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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW HAMPSHIRE

_____)
T-Peg, Inc. and Timberpeg East, Inc.)
)
Plaintiffs,)
)
v.)
)
Stanley J. Isbitski, Vermont Timber Works, Inc.)
and Douglas Friant,)
)
Defendants.)
_____)

No. C-03-462-M

RESPONSE TO DEFENDANT VERMONT TIMBER WORKS'
MOTION FOR PROTECTIVE ORDER

NOW COME, the Plaintiffs, T-Peg, Inc. and Timberpeg East, Inc. ("Timberpeg"), by and through their attorneys, Devine, Millimet & Branch, Professional Association, and respectfully respond to the defendant's, Vermont Timber Works, Inc. ("VTW"), Motion For Protective Order, and state as follows:

1. Timberpeg submits this response cognizant of this Court's Order of November 19, which may bear on the issues raised in VTW's motion and this response. Timberpeg will shortly seek reconsideration and/or clarification of that Order. In the meantime, given the response deadline for VTW's Motion for Protective Order, Timberpeg now submits this response.
2. In this action Timberpeg alleges copyright infringement as well as pendent state law claims against VTW arising out of Timberpeg's allegations that VTW infringed Timberpeg's copyrighted architectural plans when VTW drew, manufactured, and erected a timberframe for a mutual customer, Stanley J. Isbitski.

3. The Copyright Act provides various remedies to a prevailing infringement plaintiff, including the disgorgement of “any profits of the infringer that are attributable to the infringement” 17 U.S.C. § 504(b). According to the statute, the plaintiff need only prove gross revenues of the infringer, the infringer then bears the burden of proving any deductions from that figure. See id. In addition, several of Timberpeg’s state law claims allow for the disgorgement of profits as a remedy. See, e.g., Curtis Mfg., Co. v. Plasti-Clip Corp., 933 F.Supp. 94, 104 (D.N.H. 1995) (disgorgement is a remedy for unjust enrichment); 5 McCarthy on Trademarks and Unfair Competition §30.62 (disgorgement is a remedy for unfair competition).

4. In light of these available remedies, Timberpeg sought paper discovery (and hopes to obtain deposition discovery) concerning VTW’s profits from the Isbitski project. VTW produced invoices that reflect work performed and money paid on the Isbitski project. Both a VTW principal, Mr. Friant, and a former employee, Ms. Hentschel, confirmed that the simple addition of all of the invoices reflects the gross revenue VTW received for its work for Mr. Isbitski.

5. While the invoices confirm VTW’s gross revenues, Timberpeg anticipated that VTW would introduce evidence to support deductions from gross revenues. In order to understand any deductions VTW might claim, Timberpeg requested all documents concerning the Isbitski project generally, as well as VTW tax returns and financial statements specifically. VTW objected to producing tax returns and financial statements at all. VTW did produce a document called a “Job Cost Master,” which reflects VTW’s internal accounting of the Isbitski project including gross and net profits figures, but VTW attempted to redact the document by blacking out the actual figures and

percentages on the document. See Exhibit A. VTW neither provided a privilege log nor proposed a protective order under which the Job Cost Master could be produced. VTW suggested deferring the issue until October, at which time, VTW suggested, the relevance of VTW's financial information would have become more clear.

6. The Job Cost Master VTW actually produced to Timberpeg bears some discussion because for a second time in this litigation VTW has presented this Court with a different version of a document than it produced to Timberpeg. Attached as Exhibit A is a copy of the Job Cost Master produced to Timberpeg via email from VTW's counsel. A comparison of the version attached as Exhibit A and the version attached to VTW's motion reveals differences -- mainly, VTW's additional subsequent efforts to black out entries in the latter version that were legible in the former.

7. The version of the Job Cost Master produced to Timberpeg reflects an attempt to redact that was unsuccessful, in that the figures sought to be redacted are plainly legible. Upon receipt of that document, counsel for Timberpeg brought the possibility of an inadvertent disclosure to VTW's counsel's attention in an email dated May 6, 2004, attached hereto as Exhibit B. Timberpeg explained why Timberpeg viewed the document as discoverable, including that confidentiality may have been waived by the inadvertent disclosure. In light of the inadvertent disclosure, Timberpeg unilaterally agreed to maintain the legible document with counsel only, and to await further instructions from VTW as to how to proceed in light of the inadvertent disclosure.

