



**COURT OF CHANCERY  
OF THE  
STATE OF DELAWARE**

DONALD F. PARSONS, JR.  
VICE CHANCELLOR

New Castle County CourtHouse  
500 N. King Street, Suite 11400  
Wilmington, Delaware 19801-3734

Submitted: January 5, 2006

Decided: April 17, 2006

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Re: *NuCar v. Doyle*, Civil Action No. 19756-NC

Dear Counsel:

Pending before me is Plaintiff, NuCar Consulting, Inc.'s ("NuCar"), application for attorneys' fees and costs pursuant to my Memorandum Opinion ("Opinion") of April 5, 2005. In the Opinion, I held that Defendants, Timothy Doyle and his company, Dealer Rewards, Inc. ("Dealer Rewards"), misappropriated NuCar's trade secrets and were liable for damages. Further, I held that Defendants' misappropriation of trade secrets was willful and malicious and therefore awarded NuCar its reasonable attorneys' fees expended on the trade secrets claim, but not on its other claims.

NuCar then filed a petition seeking \$80,705.83 in attorneys' fees and \$3,806.99 in costs. Defendants oppose NuCar's petition on several grounds. For the reasons stated in

this Letter Opinion, I grant NuCar's request, in part, by awarding it attorneys' fees in the amount of \$60,287.30 and denying its application for court costs.

## **I. BACKGROUND<sup>1</sup>**

Although Defendants reside in Sussex County, NuCar filed this action in New Castle County on July 18, 2002. NuCar accused Defendants of violating the Delaware Uniform Trade Secrets Act ("the Act") by misappropriating NuCar's trade secrets. Specifically, NuCar alleged that Defendants misappropriated NuCar's Rewards Program, Potential Client List and Form Contract, as those terms are defined in the Opinion.

After a TRO hearing on July 31, 2002, the Court denied NuCar's request for a TRO. Defendants then moved to dismiss on August 15, 2002, but withdrew that motion after NuCar amended their complaint on March 20, 2003.<sup>2</sup>

After a trial in June 2004, the Court held that NuCar's Form Contract and Potential Client List were trade secrets under the Act and that Defendants misappropriated those trade secrets. I granted a permanent injunction with regard to the Form Contract but did not grant any injunctive relief as to the Potential Client List. I also found Defendants jointly and severally liable to NuCar for unjust enrichment based on the misappropriation and awarded damages in the amount of \$69,750.00. Additionally, I

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<sup>1</sup> The facts of the underlying dispute are set forth in my earlier Opinion, *NuCar Consulting, Inc. v. Doyle*, 2005 WL 820706 (Del. Ch. Apr. 5, 2005).

<sup>2</sup> The case as originally filed also named several McCafferty dealerships as Defendants. Pursuant to a stipulation and order entered on April 10, 2003, the Court dismissed the McCafferty Defendants.

found that Defendants willfully and maliciously misappropriated trade secrets under 6 *Del. C.* § 2004, thereby entitling NuCar to reimbursement of its reasonable attorney's fees in prosecuting the misappropriation of trade secrets claim.

Following the Court's ruling, NuCar submitted a detailed petition for its attorneys' fees and costs. NuCar asserted that its attorneys spent a total of 667.10 hours on this litigation.<sup>3</sup> The total fees incurred by NuCar were over \$132,000. Pursuant to my direction in the Opinion to exclude fees or costs on its nontrade secret claims, NuCar reduced its request for reimbursement to 382.4 hours equaling \$80,705.63 in attorney fees.<sup>4</sup> NuCar also sought costs and expenses sought in the amount of \$3,806.99.

