was presented to the jury: "What amount of damages do you assess in favor of Plaintiff PICA as a result of Hewlett Packard's misappropriation of PICA's Channel Management Program Proposal?" The jury awarded PICA out-of-pocket expenses or lost profits of $300,000; and damages for HP's unjust enrichment of $700,000. The categories of damages were not presented as alternative or mutually exclusive. Rather, the jury was free to find either or both. The Court finds that the damages are not duplicative. The evidence supports the Verdict of $1 million in damages for misappropriation of PICA's Channel Management Proposal trade secret.

HP's Implied Covenant of Good Faith and Fair Dealing Liability and PICA's Damages

Parties' Contentions

HP contends that no reasonable jury could have found HP liable for breach of the implied covenant of good faith and fair dealing, or could have assessed PICA $18,000 in damages. HP argues that HP and PICA's agreement at the time required PICA to attend the training. Thus, HP's offer of a new contract is irrelevant as a matter of law. Alternatively, HP argues that the evidence shows that HP actually offered PICA a new contract before PICA attended the Costa Rica training. In addition, HP argues that PICA offered no evidence that it suffered any expenses for attending the training. In fact, HP paid all of PICA's expenses.

PICA contends that it was reasonable for the jury to find that HP breached the implied covenant of good faith and fair dealing and awarded PICA damages. PICA argues that HP acted in bad faith by requiring PICA to bring all of its employees to the Costa Rica training, then terminating the CMT and hotline employees three days later.

Discussion

The evidence presented to the jury on this issue was not complicated. PICA conceded that training was part of its agreement with HP. PICA did not dispute that the training expenses were paid by HP.

Nevertheless, HP presented evidence that HP urged PICA to bring all of its employees to the training, knowing that at that time HP intended to terminate the CMT and hotline teams shortly thereafter. Even though the actual training expenses were paid by HP, PICA's employees were removed from its work force for a week. PICA provided calculations for the value of the work lost by employees needlessly attending the training.

The Court finds that a reasonable jury could find that HP acted in breach of the implied covenant of good faith and fair dealing. Additionally, the damages award of $18,000 is reasonable in consideration of the evidence presented.

PICA's Motion for Exemplary Damages and Attorneys' Fees

Pursuant to the Verdict—whereby the jury determined that HP willfully and maliciously misappropriated PICA's Channel Management Proposal—PICA seeks a Court award of $2 million in exemplary damages, and 75% of its total attorneys' fees incurred in this litigation.

Exemplary Damages and Attorneys' Fees Standard

The Delaware Uniform Trade Secret Act ("DUTSA") provides that the Court "may award exemplary damages in an amount not exceeding twice" any proper jury award, *if* wilful and malicious misappropriation exists.[19] "Exemplary damages provide a valuable function above and beyond compensatory damages in the punishment and deterrence of unlawful conduct."[20] DUTSA also provides that if willful and malicious misappropriation exists, "the court may award reasonable attorney's fees to the prevailing party."[21]

Parties' Contentions

PICA contends that the Court should enter an award in its favor for $2 million in exemplary damages—double the $1 million awarded by the jury—and an award for 75% of its total attorneys' fees in connection with this litigation. PICA argues exemplary damages are proper because: (1) the jury determined that HP willfully and maliciously misappropriated PICA's Channel Management

[19] 6 *Del. C.* § 2003(b).
[20] *Mattern & Assoc., L.L.C. v. Seidel*, 678 F.Supp 2d 256, 272 (D. Del. 2010).
[21] 6 *Del. C.* § 2004.

Proposal; and (2) there are no mitigating circumstances to dissuade the Court from such an award. PICA also argues that it should be awarded 75% of its attorneys' fees because it spent "at least seventy five percent of its time" pursuing the Channel Management Proposal misappropriation claim. As a safeguard to ensure the reasonableness of PICA's attorneys' fee award, PICA suggests that the Court order HP to make a full accounting of its own attorneys' fees for comparison.

