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TAB A



LEXSEE 2003 U.S. DIST. LEXIS 12628

CHICAGO PRIME PACKERS, INC., Plaintiff, v. NORTHAM FOOD TRADING CO., Defendant.

Cause No. 01 C 4447

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

2003 U.S. Dist. LEXIS 12628

July 22, 2003, Decided
July 22, 2003, Docketed

SUBSEQUENT HISTORY: Judgment entered by Chi. Prime Packers v. Northam Food Trading Co., 2004 U.S. Dist. LEXIS 9347 (N.D. Ill., May 21, 2004)

PRIOR HISTORY: *Chi. Prime Packers, Inc. v. Northam Food Trading Co.*, 2003 U.S. Dist. LEXIS 9122 (N.D. Ill., May 28, 2003)

DISPOSITION: [*1] Plaintiff's Motion to Bar Expert Testimony of John Maltby denied and Defendant's Motion in Limine denied without prejudice.

COUNSEL: For Chicago Prime Packers, Inc, PLAINTIFF: R Matthew Simon, Joseph J Griseta, Simon & Spitali, Chicago, IL USA.

JUDGES: GERALDINE SOAT BROWN, United States Magistrate Judge.

OPINION BY: GERALDINE SOAT BROWN

OPINION

MEMORANDUM OPINION AND ORDER

Before the court are Plaintiff's Motion to Bar Expert Testimony of John Maltby [dkt # 84] and Defendant Northam Food Trading's Motion in Limine [dk # 85]. For the reasons set out below, Plaintiff's motion is denied. Defendant's motion is also denied, but without prejudice and with a caveat.

As an initial matter, "motions in limine are disfavored." *Mi-Jack Products v. International Union of Operating Engineers, Local 150*, 1995 U.S. Dist. LEXIS

16930, No. 94 C 6676, 1995 WL 680214 at *1 (N.D. Ill. Nov. 14, 1995)(Conlon, J.) Generally, "evidence should not be excluded in limine unless it is clearly inadmissible on all potential grounds." *Id.* Rather, rulings on evidence "ordinarily should be deferred until trial" when they may be resolved in the proper context. *Id.* The movant bears the burden of showing that the evidence that it seeks to preclude is "clearly inadmissible." *Plair v. E.J. Branch & Sons, Inc.*, 864 F. Supp. 67, 69 (N.D. Ill. 1994). [*2] Denial of a motion in limine is *not* a ruling that the material that is the subject of the motion is necessarily admissible. Denial of a motion in limine means only that "outside the context of trial, the court cannot determine whether the evidence in question is admissible." *Id.* at 69. Thus, "[a] ruling on a motion in limine is not a final ruling on the admissibility of the evidence which is the subject of the motion." *Moore v. General Motors Corp., Delco Remy Division*, 684 F. Supp. 220 (S.D. Ill. 1988). Indeed, "an order on a motion in limine has been characterized as an 'advisory opinion subject to change as events at trial unfold.'" *Id.* (quoting *Sales v. State Farm Fire & Casualty Co.*, 632 F. Supp. 435, 436 (N.D. Ga. 1986)).

I. Plaintiff's Motion to Bar Expert Testimony of John Maltby

Plaintiff has moved to bar any expert testimony and reports by John Maltby. Dr. Maltby is not a retained expert. He is the United States Department of Agriculture ("USDA") inspector who, in May, 2001, ordered the destruction of the pork ribs that are at issue in this case. Dr. Maltby did not prepare a report pursuant to *Fed. R. Civ. P. 26(a)(2)(B)*. Rather, he wrote a memorandum "to whom it may concern" on May 23, 2001, the day he inspected the ribs, discussing his examination of the ribs,

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information he had learned from other individuals including USDA Inspector Ken Ward and Compliance Officer Chris Chlarson, and questions that remained to be answered. That memorandum, referred to by the parties as Dr. Maltby's report, is written on USDA letterhead. Plaintiff argues that Dr. Maltby has not been properly disclosed pursuant to *Fed. R. Civ. P. 26(a)(2)(B)* and is thus precluded from testifying as an expert.