Defendants objected to NuCar's petition for fees and costs on several grounds. As to costs, they argue that 10 *Del. C.* § 5102 precludes NuCar from recovering any costs, because they did not sue Defendants in the county where they reside. Defendants' objections to NuCar's petition for attorneys' fees fall into two categories. First, they contend that Defendants spent a total of over \$39,000 on issues relating to its motion for a TRO, the McCafferty Defendants, the response to Defendants' motion to dismiss and NuCar's resultant amended complaint. In their petition, NuCar voluntarily reduced that amount to \$16,516.00, but Defendants argue that NuCar should not receive any

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<sup>3</sup> Aff. of Robert A. Penza ("Penza Aff."), Ex. 1.

<sup>4</sup> As stated in the Opinion, "[t]he award of attorney's fees does not include fees expended in pursuit of any of the non-trade secret claims NuCar dropped before trial." *NuCar*, 2005 WL 820706, at \*1 n.2.

reimbursement for those fees. The other category of Defendants' objections pertains to the remaining \$92,896.40 of NuCar's total attorneys' fees. Defendants argue that, although NuCar arbitrarily reduced that amount by approximately 31%, they should have lowered it by two thirds.

Having considered the briefing and argument on NuCar's petition, I address Defendants' objections below seriatim.

## **II. ANALYSIS**

### **A. Costs**

To determine costs in this case the Court must analyze three statutes, 10 *Del. C.* §§ 5101, 5102, and 5106. Section 5106 provides the Court discretion in awarding costs to the prevailing party. Section 5101 defines the standard for prevailing parties in actions in "a court of law."<sup>5</sup> Section 5102, however, applies to all civil actions where the defendant resides in a county other than where the case was filed. It states:

Except where a plaintiff sues a citizen who resides within the city limits of Milford or within 3 miles of said limits and the suit is filed in Justice of the Peace Court No. 5 in Milford, wherever suit is brought in any civil action,

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<sup>5</sup> The statute, 10 *Del. C.* § 5101, states in the entirety:

In a court of law, whether of original jurisdiction or of error, upon a voluntary or involuntary discontinuance or dismissal of the action, there shall be judgment for costs for the defendant. Generally a party for whom final judgment in any civil action, or on a writ of error upon a judgment is given in such action, shall recover, against the adverse party, costs of suit, to be awarded by the court.

excepting action where the venue is by law local, against any citizen of this State, in any other county than that wherein such citizen resides at the time of the inception thereof, the plaintiff shall not recover costs and such costs shall not be payable by the defendant nor collectable by execution process.<sup>6</sup>

Defendants argue that section 5102 prevents NuCar from recovering its costs of \$3,806.99 because the statute precludes a plaintiff who files an action in a county other than where defendant resides from recovering costs.<sup>7</sup> NuCar responds that section 5101 limits section 5102 to actions at law. In particular, they contend that, although section 5102 does not contain any limiting language, its placement immediately following section 5101 implies that section 5102 also applies only to actions at law. In the alternative, NuCar argues that section 5106 takes precedence over section 5102.<sup>8</sup>

This Court has discretion to award costs to a prevailing party under section 5106 and Court of Chancery Rule 56(d). Section 5102 operates to encourage plaintiffs to bring suit against citizens of Delaware in the county where they reside. Both parties rely upon

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<sup>6</sup> 10 *Del. C.* § 5102.

<sup>7</sup> At and since the time NuCar commenced this action Defendants have resided in Sussex County.

<sup>8</sup> NuCar also argues that the provision in the Final Order and Permanent Injunction entered on April 28, 2005, that “the Defendants are jointly and severally liable for the costs of this action” is the law of the case and precludes Defendants from pursuing their argument under 10 *Del. C.* § 5102. Because Defendants timely asserted that argument and this Court has not previously addressed § 5102 in terms of costs, I reject NuCar’s law of the case contention.

