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**IN THE UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF CALIFORNIA**

<b>WECO SUPPLY COMPANY, INC., a</b>	)	<b>1:10-CV-00171 AWI BAM</b>
<b>California corporation</b>	)	
	)	<b>ORDER DENYING</b>
<b>Plaintiff,</b>	)	<b>DEFENDANT’S MOTION FOR</b>
	)	<b>ATTORNEY FEES</b>
<b>v.</b>	)	(Doc. 74)
	)	
<b>THE SHERWIN-WILLIAMS</b>	)	<b>JUDGMENT AND COSTS</b>
<b>COMPANY,</b>	)	
	)	
<b>Defendant.</b>	)	
<hr/>		
<b>AND RELATED CROSS-ACTION</b>	)	
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On December 22, 2009, Plaintiff Weco Supply Company, Inc. (“Weco”), initiated the instant action against Defendant The Sherwin-Williams Company (“Sherwin-Williams”) for claims related to a business dispute, including a claim for misappropriation of trade secrets. On May 25, 2012, the Court granted summary judgment in favor of Sherwin-Williams on the misappropriation of trade secrets claim. *See* Court’s Docket, Doc. No. 73. Sherwin-Williams now moves for attorney’s fees and costs, including expert fees, for the trade secrets claim pursuant to California Civil Code § 3426.4. For the reasons stated herein, the motion is denied. The Court will enter judgment in favor of Sherwin-Williams and will award costs of suit as detailed below.

1 **BACKGROUND**

2 The background of this action has been described in the Court’s prior orders. *Id.* at Doc.  
3 Nos. 66, 73. In sum, the parties’ dispute centered around a written agreement for the distribution  
4 of Sherwin-Williams paint products by Weco (the “Jobber Agreement”). Weco alleged that  
5 Sherwin-Williams breached the Jobber Agreement by discontinuing a certain product line and by  
6 selling directly to two end users who were Weco’s customers. In addition to the breach of  
7 contract claims, Weco also asserted claims for unfair competition, unfair trade practices, and  
8 misappropriation of trade secrets in violation of California law. Sherwin-Williams filed a cross-  
9 complaint alleging, among other things, that Weco breached the Jobber Agreement by refusing to  
10 pay for an order of paint totaling \$135,083.27.

11 The parties filed cross-motions for summary judgment. In two orders dated May 25,  
12 2012, and August 7, 2012, the Court granted summary judgment in favor of Sherwin-Williams as  
13 to all causes of action in Weco’s First Amended Complaint, and on the breach of contract claim  
14 in Sherwin-Williams’ First Amended Cross-Complaint. *Id.* at Doc, Nos. 66, 73. The Court  
15 ordered Sherwin-Williams to file proof of its damages, fees, costs, and interest at the legal rate  
16 under Ohio law. *See id.* at Doc. No. 73 ¶ 3. On August 27, 2012, Sherwin-Williams filed the  
17 instant motion for attorney’s fees and costs, along with the required proof. *Id.* at Doc. No. 74.  
18 Weco opposes the motion and objects to Sherwin-Williams’ bill of costs. *Id.* at Doc. Nos. 77,  
19 77-3. Sherwin-Williams filed a reply and a response to Weco’s objections. *Id.* at 78, 79.

20 **LEGAL STANDARDS**

21 *A. Attorney’s Fees*

22 California Civil Code § 3426.4 provides:

23 If a claim of misappropriation is made in bad faith, a motion to terminate an injunction is  
24 made or resisted in bad faith, or willful and malicious misappropriation exists, the court may  
25 award reasonable attorney’s fees and costs to the prevailing party. Recoverable costs  
26 hereunder shall include a reasonable sum to cover the services of expert witnesses, who are  
27 not regular employees of any party, actually incurred and reasonably necessary in either, or  
28 both, preparation for trial or arbitration, or during trial or arbitration, of the case by the  
prevailing party.