HP contends that the Court should exercise its discretion to not award PICA any exemplary damages or attorneys' fees. HP's first argument mirrors its Rule 50 argument—that it was not reasonable for the jury to find HP willfully and maliciously misappropriated PICA's Management Channel Proposal based on the evidence produced at trial.

HP next argues that PICA should not be awarded exemplary damages because PICA was "amply" compensated by the jury's $1 million award. Similarly, HP argues that PICA should not be further rewarded for its "misguided pursuit of severely exaggerated damages." HP asserts that PICA spent lots of time arguing it was entitled to "hundreds of millions of dollars" of damages relating to the Management Channel Proposal misappropriation claim, even though it only sought $6.8 million at trial. In addition, HP argues that PICA should not be awarded 75% of its attorneys' fees because the $1 million award only represents approximately 7% of the damages PICA sought at trial.

Discussion

The jury found that HP's misappropriation of PICA's Channel Management Proposal was willful and malicious. The jury awarded damages to PICA totaling $1 million. DUTSA grants authority to "award exemplary damages in an amount not exceeding twice any award . . . ."[22] The Court's power is discretionary.

In *Great American Opportunities, Inc. v. Cherrydale Fundraising, LLC,*[23] the Court of Chancery awarded $61,538 in compensatory damages for misappropriation of trade secrets and tortious interference with contract.[24] The Court declined to award the maximum amount permitted by the DUTSA, and ruled that "doubling the amount of compensatory damages amply serves the purposes of the DUTSA."[25]

With regard to attorneys' fees, the *Great American* Court held:

> In addition to exemplary damages, the DUTSA permits this Court to award reasonable attorneys' fees to the prevailing party when "willful and malicious misappropriation [of trade secrets] exists." Implicit in this language is the understanding that the Court should award only reasonable attorneys' fees actually incurred in connection with litigation of a misappropriation of trade secrets claim.[26]

The Court considered that the trade secret claims were pursued concurrently with other claims in the litigation. Finding that the misappropriation of trade secrets claim and the other claims "played roughly equal roles in the litigation and

[22] 6 *Del. C.* § 2003(b).
[23] 2010 WL 338219 (Del. Ch.).
[24] *Id.* at *27.
[25] *Id.* at *28.
[26] *Id.* at *29.

in many respects were inextricably intertwined," the Court awarded one half of the attorneys' fees.[27] The Court reasoned that "from a practical standpoint, accurately separating work done in pursuit of each claim would be difficult, if not impossible."[28]

In *Agilent Technologies, Inc. v. Kirkland*,[29] the Court of Chancery declined to award exemplary damages for willful and malicious interference with trade secrets, "although the misconduct at issue arguably warrant[ed] such an unusual act by this court."[30] The Court reasoned: "Having taken an approach to monetary damages designed to make Agilent whole and to deprive AMT of its unjust rewards, I decline to enter into the realm of punishment, believing that I am putting in place a stringent remedy that will sufficiently vindicate the interests of Agilent and those more generally protected by the Delaware Uniform Trade Secrets Act."[31]

The *Agilent* Court further ruled:

> For that logic to hold, however, I must award Agilent its full attorneys' fees and costs, lest it be, by virtue of suffering enforcement costs, left in a worse position than it should be. To avoid quibbling, I order the defendants to provide Agilent with a full accounting of their own fees and costs in defending the entirety of this litigation. Unless Agilent's fees and costs exceed the defense costs in some unusual manner, I will enter an award reflecting the amounts actually billed by Agilent's attorneys and experts. That is, I will assume that if each

[27] *Id.*
[28] *Id.*
[29] 2010 WL 610725 (Del. Ch.).
[30] *Id.* At *34.
[31] *Id.* at *34.