*Heite v. Camden-Wyoming Sewer & Water Authority*.<sup>9</sup> In *Heite*, the Court awarded a prevailing plaintiff in a civil rights action \$12,780 in attorneys' fees and "disbursements" of \$2,814.35.<sup>10</sup>

According to NuCar, *Heite* supports the proposition that the Court of Chancery has discretion under section 5106 to award costs despite section 5102's bar against a plaintiff recovering costs in an action it brought in a county other than where defendant resides. They further assert that the court in *Heite* considered the disbursement it awarded a "cost." Defendants dispute this reasoning and point out that the court, citing 10 *Del. C.* § 5102, noted that plaintiff did not seek reimbursement of filing fees in the amount of \$460.00.<sup>11</sup> They additionally assert that the *Heite* court did not address what effect, if any, section 5102 had on the plaintiff's claim for reimbursements of certain "disbursements."

Having reviewed the *Heite* case and considered the ambiguities pointed out by the parties, I do not find it instructive for purposes of this case. The absence of detail as to

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<sup>9</sup> 1993 WL 181299 (Del. Ch. May 21, 1993). In *Heite*, the Court considered a plaintiff's claim for costs incurred in successfully asserting in an action brought under 42 U.S.C. § 1988 that a statute violated the constitutional requirement of "one man, one vote." *Id.*

<sup>10</sup> *Id.* at \*3.

<sup>11</sup> Reply to Pl.'s Application for Fees and Costs at 2 n.1 (citing *Heite*, 1993 WL 181299, at \*3).

the nature of the claimed and allowed disbursements, in contrast to the filing fees plaintiff chose not to pursue, limits its applicability here.

By its literal language section 5101 does not limit section 5102. For example, section 5101 expressly applies only in “a court of law”; similarly, section 5106 expressly applies only to the Court of Chancery. In contrast, section 5102 applies to “any civil action.” NuCar’s argument to limit section 5102’s applicability to “law actions” conflicts with the broader language of 5102. Moreover, if the Legislature meant to limit section 5102 they easily could have done so, as evidenced by sections 5101 and 5106. Thus, I conclude that section 5101 does not limit section 5102 to actions at law.

Section 5106 expressly applies to “every case as is agreeable to equity.” Thus, even though section 5102 bars a party from recovering costs if the plaintiff files the action in a county other than where defendant resides, I arguably still have discretion under section 5106 to grant costs in an appropriate case.

Applying section 5102 in light of section 5106, none of the facts and circumstances of this case cause me to exercise my discretion to override section 5102 and award costs. By filing and trying this action in New Castle County, NuCar enjoyed considerable convenience and cost savings to Defendants’ detriment. Consequently, I will adhere to 10 *Del. C.* § 5102 and deny NuCar’s application for costs in the amount of \$3,806.99.

## **B. Attorneys' Fees**

### **1. Standards**

Under the “American Rule” courts generally do not award attorneys’ fees to the prevailing party. This Court, however, has discretion to award attorneys’ fees in certain special circumstances. These include (1) cases where fees are authorized by statute, (2) cases where the applicant creates a common fund or nonmonetary benefit for the benefit of others, (3) cases where the underlying (pre-litigation) conduct of the losing party was so egregious as to justify an award of attorneys’ fees as an element of damages, and (4) cases where the court finds that the litigation was brought in bad faith or that a party’s bad faith conduct increased the costs of litigation.<sup>12</sup>

In the present matter DUTSA authorizes attorneys’ fees. Under 6 *Del. C.* § 2004, a prevailing party may recover reasonable attorneys’ fees if the opposing party willfully or maliciously misappropriates trade secrets. In my April 5, 2004 Opinion, I found that Defendants willfully and maliciously misappropriated NuCar’s trade secrets and awarded NuCar its reasonable attorneys’ fees on that basis.

Defendants object to NuCar’s application for an award of \$80,705.63 in attorneys’ fees on several different grounds. I now turn to those arguments.

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<sup>12</sup> *Nevins v. Bryan*, 885 A.2d 233, 255 (Del. Ch. 2005).



