UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

M3GIRL DESIGNS, LLC,
Plaintiff,

v.

BLUE BROWNIES, LLC ET AL.,
Defendants.

§
§
§
§
§
§
§
§
§

Case no. 3:09-cv-2390-F

ORDER GRANTING IN PART, DENYING IN PART, DENYING WITHOUT PREJUDICE IN PART, AND DENYING AS MOOT IN PART DEFENDANTS' SECOND MOTION TO COMPEL AND DENYING WITHOUT PREJUDICE DEFENDANTS' SECOND MOTION FOR SANCTIONS

BEFORE THE COURT are Defendants Blue Brownies, LLC, Krista Dudte, and Robert Dudte's (collectively "Defendants") Second Motion to Compel and Second Motion for Sanctions, filed July 7, 2011 (Docket No. 77). Plaintiff M3Girl Designs, LLC ("Plaintiff") filed a Response on July 28, 2011 (Docket No. 78). Defendants filed a Reply on August 11, 2011 (Docket No. 88). The Court held a hearing on this matter on August 30, 2011. After considering the arguments of both parties, it is ORDERED that Defendants' Second Motion to Compel is GRANTED IN PART, DENIED IN PART, DENIED WITHOUT PREJUDICE IN PART, AND DENIED AS MOOT IN PART and Defendants' Second Motion for Sanctions is DENIED WITHOUT PREJUDICE.[1]

I. Factual and Procedural Background

Plaintiff and Defendant M3Girl Designs, LLC are both in the bottlecap jewelry business. Plaintiff filed this suit in December 2009, alleging that Defendants had

[1] This resolves Docket No. 77.

committed copyright infringement, trademark infringement, and unfair competition under Texas state law. Later in this litigation, Plaintiff amended its Complaint, abandoning its copyright infringement claims and asserting federal trade dress claims instead. This amendment took place after Defendants served their First Set of Interrogatories, containing eight interrogatories, on Plaintiff on January 13, 2011, and the document requests relevant to the instant Motion, which were also served on Plaintiff on January 13, 2011. Plaintiff responded to the First Set of Interrogatories in an untimely fashion on March 1, 2011 in a manner deemed insufficient by Defendants. Defendants also assert that Plaintiff responded to its requests for production in an insufficient manner. Defendants assert several counterclaims in this case, including a claim for attorneys' fees as a prevailing party in a copyright claim under 17 U.S.C. § 505.

In their Motion, Defendants ask the Court to compel Plaintiff to produce its financial records and email correspondence in native electronic form, to produce its fee arrangement with its counsel, and to completely answer several interrogatories that Defendants originally served upon Plaintiff on January 13, 2011. Defendants also ask the Court to sanction Plaintiff pursuant to Federal Rule of Civil Procedure 37.

Upon setting a hearing for August 30, 2011, the Court, after becoming aware that some of the information sought by Defendants had been turned over after the instant Motion had been filed, also ordered the parties to jointly file a notice informing the Court of what issues remain in dispute. *See* Order Setting Hearing, Docket No. 80, at 1-2. This joint notice was due on August 19, 2011, but, at the request of the parties, the Court extended the deadline to August 25, 2011. The parties, however, did not comply with the

Court's Order, with each party submitting its own brief purporting to be a joint notice. *See* Pl.'s Submission, Docket No. 93; Defs.' Status Rep., Docket No. 94. In its Submission, Plaintiff, in what has become a pattern in this litigation, complained that Defendants' counsel was responsible for the continued delay in the discovery process and claimed that opposing counsel had refused to cooperate. By contrast, Defendants submitted a three page status report with the language that Defendants asserted Plaintiff had agreed to, and listing the issues that remained in dispute. *See* Defs.' Exh. A, Docket No. 94-1. Unfortunately, at the hearing on August 30, each party complained that the other party had refused to comply with agreements previously made. However, since Defendants' submission contained the information sought by the Court in its Order Setting Hearing, the Court will address the discovery that Defendants still seek as discussed in its filing.

The Court also notes, at the outset, that its role is not to determine what representations were made between the parties and what effects those representations may have had. Rather, the Court's role is to determine whether the movants are entitled to the discovery they seek under the relevant Federal Rules of Civil Procedure and precedent. Although Plaintiff and Defendants spent the better part of their briefs and their time at the hearing arguing over their respective difficulties in getting opposing counsel to cooperate, the Court would prefer to focus on the merits of the discovery dispute rather than the difficulties counsel have in dealing with one another. While these issues may be relevant to an eventual consideration of sanctions, the Court, as discussed below, is of the opinion that such considerations are not appropriate at this point in the

litigation.