Rule 26(a)(2)(A) requires that ". . . a party shall disclose to other parties the identity of any person who may be used at trial to present evidence under *Rules 702, 703, or 705* of the Federal Rules of Evidence." *Rule 26(a)(2)(B)* includes more detailed disclosure requirements for "a witness who is retained or specially employed to provide expert testimony in the case or whose duties as an employee of the party regularly involve giving expert testimony." Plaintiff does not offer any support for its argument that Dr. Maltby falls within the scope of *Rule 26(a)(2)(B)*.

Defendant's disclosure relating to Dr. [*4] Maltby complies in format with *Rule 26(a)(2)(A)*. Defendant stated in an interrogatory response:

It is anticipated that Dr. John Maltby of the USDA will testify as an opinion witness at any trial of this matter. Defendant furthermore states that the qualifications of Dr. Maltby and the subject matter and conclusions to which Dr. Maltby will testify are fully contained in his discovery deposition transcript and his written report of May 23, 2001.

(Def.'s Interrogatory Res. P 10, cited in Pl.'s Mot. at 2.)

Plaintiff cites the *Mi-Jack* case for the proposition that failure to comply with *Rule 26(a)(2)* precludes the use of the non-disclosed expert. (Pl.'s Mot. at 3.) It is apparent from the context, however, that the decision in the *Mi-Jack* case involved motions to bar the testimony of *retained* witnesses for failure to comply with *Rule 26(a)(2)(B)*'s detailed disclosure requirements. Thus, the *Mi-Jack* case does not apply to the present case.

Rule 26(a)(4) provides that "unless the court orders otherwise, all disclosures under *Rules 26(a)(1) through (3)* must be made in writing, signed, and served." *Rule 26(a)(2)(C)* states that expert disclosures are to be [*5] made as directed by the court. Plaintiff asserts that, while unsigned responses were provided earlier, Defendant's signed interrogatory responses were not received until October 30, 2002, fifteen days after expert disclosures were required by the parties' Joint Discovery Plan. (Pl.'s Mot. at 2, n. 1.) The Joint Discovery Plan was adopted

by the court. [Dkt # 39]. Thus, Plaintiff implicitly argues, Dr. Maltby was not properly disclosed even under *Rule 26(a)(2)(A)*.

Failure to comply with the expert disclosure provisions of *Rule 26* is addressed by *Rule 37*. *Rule 37(c)(1)* states:

A party that without substantial justification fails to disclose information required by *Rule 26(a)* or *26(e)(1)*, or to amend a prior response to discovery as required by *Rule 26(e)(2)*, is not, unless such failure is harmless, permitted to use as evidence at a trial, at a hearing, or on a motion any witness or information not so disclosed. In addition to or in lieu of this sanction, the court, on motion and after affording an opportunity to be heard, may impose other appropriate sanctions.

The Seventh Circuit has stated:

The sanction of exclusion is automatic and mandatory unless the sanctioned [*6] party can show that its violation of *Rule 26(a)* was either justified or harmless. . . . We have indicated that the following factors should guide the district court's discretion [in determining whether a *Rule 26(a)* violation is justified or harmless]: (1) the prejudice or surprise to the party against whom the evidence is offered; (2) the ability of the party to cure the prejudice; (3) the likelihood of disruption to the trial; and (4) the bad faith or willfulness involved in not disclosing the evidence at an earlier date.

David v. Caterpillar, Inc., 324 F.3d 851, 857 (7th Cir. 2003)(citations and internal quotations omitted).

Regardless of whether Defendant's failure to serve a signed and sworn interrogatory answer within the required period of time was justified, it is clear that Plaintiff suffered no prejudice as a result. Dr. Maltby's existence and the nature of his findings were well known to Plaintiff prior to Defendant's formal disclosure of its intention to call him as a witness. Indeed, by that time Plaintiff had deposed him and had access to his report. See Pl.'s Mot. at 3. The unsigned interrogatory answers provided explicit written notice [*7] that Defendant was contemplating calling him as an opinion witness. The formal, signed interrogatory answers followed shortly after the deadline had passed. Plaintiffs have not identi-

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fied any specific prejudice that resulted from the short delay. Thus, Plaintiff's motion to exclude opinion testimony by Dr. Maltby is denied.