> side's expenditures are reasonably similar, that Agilent's fees and costs were reasonably incurred.[32]

In this case, the Court finds the reasoning of the *Agilent* Court most applicable. It appears that the jury's $1 million award reasonably compensates PICA for misappropriation of its trade secrets. Further, if the trade secret claim were the only amount awarded to PICA, the Court would grant exemplary damages. However, in light of the total jury verdict, the Court declines to impose an additional amount for exemplary damages for punitive purposes.

Attorneys' fees are warranted under these circumstances. PICA contends that 75% of its attorneys' fees were expended pursuing the Channel Management Proposal misappropriation claim. Having presided over the extensive pre-trial proceedings, and the lengthy trial, it is clear to the Court that the issues central to this litigation were the identification of PICA's trade secrets, whether HP wilfully and maliciously misappropriated the trade secrets, and resulting damages and unjust enrichment. There were numerous discovery disputes on these issues - resulting in multiple orders compelling HP to produce documents. The 75% estimation appears reasonable to the Court.

Should HP dispute the reasonableness of the dollar amount represented by 75% of PICA's attorneys' fees, HP shall provide a full accounting of HP's own

[32] *Id.*

fees and costs in defending the entirety of this litigation. The Court then will make a determination as to reasonableness.

PICA's Motion for Attorneys' Fees & Expenses

Pursuant to Rule 16(f), Rule 37(b), and the "bad faith" exception to the American Rule, PICA seeks to recover 75% of the attorneys' fees and expenses PICA has incurred since July 29, 2013.

Standard of Review

Rule 16(f) permits the Court to make "just" orders for failure to obey a scheduling order.[33] Rule 37(b) allows the Court to impose sanctions for a party's failure to comply with a discovery order.[34] Awards under Rule 37 are mandatory if a party has failed to honor a discovery request, "unless the Court finds that the failure was substantially justified or that other circumstances make an award of expenses unjust."[35] A party that has been found to have violated Rule 37 has the burden to show that the actions were justified, or to provide other circumstances that make the award unjust.[36]

Delaware courts generally follow the "American Rule," whereby litigating parties pay their own attorney's fees and costs.[37] An exception to the American

[33] Super. Ct. Civ. R. 16(f).
[34] Super. Ct. Civ. R. 37(b).
[35] *Beck v. Atlantic Coast PLC*, 868 A.2d 840, 851-52 (Del. Ch. 2005).
[36] *Id.* at 852.
[37] *P.J. Bale, Inc. v. Rapuano*, 2005 WL 3091885, at *1 (Del.).

Rule exists for "bad faith" conduct that increases the cost of litigation.[38] The bad faith exception should be applied only in extraordinary circumstances to deter abusive litigation and protect the integrity of the judicial process.[39] There is no single standard for bad faith.[40] "[R]ather, bad faith is assessed on the basis of the facts presented in the case."[41] The party seeking attorney's fees bears the burden of producing clear evidence of bad faith conduct.[42]

Parties' Contentions

PICA contends that HP's conduct during litigation violates Rule 16(f), Rule 37(b), and constitutes "bad faith" litigation tactics. PICA asserts that HP—through its counsel—"purposefully obstructed PICA's valid discovery requests, inhibiting PICA's ability to prosecute its claims in an effective and efficient manner." Specifically, PICA argues that HP knowingly suppressed all information related to the ISMA/OSAC presentation and HP's unjust enrichment from April 2013 until just days before trial. PICA claims that HP knowingly withheld these documents because they otherwise would have come up within the search parameters of the parties' agreed-upon electronically stored information guidelines. PICA also argues that HP's actions precluded PICA from obtaining evidence necessary to

[38] *Id*; *see also Beck, 8*68 A.2d at 851-52.
[39] *P.J. Bale, Inc.*, 2005 WL 3091885, at *1.
[40] *Beck*, 868 A.2d at 851.
[41] *Id.*
[42] *Id.*

depose HP witnesses, and forced PICA to incur significant amounts of unnecessary legal fees from July 29, 2013 until the present.

