

RENDERED: NOVEMBER 7, 2003; 2:00 p.m.
NOT TO BE PUBLISHED

Commonwealth Of Kentucky

Court of Appeals

NO. 2002-CA-002289-MR

HOTMIX ASPHALT EQUIPMENT COMPANY,
D/B/A LOUISVILLE DRYER COMPANY; AND
HOTMIX ASPHALT EQUIPMENT COMPANY,
D/B/A STANSTEEL ASPHALT PLANT
PRODUCTS

APPELLANTS

v. APPEAL FROM JEFFERSON CIRCUIT COURT
HONORABLE THOMAS J. KNOFF, JUDGE
ACTION NO. 02-CI-004266

RELIABLE ASPHALT PRODUCTS, INC.;
RELIABLE ASPHALT, L.L.C. AND
JOHN M. REITER

APPELLEES

AND: NO. 2002-CA-002558-MR

HOTMIX ASPHALT EQUIPMENT COMPANY,
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APPELLEES

OPINION

AFFIRMING BOTH APPEALS

** ** * * *

BEFORE: BARBER, GUIDUGLI AND PAISLEY, JUDGES.

GUIDUGLI, JUDGE. Hotmix Asphalt Equipment Company, d/b/a Louisville Dryer Company and d/b/a Stansteel Asphalt Plant Products (hereinafter "Hotmix") appeal the November 18, 2002, order entered by the Jefferson Circuit Court dismissing its action against Reliable Asphalt Products, Inc., Reliable Asphalt, L.L.C., (hereinafter "RAP") and John M. Reiter (hereinafter "Reiter").¹ The order dismissing the original action also rendered Hotmix's motion for a temporary injunction pursuant to CR 65.04 moot. We affirm.

¹ Hotmix filed its notice of appeal in case No. 2002-CA-002289-MR on October 31, 2002, following the Jefferson Circuit Court order dated October 9, 2002. However, the record indicates the order was not "entered" until November 18, 2002. Hotmix filed a subsequent notice of appeal on December 13, 2002 (case number 2002-CA-002558-MR), to remove any argument that the first appeal was premature or taken from a non-final order. Both appeals (which essentially are only one appeal) will be addressed herein.

Hotmix had filed its complaint for injunctive relief and damages against RAP and Reiter on June 7, 2002.² On June 12, 2002, Hotmix filed its motion for issuance of a temporary injunction. Following limited discovery and the taking of several depositions, a hearing on the motion for temporary injunction was held on September 5 and 6, 2002. At that time, Appellees raised the issue that Hotmix was not the proper party to pursue this action, but rather that ContractorsHeaven.com, Inc. (hereinafter "ContractorsHeaven") was the actual owner of the property rights in question. Following the hearing, the Jefferson Circuit Court determined that based upon the "License Agreement" between ContractorsHeaven and Hotmix that ContractorsHeaven was, in fact, the real party in interest and that Hotmix was not the proper party to bring this action against RAP and Reiter. As such, the circuit court dismissed the complaint and found the motion for injunctive relief to be moot. This appeal followed.

In that Jefferson Circuit Court Judge Thomas J. Knopf's Findings of Fact, Conclusions of Law, and Order thoroughly and concisely address the facts of the case and the issue raised by Hotmix, we adopt his order as our own as follows:

² The original complaint named only Reiter and Reliable Asphalt Products, Inc. Subsequently, on July 3, 2002, Hotmix filed an amended complaint to name Reliable Asphalt, L.L.C. as a party. RAP is the successor to Reliable Asphalt, L.L.C.

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND
ORDER**

This matter came before the Court on September 5 and 6, 2002, for a hearing on a motion brought by Plaintiff, Hotmix Asphalt Equipment Company d/b/a Louisville Dryer Company and d/b/a Stansteel Asphalt Plant Products ("Hotmix"), for a temporary injunction pursuant to CR 65.04.