Working on the erroneous assumption that Dr. Maltby will not be able to testify as an opinion witness, Plaintiff then argues that Dr. Maltby's report is not a public report under *Fed. R. Evid. 803(8)*, and seeks to have it stricken as based on inadmissible hearsay evidence, specifically, information provided by Inspector Ward to Dr. Maltby. (Pl.'s Mot. at 4-5).¹ That part of Plaintiff's motion is likewise denied.

¹ Under *Fed. R. Evid. 703*, an expert may base his or her opinion on inadmissible evidence if such evidence is "of a type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject." See *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 592, 125 L. Ed. 2d 469, 113 S. Ct. 2786 (1993) ("an expert is permitted wide latitude to offer opinions, including those that are not based on firsthand knowledge or observation.") That includes hearsay. *Grant v. Chemrex*, 1997 U.S. Dist. LEXIS 6058, No. 93 C 0350, 1997 WL 223071 at *7 (N.D. Ill. April 28, 1997) (Marovich, J.).

[*8] Dr. Maltby's report is admissible under *Fed. R. Evid. 803(8)*, which creates an exception to the hearsay rule for "reports . . . of public offices or agencies, setting forth (A) the activities of the office or agency, or (B) matters observed pursuant to duty imposed by law as to which matters there was a duty to report . . . or (C) in civil actions and proceedings and against the Government in criminal cases, factual findings resulting from an investigation made pursuant to authority granted by law, unless the sources of information or other circumstances indicate lack of trustworthiness." That exception to the rule against hearsay is "grounded on the premise of trustworthiness [.] the notion that reports prepared by those with a duty to do so were inherently trustworthy." *Wetherill v. University of Chicago*, 518 F. Supp. 1387, 1389 (N.D. Ill. 1981).

The fact that the report is based in part on information Dr. Maltby received from Inspector Ward does not require its exclusion. Although "the person who prepared the report is typically required to have personal knowledge of the activities or facts . . . government officials may rely on colleagues or subordinates who [*9] have the requisite knowledge." Jack B. Weinstein and Margaret A. Berger, 5 *Weinstein's Federal Evidence* § 803.10[3][a] at 803-91 (2003). "Nothing in either the text or the history of *Rule 803(8)* supports an approach that would make the rule essentially useless--for the bureaucrat who fills out a governmental form usually incorpo-

rates information furnished by others." *In the Matter of Oil Spill by the Amoco Cadiz*, 954 F.2d 1279, 1308 (7th Cir. 1992). Plaintiff does not dispute the reliability of Dr. Maltby's report beyond asserting that it is based in part on hearsay. See *Beech Aircraft Corp. v. Rainey*, 488 U.S. 153, 167, n.11, 102 L. Ed. 2d 445, 109 S. Ct. 439 (1988) (discussing nonexclusive four factor test for determining the trustworthiness of report admitted pursuant to *Fed. R. Evid. 803(8)*).

Plaintiff's Motion is therefore denied.²

² An issue not briefed by the parties is whether the information that was communicated by Inspector Ward to Dr. Maltby and used by Dr. Maltby as the basis of his findings can be admitted for the truth of Inspector Ward's statements. Compare *In re Oil Spill by the Amoco Cadiz*, 954 F.2d at 1308 ("*Rule 803(8)* is a multi-level exception, in the footsteps of its common law precursors") with *In re James Wilson Associates*, 965 F.2d 160, 172-73 (7th Cir. 1992) (expert may explain facts underlying opinion even if facts are inadmissible, but the facts may not be admissible for other purposes).

[*10] II. Defendant's Motion

Defendant seeks an order "barring Plaintiff from offering opinion testimony from any person, employee of Chicago Prime Packers, Inc., or Nationwide Foods that was not properly disclosed pursuant to *Rule 26(a)(2)(B)*. . . ." (Def.'s Mot. at 1.) Defendant states that Plaintiff has not identified any individuals who will offer opinion testimony at trial. (*Id.*) Defendant further states that although Plaintiff was granted permission to adopt the opinion witnesses of now-dismissed co-defendant Nationwide Foods, Nationwide likewise had not disclosed any opinion witnesses. (*Id.* at 2.)