1 Because there is no statutory definition of “bad faith” in the context of trade secret  
2 misappropriation, California courts have developed a two-pronged standard for the evaluation of  
3 such claims. The party seeking an award of attorney's fees and expert fees under section 3426.4  
4 must show (1) the objective speciousness of the opposing party's claim, and (2) the subjective  
5 bad faith of the opposing party in bringing or maintaining the action, that is, an improper  
6 purpose. *Gemini Aluminium Corp. v. California Custom Shapes, Inc.*, 95 Cal.App.4th 1249,  
7 1261, 116 Cal.Rptr.2d 358 (2002). “Objective speciousness exists where the action superficially  
8 appears to have merit but there is a complete lack of evidence to support the claim.” *FLIR*  
9 *Systems, Inc. v. Parrish*, 174 Cal.App.4th 1270, 1276, 95 Cal.Rptr.3d 307 (2009). Objective  
10 speciousness may be shown by, among other factors, demonstrating that there was no  
11 misappropriation or threatened misappropriation or that the opposing party could not have  
12 suffered any economic harm. *Id.* As for the second prong:

13 Subjective bad faith may be inferred by evidence that [a party bringing an action for trade  
14 secret infringement] intended to cause unnecessary delay, filed the action to harass [the  
15 opposing party], or harbored improper motive. [...] The timing of the action may raise an  
16 inference of bad faith. [...] Similar inferences may be made where the plaintiff proceeds to  
17 trial after the actions's fatal shortcomings are revealed by opposing counsel.

18 *Id.* at 1278, 95 Cal.Rptr.3d 307 (internal citations omitted).

#### 19 B. Costs

20 Federal Rule of Civil Procedure 54(d)(1) provides, in pertinent part, that “costs—other  
21 than attorney’s fees—should be allowed to the prevailing party.” Fed. R. Civ. P. 54(d)(1). “By  
22 its terms, the rule creates a presumption in favor of awarding costs to a prevailing party, but vests  
23 in the district court discretion to refuse to award costs.” *Ass'n of Mexican Am. Educators v.*  
24 *California*, 231 F.3d 572, 591 (9th Cir. 2000) (citing *National Info. Servs., Inc. v. TRW, Inc.*, 51  
25 F.3d 1470, 1471 (9th Cir. 1995)). The court's discretion is not unlimited; it must “specify  
26 reasons” for denying costs. *Id.* at 591-92 (citing *Subscription Television, Inc. v. Southern Cal.*  
27 *Theater Owners Ass'n*, 576 F.2d 230, 234 (9th Cir.1978)). “Proper grounds for denying costs

1 include (1) a losing party's limited financial resources; (2) misconduct by the prevailing party;  
2 and (3) the chilling effect of imposing ... high costs on future civil rights litigants, as well as (4)  
3 whether the issues in the case were close and difficult; (5) whether the prevailing party's recovery  
4 was nominal or partial; (6) whether the losing party litigated in good faith; and (7) whether the  
5 case presented a landmark issue of national importance.” *Quan v. Computer Sciences Corp.*, 623  
6 F.3d 870, 888 (9th Cir. 2010) (quoting *Champion Produce, Inc. v. Ruby Robinson Co.*, 342 F.3d  
7 1016, 1022 (9th Cir. 2003) (omission in original) (internal quotation marks omitted)).

8 Rule 54(d) does not authorize a court to award costs beyond those authorized by statute or  
9 contract. *See Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 441-45, 107 S. Ct. 2494,  
10 96 L.Ed.2d 385 (1987). In this District, “[c]osts shall be taxed in conformity with the provisions  
11 of 28 U.S.C. § 1920, and such other provisions of law as may be applicable.” L.R. 292(a).

## 12 DISCUSSION

### 13 A. Attorney's Fees

14 Sherwin-Williams contends it is entitled to attorney's fees and expert fees because Weco  
15 brought the trade secret claim against it in bad faith. Sherwin-Williams points out that the Court  
16 granted Sherwin-Williams’ motion for summary judgment on the trade secret claim due to lack  
17 of evidence. Sherwin-Williams further argues that the evidence submitted in support of its  
18 motion demonstrates that Weco filed and maintained the action due to personal hostility of its  
19 principal John Sorensen toward Sherwin-Williams. Weco disputes this, arguing that the  
20 deposition testimony cited by Sherwin-Williams merely shows that Mr. Sorensen decided not to  
21 buy more paint from Sherwin-Williams because he was “mad at them,” and that he intended to  
22 sue Sherwin-Williams. *See Decl. of Joseph Owens, Ex. A*, 188:4-14. Weco argues this  
23 testimony does not demonstrate that it initiated or maintained the trade secrets claim in bad faith.  
24

