

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

M3 GIRL DESIGNS, LLC

Plaintiff,

v.

BLUE BROWNIES, LLC

KRISTA DUDTE, and

ROBERT DUDTE

Defendants.

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CIVIL ACTION NO. 3-09-CV-2390-F

**ORDER DENYING DEFENDANTS' MOTION FOR ATTORNEYS' FEES RELATED
TO PLAINTIFF'S TRADE DRESS AND TRADEMARK CLAIMS**

BEFORE THE COURT is Defendants' Motion for Attorneys' Fees Related to Plaintiff's Trade Dress and Trademark Claims filed on August 31, 2012 (Doc. No. 273). Plaintiff filed a response on September 14, 2012 (Doc. No. 281). After considering the arguments, Defendants' Motion is **DENIED**.

I. Factual Background

In 2006, Madeline, Margot and Diane Bradshaw started a business, called M3 Girl Designs, which produces and sells bottlecap choker necklaces. The bottlecap choker necklaces product configuration trade dress is described in the five-prong definition set forth below. *Plaintiff's Trial Exhibit P3D*. The Plaintiff's trade dress definition included the following visual aspects of the Plaintiff's product:

(1) a slim choker necklace, colored or white, fabric; (2) an attachment having a metallic sheen tied on a knot at the front of the choker necklace; (3) a conventional soft-drink bottle cap with crowned ridges around the edge; (4) the crowned ridges of the bottle cap positioned outwardly on the choker necklace with the internal surface of the bottle cap exposed; and, (5) a raised projection having a geometric shape on the top surface of the bottle cap.

The Plaintiff's product is called "Snap Caps," which is covered by U.S. Trademark Registration No. 3,626,432.

On or about January 14, 2009, Robert Dudte and Krista Dudte (the "Dudtes") and Blue Brownies, LLC ("Blue Brownies") created a website and began selling nearly identical bottle cap choker necklaces. The Defendants produced and marketed their bottle cap choker necklace under the trade name "Click-It Caps."

Plaintiff filed this suit against the Defendants alleging that Defendants' sale of Click-It Caps infringed Plaintiff's Trade Dress and Trademark under the Lanham Act and violated Texas's unfair competition laws. On June 27, 2012, the jury returned with its verdict in favor of Defendants on all counts. (Doc. No. 258). Now, Defendants seek recovery of attorneys' fees related to the trade dress and trademark claims in the amount of \$559,277.49 for (1) conducting relevant research; (2) formulating a legal defense strategy; (3) preparing multiple answers with affirmative defenses and counterclaims; (4) responding to discovery requests; (5) producing requested documents; (6) preparing discovery requests; (7) completing extensive document review; (8) preparing and advocating for a motion for summary judgment; (deposing Plaintiff's key witnesses and experts; (10) preparing and advocating for multiple *Daubert* motions and motions in limine; (11) responding and advocating against Plaintiff's multiple *Daubert* motions and motions in limine; and (12) otherwise preparing for and conducting the trial over the Plaintiff's asserted trade dress and trademark claims.

Defendants' argue that this case warrants shifting costs and fees to the Plaintiff pursuant to equitable remedies available under the Lanham Act because this case is "exceptional."

II. Legal Standard

Under the Lanham Act, a court may award attorneys' fees to the prevailing party "in exceptional cases." 15 U.S.C. § 1117(a). The prevailing party must demonstrate the exceptional nature of the case by clear and convincing evidence. *Procter & Gamble Co. v. Amway Corp.*, 280 F.3d 519, 526 (5th Cir. 2002). To show that a case is exceptional, a prevailing party defendant must demonstrate that the plaintiff brought the case in bad faith. *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 490 (5th Cir. 2004). Courts may consider the objective merits of a plaintiff's case in determining whether a claim was brought in bad faith; however, bad faith is not established simply because a claim is based on a controversial and unsettled legal theory. *Id.* If a plaintiff brings a claim in good faith, then the case is not exceptional. *Procter & Gamble Co.*, 280 F.3d at 526 (citing *Fuji Photo Film Co, Inc. v. Shinihara Shoji Kabushiki Kaisha*, 754 F.2d 591, 601-02 (5th Cir. 1985)).