II. Motion to Compel

A party is entitled to discovery regarding any non-privileged matter relevant to any party's claim or defense or appears reasonably calculated to lead to the discovery of admissible evidence. Fed. R. Civ. P. 26(b). "The scope of discovery to be conducted in each case rests within the sound discretion of the trial court." *Newby v. Enron Corp.*, 394 F.3d 296, 305 (5th Cir. 2004). The rules of discovery are to be afforded a "broad and liberal treatment to effect their purpose of adequately informing the litigants in civil trials." *Herbert v. Lando*, 441 U.S. 153, 176 (1979). However, a court's discretion to authorize discovery is "not unlimited," *Munoz v. Orr*, 200 F.3d 291, 305 (5th Cir. 2000), and discovery does have "ultimate and necessary boundaries." *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 351 (1978).

According to the Status Report provided by Defendant, the issues of verification of interrogatory responses, privilege listings, and certain types of copies of Plaintiff's emails and financial documents are no longer in dispute. Accordingly, Defendants' Motion to Compel is DENIED AS MOOT as to these requests. Furthermore, as Defendants do not include Interrogatories 4, 8, and 9 in their list of issues still in dispute, Defendants' Motion to Compel is DENIED AS MOOT as to these Interrogatories.

The following issues remain in dispute: responses to Interrogatories 1, 2, 3, 6, and 7; Plaintiff's Quickbooks financial database and Outlook/Exchange e-mail database in native Quickbooks and Outlook electronic format; and Plaintiff's engagement letter with its attorney. The Court shall address each of these issues in turn.

A. Responses to Defendants' Interrogatories 1, 2, 3, 6, and 7

The first part of each of Plaintiff's responses to each interrogatory is identical, objecting to the interrogatories as irrelevant, "overly broad, unduly burden[some], vague and harassing," along with a litany of other complaints. *See* Pl.'s Resp. to Interrogs., Defs.' App., Docket No. 77-2, at 51-54. "The grounds for objecting to an interrogatory must be stated with specificity." Fed. R. Civ. P. 33(b)(3). None of these objections are specific to any interrogatory, and the Court does not consider them convincing. Boilerplate objections such as those submitted by Plaintiff in response to Defendant's interrogatories are insufficient and unacceptable. *See McLeod, Alexander, Powel & Apfell, P.C. v. Quarles*, 894 F.2d 1482, 1485 (5th Cir. 1990); *Enron Corp. Sav. Plan v. Hewitt Assocs., L.L.C.*, 258 F.R.D. 149, 159 (S.D. Tex. 2009) (Harmon, J.); *S.E.C. v. Brady*, 238 F.R.D. 429, 437-38 (N.D. Tex. 2006) (Ramirez, J.). "Objections must explain why the interrogatories are improper, by explaining how each request is not relevant or is overly broad, vague, or unduly burdensome." *Reyes v. Red Gold, Inc.*, No. CIV A B-05-191, 2006 WL 2729412, at *1 (S.D. Tex. Sept. 25, 2006) (Tagle, J.). Accordingly, the Court shall only consider objections that are specific to each discovery request.

Additionally, Plaintiff's specific response to Interrogatories 1-3 is that copyright claims are no longer being asserted in this case, and the information is therefore no longer relevant. However, Defendants are asserting a counterclaim for attorneys' fees based on their prevailing party status for Plaintiff's previously-asserted copyright claims under 17 U.S.C. § 505, and, in a previous Order, the Court declined to dismiss those counterclaims and held that they were properly pled. *See generally* Order, Docket No.

71. As the Court noted, among the factors that the Court must consider in this determination are "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of a case) and the need in particular circumstances to advance considerations of compensation and deterrence." *Fogerty v. Fantasy, Inc.*, 510 U.S. 519, 534 n.19 (1994) (quoting *Lieb v. Topstone Indus., Inc.*, 788 F.2d 151, 156 (3d Cir. 1986)). The answers to Interrogatories 1-3 thus *may* be relevant to whether Plaintiff's initial copyright claims were frivolous or objectively unreasonable, and also may be relevant to Plaintiff's now-asserted trade dress claims. Accordingly, the Court does not accept this objection, and shall move directly to the specific information requested.