25 The first prong of the test for bad faith under California Civil Code § 3426.4, objective  
26 speciousness, requires a showing of a complete lack of evidence to support the trade secrets  
27 claim. To prove a claim for misappropriation of trade secrets under California’s Uniform Trade  
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1 Secrets Act, a plaintiff must first show “the existence of subject matter which is capable of  
2 protection as a trade secret.” *Globespan, Inc. v. O’Neill*, 151 F.Supp.2d 1229, 1235 (C.D. Cal.  
3 2001) (quoting *Cal Francisco Corp. v. Vrionis*, 14 Cal.App.3d 318, 321-22, 92 Cal.Rptr. 201  
4 (Cal. App. 1971)). A trade secret must be either not generally known to the public or to  
5 competitors, or, if the information is disclosed to others, they must be obligated to keep that  
6 information confidential. *See In re Providian Credit Card Cases*, 96 Cal. App.4th 292, 304 (Cal.  
7 App. 2002). In its order on the motion for summary judgment, the Court found that “[t]he  
8 undisputed facts show that Weco’s pricing to end users and costs of acquisition were not trade  
9 secrets within the meaning of the Uniform Trade Secrets Act.” Court’s Docket, Doc. No. 66 at  
10 13. Thus, there was no misappropriation. Accordingly, the objective speciousness prong of the  
11 test for bad faith appears to be met in this case.

12 Under California Civil Code § 3426.4, however, bad faith means more than the simple  
13 inability to prove the necessary elements of a cause of action. The second prong of the test  
14 requires a showing of subjective bad faith. Sherwin-Williams cites several portions of John  
15 Sorensen’s deposition testimony suggesting that Mr. Sorensen became angry after Sherwin-  
16 Williams began selling paint directly to Mastercraft and Color Glow, two of Weco’s customers.  
17 *See Owens Decl., Ex. A at 155:16-22.* Mr. Sorensen refused to pay Sherwin-Williams for a large  
18 paint order because he “was mad at them.” *Id. at 188:4-14.* Mr. Sorensen also testified that he  
19 hadn’t paid \$60,000 or \$70,000 that he got from Mastercraft back to Sherwin-Williams because  
20 he “was going to use that money to sue [Sherwin-Williams] with.” *Id. at 197:8-11.* Mr.  
21 Sorensen’s testimony further reveals that he “was trying to hurt [Sherwin-Williams]” by sending  
22 a letter to other end users informing them of the pricing offered by Sherwin-Williams to their  
23 competitors. *Id. at 243:18-19.* While this deposition testimony plainly demonstrates there was  
24 no love lost between Mr. Sorensen and Sherwin-Williams, it does not support a finding that  
25 Weco brought the trade secrets claim in bad faith. Civil litigation is frequently engendered by  
26 animosity. This is not the same as bad faith. The Court finds that even if Sherwin-Williams has  
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1 Williams shall be awarded the costs.

2           Weco further objects that Sherwin-Williams cannot recover the costs for the original and  
3 certified copies of the deposition transcripts. This objection is also overruled. The court  
4 reporter’s invoices show that the charges were calculated for the cost of an original transcript,  
5 and the certified copies were considered complimentary. *See* Decl. of Rosemary Roper, Court’s  
6 Docket, Doc. No. 78-1. Accordingly, Sherwin-Williams is entitled to recover the amounts  
7 requested in the bill of costs for the printed copies of each deposition transcript.

8                           2.       Videotaped Deposition Costs  
9

10           Sherwin-Williams also seeks costs for the videotaped deposition of John Sorensen.  
11 Weco objects that Sherwin-Williams cannot recover the costs for both the printed deposition  
12 transcript and the videotape services, as such costs are duplicative. Title 28 U.S.C. § 1920(2)  
13 provides that “[f]ees for printed *or* electronically recorded transcripts” are taxable costs if they  
14 are “necessarily obtained for use in the case.” 28 U.S.C. § 1920(2) (emphasis added). The cost  
15 of only one method of recording the deposition is allowable. Federal Rule of Civil Procedure 30  
16 authorizes videotaped depositions as an alternative to traditional stenographic depositions. *See*  
17 Fed. R. Civ. P. 30(b)(3)(A)-(B). Thus, in the present case, Sherwin-Williams is statutorily  
18 authorized to recover the cost of an original transcript or the cost of a videotape, but not the cost  
19 of both a printed transcript and videotape services.