**a. Temporary restraining order**

Defendants argue that NuCar should not recover any attorneys' fees for time spent on its unsuccessful motion for a TRO. Specifically, Defendants assert that the TRO did not aid NuCar's case and that the arguments it advanced in support of the TRO did not include the claims on which NuCar ultimately prevailed.

NuCar responds that their counsel's time entries do not clearly differentiate time spent on the TRO from time spent on other issues. For example, one of the time entries states that the attorney worked on the TRO as well as other matters such as discussing with the client the status of the case and litigation options. Therefore, NuCar contends that their already reduced request for attorneys' fees adequately accounts for the split time problem. Further, NuCar argues that its TRO papers did deal with their claim that Defendants violated DUTSA, even though it did not emphasize the trade secrets on which NuCar ultimately prevailed. Thus, NuCar reduced their fees by 68.4% (\$9,782.50) for all entries that list the motion for TRO in the description of work done, and claims that the remaining amount of \$4,445.00 for such work is appropriate to cover reimbursable items such as the original complaint and general work on the trade secrets claim.

The Court has no basis to doubt the reasonableness of NuCar's allocation of the time spent on issues which its counsel's bills attribute to the TRO as well as other matters. Many of the time entries that include time spent on the TRO also appear to encompass legal research, brief writing and case preparation on issues that had

importance beyond the TRO stage. Therefore, I find NuCar's petition for \$4,445.00 in attorneys' fees for those items reasonable under the circumstances.

**b. McCafferty Defendants**

Defendants argue that they should not have to reimburse NuCar for fees incurred in negotiating the dismissal of the McCafferty Defendants, because NuCar voluntarily dismissed their claims against them. Defendants also contend that the evidence does not support NuCar's assertion that they obtained relevant documents from the McCafferty Defendants before they were dismissed.

NuCar argues that the billable hours spent on issues relating to the McCafferty Defendants also include time spent on other issues. Further, NuCar argues that many of the discussions with the McCafferty Defendants centered on obtaining documents from them for use at trial. Consequently, as with the time related to the TRO, NuCar reduced their attorneys' fees attributable to time entries that refer to the McCafferty Defendants by (\$1,484.00) to \$2,107.50 to account for the voluntary dismissal of them.

Although NuCar dismissed the McCafferty Defendants, I credit their assertion that some of their work related to those defendants involved issues that contributed to their success at trial. For example, NuCar claims to have obtained exhibits from the McCafferty Defendant that they later used. Those documents, however, were not specifically identified. The fact that NuCar's time records do not permit a more precise identification of the time related to the dismissed claims is unfortunate, but

understandable. Based on the evidence and arguments presented, I conclude that some of the fees related to the McCafferty Defendants are reimbursable, but that a further reduction to 40% of the total time in this category is warranted. Thus, I conclude that the reimbursable fees on this point are \$1,436.60.

**c. Motion to Dismiss/Amended Complaint**

Defendants object to reimbursing NuCar for any of the time they spent on Defendants' Motion to Dismiss and the resulting Amended Complaint, arguing that NuCar effectively conceded the motion to dismiss when they amended their complaint. Defendants further assert that only the Amended Complaint caused them to withdraw their Motion to Dismiss. According to Defendants, the Motion to Dismiss, the Complaint's deficiencies, and the Amended Complaint have nothing to do with the Client List, which they did not produce until August 13, 2003, over four months after NuCar amended their complaint and Defendants withdrew the Motion to Dismiss.

Defendants predicate much of this and their remaining arguments on a faulty premise: to wit, that the only protectible trade secret the Court recognized was the Client List document. In particular, Defendants contend that the trade secrets aspect of the Opinion did not relate to Mr. Doyle's knowledge in his head as to Plaintiff's customers or potential customers.<sup>13</sup> The Opinion is not so limited, however. Defendants' self-serving argument to the contrary reads the Opinion too narrowly as basing liability solely on the

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<sup>13</sup> Reply to Pl.'s Application for Fees and Costs at 3.