Interrogatory 1 seeks information about the copyrights owned by Plaintiff, including Plaintiff's bottlecaps that it asserts are copyrighted and the accused infringing bottlecaps. At the hearing, it became clear that Defendants believed that Plaintiff's production to date was overwhelmingly burdensome, and that Plaintiff should provide images of the copyrighted bottlecap and the corresponding infringing bottlecap side by side. For the reasons stated at the hearing, the Motion to Compel is GRANTED as to Interrogatory 1. Plaintiff shall provide such corresponding images to Defendants within **14 days** of the date of this Order.

Interrogatory 2 asks for pre-existing work that was used for Plaintiff's bottlecap designs. At the hearing, Plaintiff informed the Court that it had provided all such information to this effect, and that Defendants in essence did not believe that Plaintiff had done so, or that Plaintiff had not truthfully answered the Interrogatory. The Court is

convinced that Plaintiff has adequately answered Interrogatory 2, and the Court shall accordingly DENY the Motion to Compel as to this request. However, Defendants shall have the right to depose Plaintiff's witnesses as to whether any of their designs were based upon pre-existing work.

Interrogatory 3 asks for the date of first publication of each of Plaintiff's copyrighted works. The actions of counsel for both sides at the hearing as to this Interrogatory clearly indicated that communications between them had completely broken down, and the Court is of the opinion that facilitating some sort of simple communication between counsel may resolve this issue. At this stage, as noted at the hearing, the Court shall DENY WITHOUT PREJUDICE the Motion to Compel as to Interrogatory 3. Should the parties still be unable to agree about this particular dispute within **14 days** of the date of this Order, the Court shall appoint a Special Master at a rate of $500/hour, with fees and costs to be borne equally by the parties, to resolve this dispute. Should resolution still be beyond the parties' reach, the Court shall reconsider the Motion.

Interrogatory 6 asks for information concerning the injuries and damages, and Interrogatory 7 asks for the amount of any sum of money that is sought by Plaintiff, with the methodology used to reach that amount. Plaintiff's response to both of these Interrogatories is essentially identical, and reads in relevant part:

> The damages to be requested for the state law claims will include disgorgement of the Defendants' profits, an award of damages sustained by the Plaintiff, and the costs/fees of this action. Of particular note on damages sustained by the Plaintiff for all claims, the negative market impact by Blue Brownies on the Plaintiff's pricing structure will be used to

> support damages equaling the negative impact on the Plaintiff's revenues and profits.

Pl.'s Resp. to Interrogs., Defs.' App., Docket No. 77-2, at 62. Plaintiff notes that it will seek litigation costs as a prevailing party, as well as attorneys fees, expert witness fees, other fees and litigation expenses such as transcripts of court proceedings and depositions, punitive damages to treble the base damage award, and interest under 28 U.S.C. § 1961 on both damages and costs. *Id.* at 62-63.

Defendants contend that this "mere summar[y]" is insufficient, and that "Plaintiff provided no monetary amounts, no calculations, or description of the degree to which Defendants purportedly harmed Plaintiff." Defs.' Br., Docket No. 77-1, at 15. Defendants argue that they are "entitled to know the calculations and amount of damages at this later stage of the litigation." *Id.*

The Court agrees with Defendants that such information is discoverable. "Proper discovery requests relating to the amount of damages recoverable is certainly relevant and therefore permissible under Rule 26 so long as none of the material sought to be discovered is privileged." *U.S. v. Miracle Recreation Equip. Co.*, 118 F.R.D. 100, 104 (S.D. Iowa 1987). Here, Defendants are entitled to know the amount of damages Plaintiff seeks based on the criteria it laid out in its response to Interrogatories 6 and 7. Such information is important to Defendants' ability to construct their defenses on the issue of damages. However, Plaintiff indicated that such information shall be disclosed upon the submission of expert reports in early 2012. Considering the state of this litigation, the Court is convinced that revelation of such information at that time is

acceptable.

Additionally, regarding requests for information related to attorneys' fees and costs, the full amount of attorneys' fees and costs sustained in this litigation cannot be known at this time, and the Court shall not require Plaintiff to produce information that cannot fully be constructed at present. *See* Fed. R. Civ. P. 33(a)(2) ("[T]he court may order that the interrogatory need not be answered until designated discovery is complete, or until a pretrial conference or some other time."). Such information shall, however, be provided to Defendants at the time expert reports are provided. The Court reminds Plaintiff of its duty under Rule 26(e)(1), which provides that a party who has responded to an interrogatory must supplement or correct its response "if the party learns that in some material respect . . . the response is incomplete . . . ." Plaintiff "clearly ha[s] an obligation to supplement [its] discovery responses" under Rule 26(e) upon obtaining the necessary information to fully answer Defendants' specific discovery request concerning this information. *W.G. Pettigrew Distrib. Co. v. Borden, Inc.*, 976 F. Supp. 1043, 1051 (S.D. Tex. 1996) (Gibson, J.).