8. To date, Timberpeg has never received a response from VTW concerning the inadvertent disclosure issue. VTW has refused to allow deponents, both within and without VTW, to testify about the document, but has not objected to use of the document

in depositions including review by third party deponents who work for VTW competitors.

9. Moreover, in light of VTW's suggestion that waiting until October might bear in some way on the need for production of an unredacted Job Cost Master and tax returns and financial statements, Timberpeg did not enlist this Court's intervention. On October 13, VTW proposed a protective order under which VTW would produce an unredacted Job Cost Master only to Timberpeg's outside counsel but would not produce the tax returns or financial statements at all, among other stringent limitations. Timberpeg responded by offering to receive the information under a standard protective order, pursuant to which Timberpeg would not disseminate the information except to counsel, witnesses, and experts as necessary for the litigation. In response, VTW filed this motion for protective order. Timberpeg now objects and requests that this Court order VTW to produce the requested information, and, thereafter, produce a witness under Rule 30(b)(6) of the Federal Rules of Civil Procedure for a deposition to testify concerning VTW's profits from the Isbitski project, information on the Job Cost Master, and other financial documents VTW produces.

Argument

10. As VTW makes clear in its motion, VTW plans to introduce the unredacted Job Cost Master at trial to try to prove deductions from gross revenues. At the same time, VTW does not plan to produce the document in a way that meaningfully allows for Timberpeg to analyze the document and conduct deposition discovery concerning the document so as to prepare for VTW's trial use of the document. Not only are the Job Cost Master and VTW's tax returns and financial statements relevant to the

claims asserted, but VTW has now waived any protection VTW might have claimed over the Job Cost Master.

11. The rules of this Court do not allow VTW to have it both ways – to use the document at trial but withhold it during discovery - and VTW’s motion for protective order, therefore, lacks merit. For the reasons set forth below, Timberpeg requests that this Court deny VTW’s motion, order the production of the Job Cost Master, tax returns, and financial statements, allow Timberpeg a 30(b)(6) deposition concerning VTW’s profits, or, alternatively, preclude VTW from using the Job Cost Master and any other financial information at trial.

I. VTW Has Waived Any Confidentiality Of The Job Cost Master And It Should Be Produced

12. At the outset, VTW has never claimed that the Job Cost Master is protected from disclosure by the attorney-client privilege or work product doctrine. Initially, VTW asked that the determination as to the Job Cost Master’s production be deferred until October. As is clear from Exhibit A hereto, the Job Cost Master VTW initially produced (as opposed to the version VTW supplied to this Court) was inadequately redacted. VTW produced that document by itself in a production of one document, by email as a pdf file. Timberpeg notified VTW of the likely inadvertent disclosure shortly after VTW produced the document. To date VTW has never responded either to correct the inadvertent disclosure or to dispute, or even recognize, that one occurred. Thus, Timberpeg, and even a third party deponent who works for a VTW competitor, have possessed a Job Cost Master whose figures are plainly legible without complaint from VTW. Even if the Job Cost Master contains information that would normally require production only pursuant to a protective order, VTW has waived

any such confidentiality by its careless production and subsequent failure to rectify the situation after Timberpeg notified VTW of the disclosure.

13. The present situation is analogous to First Circuit – recognized waivers of the attorney-client privilege through inadvertent disclosure. See Texaco Puerto Rico v. Department of Consumer Affairs, 60 F.3d 867, 883-84 (1st Cir. 1995) (affirming district court’s holding that careless disclosure of four attorney-client privileged documents effected waiver of privilege with respect to all communications in the subject area of the inadvertently disclosed documents). The extent of waiver through inadvertent disclosure varies among district courts: Some hold that mere negligence of an attorney should not operate to waive a privilege; others hold that merely negligent inadvertent disclosure operates as a full waiver regardless of the circumstances; and still others hold that the nature of the inadvertent disclosure itself must be examined to determine whether it operates to waive or not, on the basis of a multi-pronged analysis. See Amgen, Inc. v. Hoechst Marion Roussel, Inc., 190 F.R.D. 287, 290-92 (D. Mass. 1995). This latter approach considers (1) the reasonableness of the precautions taken to prevent the inadvertent disclosure, (2) the amount of time it took the producing party to recognize its error, (3) the scope of the production, (4) the extent of the inadvertent disclosure, and (5) overriding interests of fairness and justice in determining whether waiver has occurred. See id.