20           While actual use of the videotaped deposition is not required to recover costs, the  
21 prevailing party must demonstrate that a videotaped copy of the deposition was necessary. *See*  
22 *Cargill v. Progressive Dairy Solutions, Inc.*, No. CV-F-07-0349-LJO-SMS, 2008 WL 5135826,  
23 \*5 (E.D.Cal., Dec. 8, 2008). For example, if there is an indication that the deponent will be  
24 unable to testify at trial, a videotaped deposition may be necessary. *Id.* In this case, Sherwin-  
25 Williams argues the videotaped deposition “more clearly shows Sorensen’s personality and  
26 spitefulness” and it intended to use the videotape at trial “so that the jury would be able to  
27 perceive his true motive.” *See* Court’s Docket, Doc. No. 78 at 4. In support of its motion for  
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1 attorney's fees Sherwin-Williams quotes extensively from Mr. Sorensen's deposition transcript.  
2 Based on the coarse language and candid expressions of anger in the transcript, the Court finds it  
3 unlikely that a jury would have needed assistance in the form of a videotape to perceive Mr.  
4 Sorensen's "personality and spitefulness." Moreover, there is no indication that Mr. Sorensen  
5 would have been unavailable to testify at trial.

6 Accordingly, the costs of videotaping Mr. Sorensen's deposition will not be taxed to  
7 Weco. Sherwin-Williams submitted an invoice in the amount of \$1,252.00 for videotaping  
8 services for the deposition of John Sorensen. The bill of costs shall be reduced by that amount.

### 9 3. Copying Costs

10 Sherwin-Williams seeks copying costs in the amount of \$2,152.27. Weco objects to this  
11 amount as "unreasonable," arguing that the records submitted by Sherwin-Williams do not  
12 specify the number of copies made, the nature of the documents copied, or why they were  
13 "necessarily obtained." Weco contends Sherwin-Williams may not recover copying costs for  
14 copies made for the convenience, preparation, research, or records of counsel.

15 Under 28 U.S.C. § 1920(4), "[f]ees for exemplification and the costs of making copies of  
16 any materials where the copies are necessarily obtained for use in the case" are taxable as costs.  
17 28 U.S.C. § 1920(4). Similarly, under Local Rule 292(f)(5), "[f]ees for exemplification and  
18 copies of papers necessarily obtained for use in the action" are taxable costs. The Ninth Circuit  
19 has held that 28 U.S.C. § 1920(4) does not specifically require that the copied document be  
20 introduced into the record to be an allowable cost. *See Haagen-Dazs Co., Inc. v. Double*  
21 *Rainbow Gourmet Ice Cream, Inc.*, 920 F.3d 587, 588 (9th Cir. 1990).

22 Sherwin-Williams argues that the disbursement diary submitted specifies the number of  
23 copies made for each job, the rate per page or per job, as well as the dates of each copying  
24 charge. Sherwin-Williams also notes that the majority of such duplication costs were limited to  
25 10 cents per page. The Court finds this is a reasonable cost per page. *See, e.g., Padula v.*  
26



1 *Morris*, No. 2:05-cv-00411-MCE-EFB, 2012 WL 525575, at \*4 (E.D. Cal., Feb. 16, 2012)  
2 (taxing costs at 20 cents per page). The Court finds that Sherwin-Williams has submitted  
3 sufficient documentation to support an award of copying costs, and the burden is on Weco to  
4 show why such costs should not be awarded. Both parties submitted voluminous cross motions  
5 for summary judgment. In light of this, the copying costs submitted do not appear unreasonable,  
6 and Weco has failed to demonstrate otherwise. Accordingly, the Court will credit Sherwin-  
7 Williams' assertion that the copying costs were "necessarily obtained for use in the case," and  
8 will award the amount requested in the bill of costs.

9  
10 **CONCLUSION AND ORDER**

11 Accordingly, IT IS HEREBY ORDERED THAT:

- 12 1. Defendants' motion for attorney's fees is DENIED;
- 13 2. Judgment shall be entered in favor of The Sherwin-Williams Company and  
14 against Weco Supply Company, Inc., as follows:
- 15 A. The Sherwin Williams Company shall be awarded costs of suit herein in  
16 the amount of \$6,655.07,
- 17 B. The Sherwin Williams Company shall be awarded \$135,083.27 in  
18 damages pursuant to its First Amended Cross-Complaint, plus pre-  
19 judgment interest commencing from March 20, 2007, at an annual rate  
20 established by Ohio law of 4% in the amount of \$29,094.86.

21  
22 IT IS SO ORDERED.

23  
24 Dated: January 2, 2013

  
\_\_\_\_\_  
25 UNITED STATES DISTRICT JUDGE