Accordingly, the Court DENIES the Motion to Compel as to Interrogatories 6 and 7, on the condition that such information will be revealed by the submission of expert reports and through deposition of experts. Furthermore, when such information is provided, it shall include Plaintiff's concrete figures as to damages and the method by which they were calculated.

B. Quickbooks Financial Database and Outlook/Exchange Email Database

Defendants also ask the Court to compel Plaintiff to turn over financial and email

records in their native electronic format. Plaintiff asserts that such documents were produced in an accessible format, which Defendants have identified as a PDF format. At the hearing, it became clear that the documents were actually produced to Defendants in several different electronic formats, but Defendants have filed this Motion to Compel seeking those documents in specific electronic formats: Quickbooks for the financial records and Microsoft Outlook for the emails. Defendants contend that the PDF format that Plaintiff has produced the documents in is not subject to electronic searches in the way that the documents would be in Quickbooks or Outlook format, respectively, and that searching through the documents in the form that they were produced would be extremely costly and time-consuming.

This dispute arose simply because Plaintiff has provided the documents to Defendants in several electronic formats, and Defendants are holding out for the format that they want. Rule 34(b)(2)(E)(iii) provides, "A party need not produce the same electronically stored information in more than one form." Additionally, Rule 34(b)(2)(E)(ii) requires that requires electronically stored information to be turned over "in a form or forms in which it is ordinarily maintained or *in a reasonably usable form or forms*." Here, the formats used by Plaintiff to turn over the documents are absolutely reasonable, and they have already done so in multiple electronic forms. Requiring to turn over the documents in yet another electronic form is unnecessary and contrary to the spirit of Rule 34(b)(2)(E). The Court thus considers Defendants' request to be without merit, and accordingly DENIES the Motion to Compel as to these requests.

C. Plaintiff's Engagement Letter with its Attorney

Defendants ask the Court to compel Plaintiff to provide its fee arrangement with its attorney. Plaintiff's counsel provided in its briefing that it is performing legal work for Plaintiff at a rate of $425/hr, and asserts that such a disclosure is sufficient in lieu of its engagement letter.

"[A]s a general rule, client identity and [fee arrangements] are not protected as privileged." *Beanal v. Freeport-McMoRan, Inc.*, No. 96-1474, 1996 WL 251839, at *1 (E.D. La. May 10, 1996) (citing *In re Grand Jury Subpoena*, 926 F.2d 1423, 1431 (5th Cir. 1991). However, "[w]hile it is true that fee arrangements are not privileged, . . . nothing is discoverable unless 'relevant to the claim or defense of any party." *Adams v. Gateway, Inc.*, No. 2:02-CV-106 TS, 2005 WL 4705885, at *2 (D. Utah 2005). Defendants maintain the burden of demonstrating that Plaintiff's fee arrangement is relevant. The only argument Defendants raise is that they "are entitled to know what attorney fees are being requested so it may consider this in evaluating settlement." Defs.' Br., Docket No. 77-1, at 11.

Defendants have an interest in knowing the scope of Plaintiff's demands for attorneys' fees so they can evaluate their potential liability in this case. In addressing this issue, the Court finds guidance from Judge Haight's decision in *Renner v. Chase Manhattan Bank*, No. 98 CIV. 926 (CSH), 2001 WL 1356192 (S.D.N.Y. Nov. 2, 2001). Judge Haight wrote,

> Federal courts uniformly allow the identity of the client and matters regarding fee arrangements to be discovered, except in the very limited circumstances when that discovery would actually reach client confidences;

> it generally follows that the billing statements that attorneys submit to clients are equally discoverable. If production of such documents will necessarily reveal client confidences, then redactions will be ordered to protect the privileged material while allowing discovery of the nonprivileged material.

Id. at *1 (quotation marks omitted) (citing Edna Selan Epstein, *The Attorney-Client Privilege and the Work-Product Doctrine* (Section of Litigation, American Bar Association, 4th ed. 2001)).

The Court thus finds that the Plaintiff's fee arrangement with counsel is relevant to Defendants' defense to attorneys' fees claims raised by Plaintiff, and that Defendants' Motion to Compel should be GRANTED in that respect. Plaintiff shall provide its engagement letter to Defendants within **14 days** of the date of this Order, and shall have the opportunity to redact any information it perceives to be privileged.