Defendant's motion is denied without prejudice as moot because Plaintiff has disclaimed any intention of offering an opinion witness, and admits that it never disclosed any opinion witness. (Pl.'s Resp. Def.'s Mot. in Limine at 1-2.) However, Plaintiff's Response also states that "Plaintiff will seek testimony from witnesses that may be considered opinion testimony under *Rule 701 of the Federal Rules of Evidence*," particularly about industry practice and the spoliation of frozen foods. (*Id.* at 2-3.) Plaintiff quotes a version of *Rule 701* that was superceded by the [*11] 2000 amendments to that Rule. (*Id.* at 2.) Significantly, *Rule 701* was amended to add an additional subsection (c), requiring that lay opinion evidence "not [be] based on scientific, technical, or other specialized knowledge within the scope of *Rule 702*." *Fed. R. Evid. 701(c)*.

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As the Committee Comments to the 2000 amendments demonstrate, that subsection was added specifically to "ensure that a party will not evade the expert witness disclosure requirements set forth in *Fed. R. Civ. P. 26* and *Fed. R. Crim. P. 16* by simply calling an expert witness in the guise of a layperson." Committee Comments, 2000 Amendments to *Rule 701*. See also *Nichols v. Johnson*, 2002 U.S. Dist. LEXIS 7745, No. 00 C 7785, 2002 WL 826482 at *4 (N.D. Ill. May 1, 2002)(Schenkier, M.J.)(excluding testimony of police officer that would be based on his training and experience where officer was not disclosed as expert witness).

Plaintiff is therefore cautioned that, although Defendant's motion is, strictly speaking, moot at this time, the

court will entertain an objection at the time of trial to any evidence or testimony that would present opinion testimony that is dependant on scientific, technical, or other specialized [*12] knowledge without appropriate prior disclosure under *Rule 26(a)(2)*.

Defendant's motion is denied as moot without prejudice.

IT IS SO ORDERED.

GERALDINE SOAT BROWN

United States Magistrate Judge

DATED: July 22, 2003

TAB B

Westlaw

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 Not Reported in F.Supp., 1991 WL 278305 (N.D.Ill.)
 (Cite as: 1991 WL 278305 (N.D.Ill.))

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Only the Westlaw citation is currently available.
 United States District Court, N.D. Illinois, Eastern
 Division.

MERRILL LYNCH BUSINESS FINANCIAL
 SERVICES, INC., Plaintiff,

v.

GRAY SUPPLY COMPANY, INC., et al., Defen-
 dants.

Nos. 91 C 1449, 91 C 1554.

Dec. 23, 1991.

MEMORANDUM OPINION AND ORDER

CONLON, District Judge.

*1 In this diversity action for damages and replevin, plaintiff Merrill Lynch Business Financial Services, Inc. ("Merrill Lynch") sues Gray Supply Company, Inc., Gray Supply of Texas, Inc., H. Lee Hastings, Thomas S. Ward and Hawk Industries, Inc. (collectively "defendants"). Merrill Lynch seeks to recover certain equipment that serves as collateral for several loans made by Merrill Lynch to defendants. Defendants assert counterclaims for intentional misrepresentation, breach of contract, and intentional interference with contract and prospective contractual advantage. Merrill Lynch brings two motions *in limine*. The first motion seeks to bar parol evidence with respect to several loan and security agreements between the parties. The second motion seeks to bar the trial testimony of defendants' nine expert witnesses.

DISCUSSION

A pretrial motion *in limine* serves to exclude irrelevant, prejudicial, or otherwise inadmissible evidence prior to trial, rather than relying on sustained objections and curative instructions at trial. To exclude evidence before trial, evidence must clearly be inadmissible on all possible grounds. A ruling on a motion *in limine* is subject to change as events at trial unfold. *Moore v. General Motors Corp. Delco Remy Div.*, 684 F.Supp. 220 (S.D.Ind.1988). A trial court judge has broad discretion to determine the relevance of proffered evidence. *Hamling v. United States*, 418 U.S. 87, 124-25 (1974); *United States v. Laughlin*, 772 F.2d 1382, 1392 (7th Cir.1985). Accordingly,

rulings on admissibility of evidence ordinarily should be deferred until trial, so that questions of foundation, relevancy, and prejudice may be resolved in proper context.