BACKGROUND SUMMARY

In May of 1993, John M. Reiter began to work for GenTec Equipment Company ("GenTec") as a drafter until January of 2000. After that, he did some part-time contract work for GenTec and others out of his home. In May of 2000, Mr. Reiter went to work for Louisville Dryer Company ("LDC"). On June 7, 2000, he signed a noncompetition and confidentiality agreement with LDC.

In August of 2000, LDC was merged into GenTec, with GenTec being the surviving corporation. Both of these corporations, among others, were owned by Leonard A. Loesch. In December of 2000, GenTec began to have financial difficulties. Its creditor, Bank One, Kentucky, NA ("Bank One"), filed a foreclosure action. At a public sale, Bank One brought the assets, which it subsequently sold on December 3, 2001 to ContractorsHeaven.com, Inc. (another corporation owned by Mr. Loesch). On January 17, 2002, ContractorsHeaven.com, Inc. entered into a license agreement with Hotmix for the right to use certain of its intellectual property.

On April 19, 2002, Mr. Reiter was fired from his drafting job for misappropriating portions of various GenTec drawings. At the time he was fired, Mr. Reiter was allegedly being paid by Hotmix. On June 7, 2002, Hotmix filed suit against Mr. Reiter and Reliable Asphalt Products, Inc.

("Reliable"), seeking injunctive relief and damages. On June 12, 2002, Hotmix filed a motion for a temporary injunction. On August 13, 2002, Hotmix was given leave to amend its complaint to add Reliable Asphalt, LLC as a defendant. Reliable Asphalt Products, Inc. is the successor to Reliable Asphalt, LLC.

A hearing on the motion for a temporary injunction was held on September 5 and 6, 2002. Four witnesses testified at the hearing: Gary Catlett (engineer employed by Hotmix), Mr. Reiter, Chet Reinle (employee of Reliable and former employee of GenTec and ContractorsHeaven.com, Inc.), and Michael Mercer (president of Hotmix). On September 11, 2002, Hotmix submitted various authorities to the Court, as did Reliable on September 13, 2002.

FINDINGS OF FACT

Hotmix called one of its engineers as its first witness. Mr. Catlett went through a series of slides (Plaintiff's Exhibit # 1) to show that Mr. Reiter had cut and pasted portions of GenTec drawings and incorporated them into drawings he provided to Reliable, a competitor of Hotmix. Mr. Catlett was among a group that went to Mr. Reiter's home and was given access to his computer. He testified that Mr. Reiter was cooperative and they took eighty drawings from his house.

Mr. Reiter was the next witness. He testified that he drafted drawing parts and components and has a two-year associate degree in drafting. He agreed that his signature is on the June 7, 2000 noncompetition and confidentiality agreement, but he does not think that he read the agreement before signing it. (See Plaintiff's Exhibit # 3). He agreed that he used some portions of the drawings he did for GenTec to make drawings for Reliable.

He testified that he did thousands of drawings for GenTec and they all had a GenTec title block on them. He further stated that no one at Reliable asked him for GenTec drawings but just asked him to do drafting work on a job.

The third witness to testify was Mr. Reinle. He testified that he originally started in August of 1998 to work for GenTec, which subsequently changed into ContractorsHeaven.com, Inc., from which he resigned in April of 2000. In December of 2000, he went to work for Reliable when it started-up as the one with the technical knowledge. He stated that when he received a job and needed someone to create a drawing he sometimes contacted Mr. Reiter, who he knew to be an excellent draftsman. He also contacted Mr. Reiter when Reliable needed some sort of flight drawings (i.e., standard, generic type) which he thought Mr. Reiter could do from memory since he used them so often or could look up in books what was needed. A few times, Mr. Reinle provided Mr. Reiter with the necessary measurements or he sent Mr. Reinle out to measure. Mr. Reinle further testified that he never asked Mr. Reiter to go to GenTec and get drawings.

