IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

ANNA VERBSKY SAGAMI, and
DESIGN-A-WAY PUBLICATIONS LLC,

Plaintiffs,

v.

PALMER MARKETING ENT, LLC, and
CENTER COURT DIRECT, INC.,

Defendant.

OPINION AND ORDER

10-cv-152-slc

This is an action for copyright and trade dress infringement. Plaintiffs contend that a line of jewelry produced and marketed by defendants is an unlawful copy of plaintiffs' copyrighted "Design-A-Way" jewelry collection. Before the court is defendants' motion to dismiss plaintiffs' suit on the ground that plaintiffs have failed to comply with their discovery obligations and orders of the court. As discussed below, I am denying the motion.

BACKGROUND

This case was filed on March 26, 2010. On April 16, 2010, the parties filed a stipulation in which defendant Center Court agreed to entry of a preliminary injunction; the court entered an order to that effect on April 23, 2010.

On July 14, 2010, I held a preliminary pretrial conference with the parties and set a trial calendar. Trial was scheduled for August 2011.

On September 3, 2010, plaintiffs made their initial Rule 26(a)(1) disclosures. With respect to the damages computation required by Rule 26(a)(1)(A)(iii), plaintiffs asserted that

they were "currently calculating their damages and will amend this disclosure in a timely manner." Aff. of Bruce Schultz, dkt. 53, exh. A.

In January 2011, the parties advised the court that they were having problems complying with the scheduling order because of the unexpected death of Palmer's manager and a change in plaintiffs' lead counsel. I granted the parties' request to re-set the trial schedule, but expressed displeasure at the languid pace of discovery and warned the parties that Rule 37 sanctions would be forthcoming if the parties did not attend promptly and completely to their discovery obligations. Dkt. 36 (text only order). On February 10, 2011, I entered an order re-setting the trial date for December 12, 2011 and establishing new deadlines for expert witness disclosures, dispositive motions and discovery cut-off. Dkt. 38. Shortly thereafter, the parties entered into a stipulated protective order. Dkt. 39, 41.

On May 10, 2011, defendants filed a motion to dismiss the case, or in the alternative, for an order requiring plaintiffs to respond completely to defendants' discovery requests and precluding them from offering any expert testimony at trial. According to defendants, plaintiffs had not yet responded to their discovery requests, which had been served on December 28, 2010, and plaintiffs had missed their April 29, 2011 deadline for disclosing experts. Dkt. 43. In response, plaintiffs did not deny that their discovery responses and expert disclosures were late, but said they could have the discovery and expert disclosures to defendants by May 27, 2011 and June 30, 2011, respectively. Dkt. 47.

I held a telephonic hearing on the motion on May 24, 2011. After hearing the parties' arguments, I declined to dismiss the case, but granted defendants' request for alternative relief. More specifically, I ordered that:

> [p]laintiffs may have until May 27, 2011 to provide complete responses to all of defendants' outstanding written discovery requests. Because the deadline for responding passed long ago, plaintiffs may not object to these requests but must provide complete, unqualified responses except for legitimate claims of privilege. If defendants believe that they have not received complete discovery responses by May 27, 2011, they may move to dismiss on that basis.

On May 27, 2011, plaintiffs submitted their responses to defendants' discovery requests. Pertinent to this motion is Interrogatory No. 7, in which defendants asked plaintiffs to

> [i]dentify each contract or sale of merchandise which Plaintiffs contend was lost, rescinded or cancelled as a result of the alleged unlawful act(s) of Center Court.

This is plaintiffs' response:

> Plaintiffs contend that Palmer Marketing did not sell Plaintiffs' merchandise as a result of the unlawful acts of Center Court. Plaintiff also contends that several marketing groups, such as Ideation, Imagine That!, did not carry Plaintiffs' merchandise as a direct result of Center Court's unlawful acts. Plaintiff lost numerous stores that would have otherwise sold Plaintiffs' merchandise were it not for Center Court's unlawful acts. Plaintiffs lost income as a result of having to design and sell a less expensive bracelet because of Center Court's unlawful acts. Plaintiffs also contend that there are additional loss of sales, reorders, and future sales as a result of the alleged unlawful acts of Center Court, and Plaintiffs' investigation continues. See documents Bates stamped Sagami 0001-0118.

On June 1, 2011, before filing the instant motion, defendants sent a letter to plaintiffs' counsel advising that defendants viewed the discovery responses to be incomplete because it was unclear from them what damages plaintiffs were claiming or how such damages were being calculated. Defendants' counsel wrote:

> Our intention has been to obtain your clients' damage calculations and supporting documentation, and then depose Ms. Sagami and perhaps others if their testimony provides a foundation for the

> damage claim. We would supply that information to our expert for analysis and preparation of an expert report. We are now less than a month away from our expert disclosure date and are no closer to knowing your damage claim than when suit was filed.

Defendants' expert witness disclosures were due on June 30, 2011. On June 2, 2011, after receiving the instant motion, this court entered an order staying that deadline until the motion was decided. Dkt. 55.

As of June 29, 2011, plaintiffs had not provided defendants with their damages calculation.

OPINION

Taking this court's May 24, 2011 invitation to heart, defendants have moved to dismiss plaintiffs' case in its entirety on the ground that plaintiffs' response to Interrogatory No. 7 is incomplete. Defendants say that plaintiffs' general response, which fails to describe with any particularity the sales lost because of Center Court's alleged infringement, is insufficient to allow defendants to prepare a defense or tender expert witness testimony on plaintiffs' claimed damages.[1] What makes plaintiffs' imprecision even more aggravating, say defendants, is that plaintiffs have never provided the damages computation required by Rule 26(a)(1)(A)(iii).