III. Discussion

Defendants' argue that Plaintiff brought the case as a competitive ploy to prevent the Defendants from making any bottle cap jewelry, not just the bottle cap jewelry that purportedly infringed Plaintiff's alleged trade dress and trademark. Defendant also argues that bad faith is demonstrated by the fact that Plaintiff asserted trade dress claims only after its original state law claims were dismissed for failing to allege consumer confusion.

During this litigation, Plaintiff obtained several consent decrees and settlement agreements with other producers of bottle cap jewelry. Defendants offer the broad settlement terms of these agreements as evidence that Plaintiff brought the claim in bad faith as a ploy to gain an unfair advantage in the market. However, just because Plaintiff was able to obtain favorable settlement terms from other producers of bottle cap jewelry does not establish that it brought the case in bad faith. Likewise, changing the nature of cause of action asserted from

copyright to trade dress does not establish bad faith in bringing the trade dress claim. In fact, Defendants accuse the Plaintiff of doing so because Plaintiff believed that it could state a plausible cause of action for violation of its trade dress. If the Plaintiff believed that it could state a plausible cause of action by asserting a trade dress claim, then such a strategy could hardly constitute evidence of bad faith. Accordingly, the Court perceives no bad faith here.

Next, Defendants claim that Plaintiff failed to present evidence of non-functionality, which is a basic element of its trade dress claims. In *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*,¹ the plaintiffs were unable to provide the court with any evidence to support their assertion that the trade dress was not functional. *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 2010 U.S. Dist. LEXIS 138746 (D. Nev. Dec. 23, 2010). The defendant demonstrated that the plaintiff continued to prosecute their claims *despite knowledge that they did not have a claim. Id* (emphasis added).

Defendants have not proven that Plaintiff knew that it did not have a claim for trade dress infringement and prosecuted the claim despite this knowledge. Additionally, the jury was presented with samples and descriptions of the Plaintiff's product and Plaintiff argued that its trade dress was non-functional. Whether the product is functional or not depends on how the jury perceives the products presented. For example, if the jury determined that the trade dress asserted did not affect the cost or quality of the product and did not put other competitors at a non-reputational disadvantage, then it would have found that the product is non-functional. The Plaintiff is not required to present an expert on this issue. Moreover, the Court decided that this case needed to be tried, and decided that there was sufficient evidence to present the case to a jury. Accordingly, the Court perceives no bad faith here.

¹ *Secalt S.A. v. Wuxi Shenxi Constr. Mach. Co.*, 2010 U.S. Dist. LEXIS 138746 (D. Nev. Dec. 23, 2010).

Next, Defendants contend that Plaintiff misrepresented the USPTO's determination regarding Plaintiff's computer software patent claims and that Plaintiff's officers repeatedly gave false non-responsive answers to Defendants' counsel on cross-examination.

At trial, Plaintiff and its officers presented a rejection letter from the USPTO as evidence that their product is non-functional. Although incorrect, the Court finds no evidence that Plaintiff contentions were knowingly false or misleading. Defendants' counsel effectively addressed these concerns on cross-examination, as evidenced by the favorable finding on the functionality issue. The Court is of the opinion that this argument does not establish that the trade dress case was brought in bad faith.

Lastly, the Defendant accuses Plaintiff of egregious litigation misconduct, including: 1) misleading the jury about whether the Defendants admitted to unfair competition; 2) misleading the jury about whether the Defendants admitted to Plaintiff's trade dress rights, and; 3) changing legal positions in a vexatious manner.

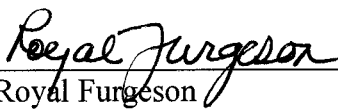
These arguments are without merit. With regard to the first two accusations, the Defendants are responsible for any prejudice resulting from such conduct. Although Plaintiff's counsel briefly mentioned the alleged admission in his opening statement, the Court excluded this evidence for the remainder of the trial because it found that they were made inadvertently and/or mistakenly. However, the Defendants made this mistake and must bear some responsibility for the prejudice, if any, that resulted from Plaintiff's actions. This does not establish bad faith. With regard to the third accusation, as mentioned above, the Court finds no evidence of bad faith in Plaintiff's decision to assert additional causes of action in this case.

IV. Conclusion

Because Defendants' have failed to show that Plaintiff brought this case in bad faith by clear and convincing evidence, the Defendants' Motion for Attorneys' Fees' Related to Plaintiff's Trade Dress and Trademark Claims is **DENIED**.

IT IS SO ORDERED

Signed this 3rd day of January, 2012.



Royal Furgeson
United States Senior District Judge