It was also Mr. Reiter's testimony that GenTec had drawings of other competitors in the industry. He stated that only a short time ago, he was at a customer site that was having problems with GenTec equipment and the customer had a GenTec drawing for the equipment.

The last witness was Mr. Mercer, an attorney and the president of Hotmix. He is also an officer of ContractorsHeaven.com, Inc. He testified that the drawings are of great benefit because it allows the company to immediately respond to a customer. He stated that a propriety stamp is put on all

drawings and documents and is recognized in the trade as ownership.

Mr. Mercer testified that LDC merged into GenTec in August of 2000; some of the employees were moved over to Stansteel Asphalt Plant Products; and in December of 2000, the employees from GenTec and Stansteel Asphalt Plant Products were moved to Hotmix, including Mr. Reiter. He also testified that ContractorsHeaven.com, Inc. acquired all the assets of GenTec, including the drawings from Bank One, which were subsequently licensed to Hotmix. Plaintiff's Exhibit #2 included the licensing agreement, which contains the following relevant language:

This License Agreement ("Agreement") is entered into and effective as of January 17, 2002, by and between ContractorsHeaven.com, Inc., a Kentucky corporation ("Licensor"), and Hotmix Asphalt Equipment Company, a Kentucky corporation ("License").

Recitals:

A. Licensor is the owner of and has sole and exclusive rights to use the following intellectual property (the "Property"):

"Property" shall mean (i) all trade names, trademarks ..., service marks and variations thereof utilized by Licensee prior to December 3, 2001 in conducting its Louisville Dryer Company, First Thermal Heater and First Thermal Systems businesses ("Businesses"), together with the goodwill associated with such trade names, trademarks and service marks and the Businesses..., (ii) all customer

lists, customer files, telephone numbers, sales and advertising materials, sales records, literature, technical information, trade secrets, process data, licenses and know-how relating to the Businesses, and (iv) all of the written contracts, agreements, commitments, understandings and instruments relating to the Businesses and all books and records relating to the Businesses.

...

Agreement:

Now, Therefore, the parties hereby agree as follows:

1. Grant of License. Licensor hereby grants to Licensee a nonexclusive, non-assignable, non-transferable, non-sublicensable right and license ("License") to use the property during the "Term" (as defined in Section 2) in connection with its business. ...

5. Scope of License. ...Licensee shall have no rights with respect to the Property other than the limited and specific rights licensed hereunder.

...

8. Ownership. Licensee hereby confirms Licensor's ownership of the Property. Licensee shall not have any right, title or interest in the Property, other than the right to use the Property during the Term as set forth in this Agreement, and nothing contained herein shall be construed to grant

or assign to Licensee any additional right, title or interest in the property. ...

9. Protection of the Property. Licensee shall cooperate fully with Licensor for the purpose of securing, preserving and protecting Licensor's rights in and to the Property and preventing any infringement thereof. Licensee shall notify Licensor in writing immediately of any actual or potential infringements or imitations by others for the property and of all actual or potential violations of Licensor's rights in and to the Property of which Licensee has actual knowledge, and **Licensor shall have the sole right to determine whether any action shall be taken on account of any such actual or potential infringements, limitations or violations.** Licensor shall have the sole right (but not obligation) to commence or prosecute any demands, claims or suits related to the Property in its own name and any recovery shall belong to the Licensor. (Emphasis in original).

It was Mr. Mercer's testimony that the licensor (ContractorsHeaven.com, Inc.) requested that Hotmix, as licensee, bring this lawsuit since Mr. Reiter was a Hotmix employee at the time he misappropriated the drawings. One Reliable drawing was drawn by Mr. Reiter in March of 2002. The rest were drawn in December of 2000.

CONCLUSIONS OF LAW

The initial argument presented by Mr. Reiter and Reliable is that this lawsuit seeking a temporary injunction is being pursued by the wrong plaintiff. They contend that the license agreement specifically gives the licensor (ContractorsHeaven.com, Inc.) the sole right to sue for any infringement and provides that any recovery belongs solely to the licensor. Hotmix argues that it brought the suit at the request of ContractorsHeaven.com, Inc.