14. While this Court has yet to adopt a particular inadvertent disclosure waiver analysis, the facts of this case meet any of the three approaches. The Job Cost Master was negligently produced with inadequate redaction, in that an attempt to redact was made, the redaction was inadequate, and the redacted document apparently was not

reviewed prior to production. Even if that negligence alone did not effect a waiver, the events that followed the disclosure take this situation beyond mere negligence. Once notified by Timberpeg about the ineffective redaction, VTW did nothing with respect to the disclosure, and, to date, has done nothing either to rectify the situation, seek return of the redacted document, or openly acknowledge that an inadvertent disclosure has occurred. VTW has not objected to use of the document in depositions, or otherwise sought to protect its confidentiality. Regarding the scope of the production, the Job Cost Master consisted of one document, not a production of several thousand. Thus, VTW's failure to redact the Job Cost Master properly was not the result of a voluminous production of which a single document escaped scrutiny.

15. If VTW were as concerned about the confidentiality of the Job Cost Master as VTW claims in its motion, VTW would have taken steps to protect that document once VTW became aware of the situation. The fact that VTW presents this Court with an altered version of what it produced to Timberpeg confirms VTW's tacit but tardy recognition of the inadvertent disclosure. On the basis of the inadvertent disclosure doctrine alone, this Court should order production of an unredacted Job Cost Master. Despite the fact that VTW has waived any confidentiality, Timberpeg would nonetheless agree to a standard protective order, under which the document could not be disseminated except to Timberpeg and its counsel, and experts as necessary for the litigation.

16. VTW does not contend that the Job Cost Master is irrelevant. Not only does the Job Cost Master bear on the issue of VTW's profits, but it is also relevant to any potential statutory damages analysis, should Timberpeg so elect. See Cass County Music Co. v. C.H.L.R., Inc., 896 F.Supp. 904, 910 (E.D.Ark. 1995) (infringer's profits are factor

in determining amount of statutory damages); Polygram Int'l. Pub., Inc. v. Nevada/TIG, Inc., 855 F.Supp. 1314, 1335 (D.Mass. 1994) (same).

II. The Tax Returns And Financial Statements Are Reasonably Calculated To Lead To The Discovery Of Admissible Evidence

17. The remainder of the financial information Timberpeg seeks, and which is the subject of VTW's motion, is reasonably calculated to lead to the discovery of admissible evidence and should be produced. As with the Job Cost Master, Timberpeg agrees to production under a standard protective order under which the material would not be disseminated except to Timberpeg, its counsel, and experts as necessary for the litigation.

18. The tax returns and financial statements Timberpeg seeks are relevant to Timberpeg's claim for disgorgement of VTW's profits because such information allows an evaluation of the validity of what VTW claims to be its profits on the Isbitski project. The requested financial information is the least burdensome method to evaluate VTW's realized profit on the Isbitski job. Timberpeg has not, for example, sought Job Cost Masters from all other VTW projects for the year in question.

19. This Court need look no further than the deposition testimony of Mr. Friant to confirm the relevance of the tax returns and financial statements. During questioning about the Job Cost Master, Mr. Friant testified that he has never been able to calculate profit on a per job basis, see Friant Dep. at 173, and that the process of allocating overhead, for example, involves a year end reconciliation. See id. at 175-76 (excerpts of Mr. Friant's deposition transcript are attached as Exhibit C). The financial statements and tax returns, in other words, are the only way to evaluate, and even calculate VTW's profits from the Isbitski project.