I. Motion to bar parol evidence

The parties entered into three loan and security agreements ("the loan agreements") from 1989 to 1990. Merrill Lynch speculates that defendants may attempt to introduce extrinsic evidence that goes beyond the terms of the loan agreements themselves. Merrill Lynch argues that any extrinsic evidence offered by defendants concerning Merrill Lynch's alleged breach of the loan agreements should be barred before trial under the parol evidence rule.

It is true that the parol evidence rule excludes extrinsic evidence to vary, alter or contradict a written contract that is complete, unambiguous and valid. *Johnson v. Flueckiger*, 81 Ill.App.3d 623, 401 N.E.2d 1317, 1318-1319 (1980). However, there are several important exceptions to the parol evidence rule. The parol evidence rule does not apply if the contract is affected by fraud, duress, or mistake, or if the contract's terms are incomplete or ambiguous. Furthermore, the parol evidence rule does not apply to additional consistent terms of the contract. *Id.* Merrill Lynch requests the court to bar any possible extrinsic evidence that could be offered by defendants by finding that the loan agreements are unambiguous as a matter of law before trial. This request is without merit. The copy of the loan agreement provided by Merrill Lynch consists of 32 single-spaced pages, and has over 40 attached additional pages. Merrill Lynch fails to specifically identify the extrinsic evidence to be offered by the defendants at trial, or the purpose for which such evidence will be offered. Merrill Lynch also fails to identify the relevant provisions of the loan agreements that are allegedly unambiguous. Consequently, the court has no basis for determining the admissibility of speculative extrinsic evidence that may or may not be offered by the defendants at trial. Rulings on the applicability of the parol evidence rule shall be deferred until trial, when the court may determine the exact nature of the evidence offered and the purpose for which it is offered. Accordingly, Merrill Lynch's motion *in limine*

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to bar parol evidence is denied.

II. Motion to bar defendants' expert testimony

*2 On October 2, 1991, Merrill Lynch served defendants with its expert interrogatories, by Federal Express, pursuant to Fed.R.Civ.P. 26(b)(4)(A)(i) ("Rule 26(b)(4)(A)(i)"). The expert interrogatories requested the identity of each expert witness expected to be called by defendants at trial, the subject matter of the expert's expected testimony, the substance of the facts and opinions of the expert's expected testimony, and a summary of the grounds for each expert's opinion.^{FN1} Discovery closed on October 18, 1991. On that date, defendants submitted their pretrial order, naming nine expert witnesses expected to be called at trial.^{FN2} Defendants subsequently answered the expert interrogatories on November 4, 1991, the last day permitted for answering by Rules 33(a) and 6(a).^{FN3}

Merrill Lynch argues that it has been severely prejudiced by defendants' untimely disclosure of its experts on the last date of discovery, and thus moves that all defendants' experts be barred from testifying at trial. However, Merrill Lynch's problem is largely of its own making. Merrill Lynch was fully aware of the discovery closing date and that no further extensions would be granted.^{FN4} Yet, Merrill Lynch inexplicably waited until approximately *two weeks* before the close of discovery, and nearly *seven months* after the commencement of this action to serve its expert interrogatories. Furthermore, under Rule 33(a), defendants were permitted 30 days to answer the expert interrogatories. Under these circumstances, Merrill Lynch has little basis to complain that it was not informed of defendants' expert witnesses until October 18, 1991.

Nevertheless, the discovery of expert opinion must not be allowed to degenerate into a game of evasion. Voegeli v. Lewis, 568 F.2d 89, 97 (8th Cir.1977). There are several problems with defendants' list of nine experts and with defendants' answers to the expert interrogatories. First, Rule 26(b)(4) provides that expert witnesses are witnesses whose information is acquired in preparation for trial. Consequently, witnesses who have obtained information prior to the litigation as an actor or viewer with respect to the transactions or occurrences that are a part of the subject matter of the suit must be treated as ordinary

witnesses rather than expert witnesses. See Advisory Committee's notes on the 1970 amendment to Rule 26(b)(4); Juhl Lines v. Northeast Illinois Railroad Corp., No. 89C-4721, 1990 WL 37633 at 2 (N.D.Ill.1990).