The construction, meaning, and legal effect of a written instrument are matters of law for the court. Morganfield National Bank v. Damien Elder & Sons, Ky., 836 S.W.2d 893 (1992). The agreement gives Hotmix a license to use certain intellectual property owned by ContractorsHeaven.com, Inc. The agreement defines said intellectual property and limits it to three particular companies: LDC, First Thermal Heater and First Thermal Systems. GenTec is not mentioned, even though it was the surviving corporation when merged with LDC in 2000. The drawings at issue in this suit were drawn by Mr. Reiter using portions of GenTec drawings.

Even if the agreement could be construed to give Hotmix a license to use the unmentioned GenTec drawings (if they somehow belonged to the business of LDC, First Thermal Heater, or First Thermal Systems), all but one of the drawings at issue were drawn for Reliable prior to the effective date of the License Agreement. The plain language of the agreement clearly expresses that ContractorsHeaven.com, Inc. has the right to bring suit for any infringement of the licensed intellectual property and the recovery from any such infringement belongs solely to ContractorsHeaven.com, Inc.

Consequently, the Court agrees with the defendants that the claims of infringement

and theft in this lawsuit belong to ContractorsHeaven.com, Inc. and cannot be brought in the name of Hotmix notwithstanding any agreement between the two to the contrary. (It should be noted that there is no pending claim in this suit for breach of Mr. Reiter's noncompetition and confidentiality agreement.) Given that this action filed by Hotmix must be dismissed, the request for temporary injunctive relief during the pendency of said action is rendered moot.

Therefore, the Court enters the following Order:

ORDER

IT IS HEREBY ORDERED AND ADJUDGED that:

(1) the action brought by Plaintiff, Hotmix, Asphalt Equipment Company d/b/a Louisville Dryer Company and d/b/a Stansteel Asphalt Plant Products, against Defendants Reliable Asphalt Products, Inc., Reliable Asphalt, LLC, and John M. Reiter, is DISMISSED; and

(2) Plaintiff's motion for a temporary injunction pursuant to CR 65.04 is rendered MOOT.

Dated this 9th day of October, 2002.

/S/ Thomas J. Knopf
THOMAS J. KNOPF, JUDGE
Jefferson Circuit Court

On appeal, Hotmix contends that the trial court erred in dismissing its complaint. It argues that the testimony of Michael Mercer clearly presents evidence that ContractorsHeaven and Hotmix modified the original agreement to permit Hotmix to pursue this action against RAP and Reiter. While we agree with

Hotmix's contention as set forth in Glass v. Bryant, Ky., 194 S.W.2d 390, 391 (1946), that "[a] simple contract in writing may be modified or rescinded by a subsequent parol agreement, although the evidence of such modification or rescission must be clear and convincing," we do not accept its conclusion that Hotmix therefore is the proper party to bring this action. The License Agreement entered between ContractorsHeaven and Hotmix gives Hotmix the right to use property owned by ContractorsHeaven. The only interest Hotmix has is in the use of the property. It has no ownership rights to the property.

Although Hotmix contends it is the real party in interest in that it will suffer the injury by Appellees' alleged action, we find nothing in the law nor has Hotmix directed us to any law which would permit it to, in fact, become the real party in interest. ContractorsHeaven is the owner of the property rights in question. Why it has not pursued its ownership rights or its obligation under the agreement is unknown and need not be addressed herein. It may be that Hotmix has a legal remedy against ContractorsHeaven for not exercising its rights, but again, that issue is not before this Court. The only issue before this Court is whether Hotmix can maintain an action against RAD or Reiter, and we believe the trial court properly answered that question in the negative based upon the evidence

presented, the license agreement and the legal rights of the parties.

For the foregoing reasons, the order of the Jefferson Circuit Court dismissing the action filed by Hotmix is affirmed.

ALL CONCUR.

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