20. Further evidence of the relevance of the financial information lies in the fact that VTW sought the same information from Timberpeg prior to Timberpeg's election to forego its own lost profits. VTW feels so strongly about the relevance of Timberpeg's tax returns that it has moved to compel them in this Court, claiming that the materials are relevant to the calculation of VTW's own profits. If according to VTW's unusual logic Timberpeg's tax returns are relevant to VTW's profits, then VTW's own tax returns must be relevant.

III. VTW's Proposed Protective Order Is Unwarranted And Overly Narrow

21. VTW proposes an extraordinarily narrow protective order under which VTW would not produce the tax returns and/or financial statements and would only produce the Job Cost Master to Timberpeg's outside counsel. The bases VTW asserts are (1) the information is highly sensitive, and (2) Timberpeg's purpose in this suit is to get this information from VTW. The latter is nothing more than a conclusory allegation that is consistent with VTW's tone and tactics in this litigation but otherwise unfounded.

22. The former is belied by the lack of concern VTW has shown in the face of its inadvertent disclosure, even allowing an employee of a competitor to review the document during a deposition.

23. As indicated, even though not supported by VTW's arguments, Timberpeg would agree not to disseminate the information outside of the litigation, and within the litigation only to those necessary for purposes of the litigation. The "outside counsel eyes only" protective order VTW proposes, however, will prevent Timberpeg from engaging in effective discovery into VTW's profits while leaving VTW free to use the

document during trial. VTW has demonstrated no reason why a standard protective order would not adequately meet VTW's concerns.

IV. Alternatively VTW Should Not Be Allowed To Introduce And Use The Job Cost Master Or Other Financial Information At Trial

24. VTW states in its motion that it plans to introduce the Job Cost Master at trial if necessary as evidence of deductions from the gross revenues it received from the Isbitski project. See Motion at 2. By the same token, VTW does not plan to produce the document in unredacted form except under such a narrow protective order as to make Timberpeg's evaluation of the document through discovery unworkable.

25. It would be fundamentally unfair to restrict Timberpeg to such limited production and at the same time allow VTW unfettered use of that production at trial. An alternative resolution to VTW's motion would be to give VTW a choice: either produce the information under a standard protective order or forego using the information in any way during trial. This resolution would leave VTW in the position of assessing the importance of the Job Cost Master and financial information to its trial presentation against the importance of maintaining its complete confidentiality. If VTW chooses to produce the information, Timberpeg can then analyze it and conduct a 30(b)(6) deposition. If VTW chooses not to produce the information and is prevented from using the information at trial, Timberpeg will suffer no unfair disadvantage.

26. In short, Timberpeg has no designs on VTW's financial information except to understand what VTW admits will be claims that VTW's gross revenues must be reduced to reflect true profits. If VTW will not produce the information in a way that allows meaningful discovery, VTW should not be allowed to use the information at trial.

WHEREFORE, Timberpeg respectfully requests that this Court:

- A. Deny the Defendant's Motion For Protective Order;
- B. Order production of the Job Cost Master and tax returns and financial statements in unredacted form and allow Timberpeg a Rule 30(b)(6) deposition concerning same and VTW's profits; or
- C. Preclude VTW from using the Job Cost Master and any other nondisclosed financial information during trial unless it timely produces the information; and
- D. Grant such further and other relief as this Court deems just, equitable and proper.

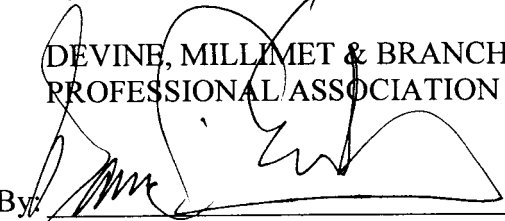
Respectfully submitted,

T-PEG, INC. AND TIMBERPEG
EAST, INC.

By their attorneys,

DEVINE, MILLIMET & BRANCH,
PROFESSIONAL ASSOCIATION

Dated: November 24, 2004

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CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of November, 2004, a copy of the foregoing was forwarded to W.E. Whittington, Esquire.


Daniel E. Will (#12176)