III. Motion for Sanctions

Defendants also ask the Court to sanction Plaintiff under Federal Rule of Civil Procedure 37. Defendants specifically ask the Court to "award Defendants sanctions against Plaintiff for its discovery violations, including attorneys' fees in an amount to be determined." Defs.' Mem., Docket No. 77-1, at 17. The decision to issue sanctions for discovery violations is within the discretion of the trial court. *See Liljeberg Enters., Inc. v. Duchkar*, 111 F.3d 893, 1997 WL 157044, at *1 (5th Cir. 1997) ("[T]he district court's rulings on requests for discovery sanctions are left to its sound discretion."); *Shipes v. Trinity Indus.*, 987 F.2d 311, 323 (5th Cir. 1993) (holding that "imposition of sanctions is a matter of discretion for the trial court"). As in regard to Defendants' previous Motion to Compel and Motion for Sanctions (Docket No. 56), the Court is not of the opinion that

sanctions against Plaintiff are appropriate at this time.

However, the Court does note that neither party met the requirements of the Court's Order of August 1, 2011 to submit a joint status report that would narrow the issues before the Court. The parties could not agree on the simple task of providing a joint submission outlining the issues that still required the Court's intervention. In fact, both parties, in their own submissions, provided unnecessary supplements to this simple request, which were not helpful. It has become clear in this litigation that counsel for both sides have little interest in cooperating with one another. While the Court shall not issue sanctions at this time, if both parties' counsel continue on their current courses of action, the Court will be forced to take action to ensure that this litigation continues at a proper and efficient pace.

One matter that was raised at the August 30 hearing was particularly telling. Plaintiff's Response to Defendants' Motion for Summary Judgment (Docket No. 96) was almost 50 pages. Defendants' counsel complained of the length, despite the fact that the Northern District of Texas's Local Rules allow a 50-page response to motions for summary judgment. *See* Local Rule 56.5(b). When a lawyer follows the Local Rules, his compliance is not a ground for complaint. Unfortunately, the relationship between counsel in this matter is so broken that one lawyer believes he is entitled to criticize his opponent, even when his opponent follows the rules. This is unacceptable.

At this stage, Defendants' Second Motion for Sanctions is DENIED. However, as mentioned at the hearing, if there are any future briefs in which similar accusations relating to opposing counsel are raised, the Court shall fine counsel who filed the brief

$1,000 from counsel directly, not the client, for the first offense, $5,000 for the second offense, $10,000 for the third offense, $50,000 for the fourth offense, and penalties in increasing amounts for any further infractions. Furthermore, in light of counsel's unprofessional behavior at the August 30, 2011 hearing, at any future hearing held in this case, the clients themselves in addition to counsel shall be required to be present at any future hearing.

Conclusion

For the reasons stated above, it is ORDERED that Defendants' Second Motion to Compel is GRANTED IN PART, DENIED IN PART, DENIED WITHOUT PREJUDICE IN PART, AND DENIED AS MOOT IN PART.

As to Interrogatory 1, the Motion to Compel is GRANTED. Plaintiff shall provide to Defendants side-by-side images of the bottlecaps it asserted contain copyrights that were infringed and the matching bottlecap allegedly infringed that copyright within **14 days** of the date of this Order

As to Interrogatory 2, the Motion to Compel is DENIED. Plaintiff shall provide the information sought in this interrogatory about prior art through depositions of its witnesses.

As to Interrogatory 3, the Motion to Compel is DENIED WITHOUT PREJUDICE. Should the parties fail to agree on the matter of dates within **14 days** of the date of this Order, the Court shall appoint a Special Master to address the issue, who shall be compensated at $500/hour with both sides evenly splitting the costs. The Court shall address the issue once again should the Special Master fail to help counsel for the parties

reach an agreement.

As to Interrogatories 6, and 7, the Motion to Compel is DENIED. Plaintiff shall provide the information sought in each of these interrogatories in either its expert reports or depositions of experts.

As to the Quickbooks and Outlook files in their "native format," the Motion to Compel is DENIED.

As to the letter of engagement between Plaintiff's counsel and Plaintiff, the Motion to Compel is GRANTED. Plaintiff shall provide its fee arrangement to Defendants within **14 days** of the date of this Order. Plaintiff shall redact any information it considers to be privileged.

Defendants' Second Motion for Sanctions is DENIED WITHOUT PREJUDICE. However, the Court shall not hesitate to impose sanctions upon counsel for the parties *sua sponte* should the behavior seen at the hearing continue to plague this case and the justice system as a whole.

IT IS SO ORDERED.

Signed this 31st day of August, 2011.

Royal Furgeson
Senior United States District Judge