In response to defendants' motion, plaintiffs point out that Interrogatory No. 7 did not ask plaintiffs to itemize or compute their damages, but merely asked plaintiffs to identify the contracts or sales that plaintiffs contend were lost because of the alleged copying by Center Court. Plaintiffs insist that their response, which included 118 documents bearing on that

[1]Defendants' expert witness disclosures were due on June 30, 2011. On June 2, 2011, the day after defendants filed this motion, the court issued an order staying the expert submission deadline pending a ruling on the motion. Dkt. 55.

question, was complete; plaintiffs contend that if defendants actually were looking for a computation of damages, then defendants could have asked for it, either in their discovery requests or at a meet-and-confer after plaintiffs filed their allegedly deficient response.

Plaintiffs have a point. Interrogatory No. 7 does not ask plaintiffs to provide an itemization or computation of damages, nor are plaintiffs required under Rule 34 to prepare a document not in existence. *Alexander v. F.B.I.*, 194 F.R.D. 305, 310 (D.D.C. 2000) (citing 8A Charles A. Wright, Arthur R. Miller, & Richard L. Marcus, Federal Practice and Procedure § 2210 (2d ed. 1994)). Plaintiffs provided an answer to the interrogatory and submitted a number of documents that arguably show that plaintiffs' sales of its bracelets declined when Center Court's alleged copycat design entered the market. Insofar as the information supplied by plaintiffs may be insufficient to carry their burden of proving causation or actual damages under the Copyright Act, that is an argument to be made in motions in limine or at trial. It is not grounds to dismiss the case for failure to comply with discovery or this court's May 24 order. *See Maynard v. Nygren*, 332 F.3d 462, 468 (7th Cir. 2003) (dismissal with prejudice is severe sanction under Rule 37(b) that should be used only where noncomplying party displayed willfulness, bad faith, or fault).

As defendants point out, however, plaintiffs' response to Interrogatory No. 7 is not the only discovery concern. Defendants argue (more pointedly in their reply brief than in their initial brief) that the "larger issue" is plaintiffs' failure to provide the computation of damages required by Rule 26(a)(1)(A)(iii). Rule 26 provides that "a party must, without awaiting a discovery request, provide . . . a computation of each category of damages . . . [and] the documents or other evidentiary material, unless privileged or protected from disclosure, on which

each computation is based." Fed. R. Civ. P. 26(a)(1)(A)(iii) (emphasis added). The Advisory Committee Note to Rule 26 describes this disclosure obligation as "the functional equivalent of court-ordered interrogatories." Fed. R. Civ. P. 26(a)(1), Adv. Comm. Note (1993).

Despite Rule 26(a)(1)(A)'s mandatory language, parties often honor it in the breach, at least until the other side actually needs the information to prepare for trial or to retain an expert. Here, it appears that defendants did not have a problem with plaintiffs' non-compliance with Rule 26(a)(1)(A)(iii) until they received plaintiffs' discovery responses and found them lacking as to claimed damages. Notably, plaintiffs' Rule 26(a) disclosures were not the subject of defendants' previous motion to dismiss, nor even mentioned in passing; rather, defendants focused solely on plaintiffs' failure to comply with their written discovery requests. Following defendants' lead, this court's May 24 order said nothing about plaintiffs' Rule 26(a) obligations, but only ordered plaintiffs to provide complete responses to defendants' outstanding *written* requests, which they have done. That those answers did not give defendants a clear picture of how plaintiffs intend to prove their damages is, as previously discussed, as much defendants' fault as it is plaintiffs'.

That said, I agree with defendants that plaintiffs should have provided defendants with their damages computation by now. Their failure to do so, viewed in the context of their previous failure to provide timely discovery, implies a lack of commitment to this lawsuit, contravenes the spirit of this court's previous orders and it does not bode well for their case. In addition, it remains a significant question whether plaintiffs can meet their burden of proving damages without expert testimony. It may simply be too late for plaintiffs to get their act together in time to save this case.

But we are not there yet. Plaintiffs responded to defendants' discovery requests and were not given fair warning that their Rule 26(a)(1) disclosure failures were on the table. Accordingly, defendants' motion to dismiss will be denied. Instead I am ordering plaintiffs to provide defendants with the damages computation required by Rule 26(a)(1)(A)(iii), along with the underlying documents on which that computation is based, not later than July 28, 2011. This is to be a final disclosure; supplementation will not be permitted absent extraordinary circumstances. Although two weeks is not much time, plaintiffs are not in a strong position to complain: they have known since June 1 that defendants want and expect this information promptly. I remind plaintiffs that Rule 26(a)(1)(A)(iii) requires a "computation" of damages; merely pointing to an undifferentiated set of documents and stating that the damages can be found therein is not enough. *See, e.g., Design Strategy, Inc. v. Davis*, 469 F.3d 284, 295-96 (2d Cir. 2006). Finally, because I have prohibited plaintiffs from calling an expert, plaintiffs' damages computations must fit within the constraints of F.R.Ev. 701.

As with the written discovery requests, defendants are free to renew their motion to dismiss in the event plaintiff does not comply fully with this order. Defendants' new expert disclosure deadline is August 19, 2011. All other dates remain in place.

ORDER

IT IS ORDERED THAT:

1. Defendants' motion to dismiss, dkt. 51, is DENIED.

2. Not later than July 28, 2011, plaintiffs shall provide defendants with a computation of each category of damages they are seeking and the documents or other evidentiary material upon which the computation is based, as required by Rule 26(a)(1)(A)(iii). No supplementation will be allowed under Rule 26(e)(1) absent extraordinary circumstances.

3. Defendants' deadline to disclose expert witnesses is August 22, 2011.

Entered this 14th day of July , 2011.

BY THE COURT:

/s/

STEPHEN L. CROCKER
Magistrate Judge