Client List document.<sup>14</sup> Thus, I agree with NuCar that the discussions of customer information in connection with the briefing on the Motion to Dismiss and in the Amended Complaint relate to work for which fees were awarded.

NuCar argues that this case always involved customer information. Indeed, Defendants' Motion to Dismiss mentions NuCar's claim for misappropriation of its Client List,<sup>15</sup> as does their opening brief in support of that Motion.<sup>16</sup> NuCar's time records indicate that it spent \$18,483.50 in attorneys' fees for entries involving the Motion to Dismiss or the Amended Complaint. In its petition, NuCar reduced that amount by 56.4% (\$10,427.50) and now seeks reimbursement of \$8,056.00 to comply with the Court's direction.

The Opinion authorized reimbursement for attorneys' fees expended on NuCar's "misappropriation of trade secrets claim." NuCar only prevailed, however, on its trade secrets claim as to information about actual or potential customers and its Form Contract; it did not succeed on the claim regarding its Customer Loyalty Program. Nevertheless, NuCar's submissions suggest that it did not reduce the amount of fees claimed on the

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<sup>14</sup> See, e.g., *NuCar*, 2005 WL 820706, at \*11.

<sup>15</sup> Defs.' Mot. to Dismiss ("MTD") at 3.

<sup>16</sup> Only 11 of the 33 pages of NuCar's Answering Brief to Defendants Motion to Dismiss concern NuCar's claims for breach of the Termination Agreement and Work for Hire Agreement.

Motion to Dismiss or the Amended Complaint to exclude time spent on the Loyalty Program.

Considering all the circumstances, I conclude that the amount claimed by NuCar for reasonable attorneys' fees in this category should be further reduced from the \$8,056.00 they requested, to \$6,000 to account for the unsuccessful claim as to the Loyalty Program. To the extent Defendants seek a further reduction as to fees expended on the Motion to Dismiss and the Amended Complaint, I do not find those arguments persuasive.

To recapitulate as to the specific aspects of NuCar's fees challenged by Defendants, NuCar incurred a total of \$39,540.00 in attorneys' fees in this category. NuCar's petition sought reimbursement of \$16,516.00 of that amount, while Defendants argued that none of these fees are reimbursable. For the reasons stated, I have determined to award NuCar a total of \$13,789.10 in this category.<sup>17</sup>

**d. Remaining fees**

Defendants urge this Court to reduce the remaining amount of attorneys' fees sought by NuCar by two thirds to \$30,934.50.<sup>18</sup> This reduction is appropriate, according

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<sup>17</sup> In addition to the specific sums awarded in the three identified areas of dispute, this total also includes \$1,907.50 claimed for work on interrogatories. Defendants did not seriously dispute the latter amount.

<sup>18</sup> Defendants determined the attorneys' fees incurred in this residual category by taking the total fees expended (\$132,427.40) and subtracting \$39,223.50 for time spent on (i) the TRO motion, (ii) discussions with the McCafferty Defendants and

to Defendants, because NuCar's counsel devoted much of their efforts on the trade secret claim to their unsuccessful claim regarding the Customer Loyalty Program. Defendants also object that NuCar's explanation for the fees they seek is arbitrary, inconsistent with the record, and disproportionate and inequitable in relation to the \$69,750 damages award NuCar received. Essentially, Defendants argue that NuCar could not reasonably have incurred \$80,705.63 in attorneys' fees proving that the Client List is a trade secret.