HP contends that HP's conduct does not rise to the extraordinary level that permits fee-shifting. HP argues that fees under Rule 16 and 37 should not be granted because HP often disputed the scope of the Court's orders, which does not amount to total disobedience. HP asserts it also had legitimate objections to PICA's "overreaching discovery requests," yet still made good-faith efforts to comply. HP argues that PICA has failed to satisfy the "clear evidence" burden required by the "bad faith" exception to the American Rule. HP also argues that PICA was not "materially prejudiced" by HP's conduct regarding the ISMA/OSAC or trading company e-mails. Finally, HP argues that 75% of PICA's attorneys' fees is not reasonable in relation to the alleged bad faith conduct because the discovery at issue comprised only 16% of PICA's total discovery.

Discussion

During the August 21, 2014 hearing on one of PICA's motions to compel, the Court considered whether to impose sanctions on HP at that time. The Court held in abeyance that decision. In response to eight separate motions to compel filed by PICA, the Court ordered HP to produce evidence HP previously had refused to disclose. Evidence relating to PICA's Channel Management Proposal was not produced until well after the close of discovery. Certain documents were not produced until 12 days prior to trial.

Also shortly before trial, PICA was obligated to travel to depose witnesses. PICA was prejudiced because this crucial trial-preparation period was disrupted by discovery that could have been taken months or even a year earlier. HP filed an untimely *Daubert* motion immediately prior to trial, arguing that PICA's expert testimony - concerning the much-delayed HP evidence - should be excluded. The Court denied the motion, and noted that it would be unduly disruptive to PICA to be required to draft a written response at that late date.

The Court awards PICA its attorneys' fees, associated with the preparation and presentation of the following, as sanctions pursuant to Rule 37(b):

(1) motion to compel and for sanctions heard on August 21, 2014;

(2) opposition to HP's Motion *in Limine* Number 14;

(3) September 26, 2014 deposition of Joseph Hendrix; and

(4) opposition to HP's October 2, 2014 *Daubert* motion.

PICA's Motion for Costs and Interest

Pursuant to Rule 54(d), PICA seeks an award of its total taxable costs of $22,272.13; pre-judgment interest of $70,258.33; and post-judgment interest.

Standard of Review

Rule 54(d) allows the prevailing party to recover its costs at the Court's discretion.[43] Delaware courts have interpreted the term "prevailing" to mean a

[43] Super. Ct. Civ. R. 54(d).

party that succeeds on a general majority of the claims.[44] Generally, ordinary reasonable court costs are awarded as a matter of course, while costs that could reasonably have been avoided may not be awarded.[45]

Delaware courts also award pre-judgment interest as a matter of right, to be awarded from the date payment is due.[46] In the absence of an express contract rate, the Court should use the "legal rate" as the default rate.[47] Post-judgment interest also is routinely granted.[48] However, post-judgment interest on the full amount of the judgment, which includes the part comprised of pre-judgment interest, is left to the Court's discretion.[49]

Parties' Contentions

PICA contends that it is entitled it recover its costs for: (1) filing fees; (2) deposition transcripts; (3) trial transcripts; (4) shipping costs; (5) expert witness costs; and (6) mediation costs, because it was the prevailing party. In support, PICA argues that the Court should not require a deposition be read "in its entirety" for the recovery of deposition transcript costs. PICA also argues that it should be