In connection with NuCar's petition for fees, they seek to recover approximately 69% of the remaining \$92,896.40 in fees actually incurred or \$64,189.63. NuCar asserts that it has taken into consideration the limitations on the award of attorneys' fees set forth in the Opinion by significantly reducing the total number of hours for which they seek reimbursement.<sup>19</sup> As such NuCar argues that I should not limit its award of attorneys' fees to the time spent solely on the Client List, because the Opinion allows them to recover for all trade secret claims not dropped before trial.<sup>20</sup> NuCar further asserts that,

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negotiations to release them from the litigation, and (iii) the motion to dismiss and subsequent amendment to the Complaint. They then reduced the remaining amount of attorneys' fees (\$92,896.40) by two thirds thereby awarding Plaintiff \$30,934.50 in attorneys' fees. *See* Defs.' Resp. to Pl.'s Application for Fees and Costs at 3-5.

<sup>19</sup> The award of attorneys' fees does not include fees expended in pursuit of the nontrade secret claims that NuCar dropped before trial.

<sup>20</sup> In its argument that only a small fraction of its time was spent on nontrade secret claims NuCar cites as a benchmark the fact that only 10 of 35 pages of NuCar's pre-trial legal memorandum discuss the alleged breach of the work for hire and termination agreement.

although the attorneys' fees are relatively high compared to the amount of damages, the Court should focus on making NuCar whole. In that regard, they allege that the profits from Defendants' misappropriations exceeded \$100,000.00. The Court considered that argument, however, in determining the lower amount of damages awarded in the Opinion.

In the April 5, 2005 Opinion, I ruled that NuCar's award of attorneys' fees extended only to fees involving its trade secrets claim. As previously stated I do not accept Defendants' contention that the award applies only to attorneys' fees related to the Client List document. At the same time, however, I find NuCar's claim for fees in the remaining category too high, because it includes fees incurred pursuing the trade secret claim as to its Customer Loyalty Program. NuCar did not succeed on that claim. Therefore, fees for time spent developing, for example, the facts supporting the existence of a trade secret in the Customer Loyalty Program or its misappropriation are not reimbursable.

Furthermore, the Court has discretion to consider the amount it awarded on the underlying claim when determining NuCar's award of attorneys' fees.<sup>21</sup> The amount of damages, however, is only one of many factors the Court balances in determining

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<sup>21</sup> *Great Am. Indemn. Co. v. State ex. rel. Mills*, 88 A.2d 426, 431 (Del. 1952).

reasonable attorneys' fees.<sup>22</sup> Because NuCar did not receive injunctive relief for Defendants' use of the Client List, I consider the amount of the damages award, \$69,750, relevant to the reasonableness of NuCar's claim for attorneys' fees.<sup>23</sup>

Based on all the circumstances, I conclude that the remaining component of NuCar's request for attorneys' fees, which seeks 69.1% of the \$92,896.40 actually incurred (\$64,189.63) is too high. It includes more time for aspects of NuCar's trade secrets claim than is warranted by the issues on which they prevailed. In addition, NuCar's overall request for fees slightly exceeds what I consider reasonable in light of the damages obtained and the nature of the issues involved. On the other hand, I find Defendants proposal to reduce the remaining amount by two thirds too extreme and not supported by the record. Accordingly, I have decided to reduce the remainder of \$92,896.40 by 50% and award NuCar \$46,448.20 for that component of its fee request.

### **III. CONCLUSION**

For the reasons stated in this Letter Opinion, I grant NuCar's petition for attorneys' fees and costs in part and deny it in part. NuCar's petition for costs in the amount of \$3,806.99 is denied, and I award it attorneys' fees in the total amount of

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<sup>22</sup> *All Pro Maids, Inc. v. Layton*, 2004 WL 3029869, at \*5 (Del. Ch. Dec. 20, 2004) (considering the amount in dispute as one factor in determining the reasonableness of attorneys' fees).

<sup>23</sup> I issued a permanent injunction which enjoins Defendants' use of NuCar's Form Contract. *NuCar*, 2005 WL 820706, at \*1.



\$60,287.30. An order reflecting this ruling will be entered concurrently with this Letter Opinion.

**IT IS SO ORDERED.**

Sincerely,

/s/Donald F. Parsons, Jr.

Vice Chancellor

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