[44] *Adams v. Calvarese Farms Maint. Corp.*, 2011 WL 383862, at *3 (Del. Ch.).
[45] *Dreisbach v. Walton*, 2014 WL 5426868, at *5 (Del. Super.).
[46] *Beard Research, Inc. v. Kates*, 8 A.3d 573, 620 (Del. Ch. 2010).
[47] *Beard Research, Inc. v. Kates*, 8 A.3d 573, 620 (Del. Ch. 2010) (citing 6 *Del. C.* § 2301 ("Where there is no expressed contract rate, the legal rate of interest shall be 5% over the Federal Reserve discount rate including any surcharge as of the time from which interest is due.")).
[48] *Beard Research*, 8 A.3d at 621.
[49] *See Brandin v. Gottlieb*, 200 WL 1005954, at *30 n. 93 (Del. Ch.) ("I recognize that there are cases in which the Court of Chancery's refusal to award post-judgment interest on the full amount of a judgment has been upheld as within its discretion."); *see also Great American Opportunities, Inc. v. Cherrydale Fundraising, LLC*, 2010 WL 338219, at *30 (Del. Ch.) ("I award post-judgment interest on the full amount of the judgment, including that part compromised of prejudgment interest.").

awarded its expert witness costs because they are the costs for the time of testifying, time waiting to testify, and travel, and are all reasonable.

PICA also contends that it is entitled to pre- and post-judgment interest on the Verdict. PICA argues that the Verdict amount was not incalculable solely because HP was unsure of the exact amount the jury would award prior to trial. PICA also argues that compound interest is now the standard for pre- and post-judgment interest in Delaware.

HP contends that PICA's requests for costs are improper because PICA asks for "well beyond" what is allowed under Rule 54(d). Specifically, HP argues that PICA's costs are not recoverable because: (1) PICA does not identify what each filing fee was for, thus it is impossible to tell if the fee was duplicative or unnecessary; (2) PICA's deposition transcript costs were not "necessarily incurred" because they were not introduced "in its entirety;" (3) PICA did not rely on their trial transcripts for use at trial; (4) PICA's shipping costs were not incurred in connection with asserting a right in court; (5) PICA's expert witness costs goes beyond 10 *Del. C.* § 8906; and (6) PICA does not explain how mediation costs were incurred in the assertion of a right in court.

In addition, HP contends that prejudgment interest should not be awarded for PICA's $300,000 lost profit award. HP argues that prejudgment interest should not be granted because PICA's lost profits damages could not "possibly have been knowable or foreseen before trial or based on testimony of a pecuniary nature."

Alternatively, HP argues that if pre- and post-judgment interest are granted, Delaware law favors simple interest.

Discussion

The Court awards the following as costs and interest to PICA:

(1) filing fees;

(2) full transcript costs for each deposition read into the trial record;

(3) shipping and postage costs, as limited by PICA's reply;

(4) trial expert witness fees;

(5) mediation costs;

(6) pre-judgment interest on $100,000 beginning March 2010, $100,000 beginning March 2011, and $100,000 beginning March 2012; and

(7) post-judgment interest, calculated as simple interest.

All other requests for costs and interests are denied.

CONCLUSION

Trial in this case lasted for 12 days. The jury was attentive and diligent throughout the trial, and conducted lengthy deliberations. The Verdict Sheet contained 20 detailed questions. The jury appeared to the Court to have a good understanding of the issues and evidence presented.

The Court finds that the jury's Verdict is reasonable and consistent with the evidence. Having weighed the evidence, the Court holds that the Verdict is one that a reasonably prudent jury could have reached. There is no reason to set aside

the Verdict on the basis of passion, prejudice, partiality, corruption or disregard of the evidence or law. The jury's damages awards are not so grossly disproportionate to the injuries suffered that they shock the Court's conscience and sense of justice.

THEREFORE:

Defendant's Renewed Motion for Judgment as a Matter of Law is hereby **DENIED;**

Defendant's Motion for a New Trial and Remittitur is hereby **DENIED;**

Plaintiff's Motion for Exemplary Damages and Attorneys' Fees is hereby **GRANTED IN PART AND DENIED IN PART;**

Plaintiff's Motion for Attorneys' Fees and Expenses is hereby **GRANTED IN PART AND DENIED IN PART;**

Plaintiff's Motion for Costs and Interest is hereby **GRANTED IN PART AND DENIED IN PART.**

IT IS SO ORDERED.

_/s/ Mary M. Johnston_____
The Honorable Mary M. Johnston