Four of defendants' nine experts are not qualified to be expert witnesses because they obtained information concerning the subject matter of this action prior to the filing of the lawsuit. Friederichsen and Yuspeh are employed by Southern Scrap, Inc., and are expected to testify as to their company's contractual expectations with the defendants, and also as to Merrill Lynch's alleged interference with prospective contractual relationships.^{FN5} Both of these issues involve Friederichsen and Yuspeh's participation or observation with respect to the relevant transactions and occurrences before this litigation began. Accordingly, Friederichsen and Yuspeh may only be called as ordinary fact witnesses, and not as expert witnesses. In addition, Bozzano was initially selected by Merrill Lynch to evaluate the defendants' operations, and then was retained by defendants in December 1990, prior to this litigation.^{FN6} Barber, who was hired by Merrill Lynch at the inception of its relationship with the defendants, prepared the appraisals of defendants' collateral prior to this litigation.^{FN7} For the same reason, Bozzano and Barber may only be called as ordinary fact witnesses, and not as expert witnesses. *Id.*

*3 This leaves only Shuffield, Venus, Harkins, Clay and Wengert as defendants' expert witnesses. However, Venus, Harkins, and Clay are proffered for testimony on the same subject matter. Specifically, these three experts are expected to testify on "loan work-outs" and "liquidations," as well as the banking "industry standards" of "loan management." ^{FN8} The testimony of three expert witnesses on the same subject matter is not acceptable. The standard pretrial order form provides as follows:

Only one expert witness on each subject for each party will ordinarily be permitted. If more than one expert witness is listed, the subject matter of each expert's testimony shall be specified.

N.D.Ill.Gen.R. 5.00(a) at note 8. See also Fletcher v. Jacques Conway, No. 89C-5183, 1991 WL 24460 (N.D.Ill.1991). In addition, Fed.R.Evid. 403 allows the court to exclude the "needless presentation of

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 (Cite as: 1991 WL 278305 (N.D.Ill.))

cumulative evidence.” Thus, defendants shall only be permitted to call one of these three experts at trial.

Furthermore, defendants' answers to Merrill Lynch's expert interrogatories are inadequate because they are evasive and vague. It is well settled that the primary purpose of Rule 26(b)(4)(A)(i) is to facilitate effective cross-examination and rebuttal of expert testimony, as well as to inform the judge of the areas of expertise to be presented. Jefferson v. Davis, 131 F.R.D. 522, 525 (N.D.Ill.1990). Accordingly, the answers to expert interrogatories must be both responsive and complete in themselves. The answers may not just refer to pleadings, depositions, or other documents. The answers must precisely state the subject matter of the expert's testimony, explain the terms used in the response, disclose the expert's potential theories, and otherwise inform the opposing party of the reasons or basis for the expert's opinions, so that the opposing party may gather evidence to rebut the expert's opinions. Evasive answers and general statements of the expert's testimony are not acceptable. Id. at 525-528; Uresil Corp. v. Cook Group, Inc., 135 F.R.D. 168, 171-173 (N.D.Ill.1991).

Defendants offer nothing but general statements of their experts' expected testimony.^{FN9} Thus, defendants' answers fall far short of the requirements of Rule 26(b)(4)(A)(i). This presents considerable prejudice to Merrill Lynch's trial preparation. When a party fails to adequately answer expert interrogatories in compliance with Rule 26(b)(4)(A)(i), the court has the discretion to fashion the appropriate response. Id.

Accordingly, defendants are ordered to submit amended answers to Merrill Lynch's interrogatories in compliance with Rule 26(b)(4)(A)(i) by January 2, 1992. Failure to do so shall result in the exclusion of all defendants' expert witnesses from trial. Defendants are also ordered to designate in writing their sole expert witness on the issues of industry standards for loan management, loan workouts, and liquidations by January 2, 1992.

CONCLUSION

*4 Merrill Lynch's motion *in limine* to exclude parol evidence is denied. Merrill Lynch's motion *in limine* to bar defendants' expert testimony is granted in part and denied in part. Richard Friederichsen, Larry Yuspeh, Dean Bozzano, and R.L. Barber are barred from testifying as expert witnesses, but may testify as

ordinary fact witnesses. Defendants are ordered to designate in writing either Dr. Charles Venus, Al Harkins, or Ronald Clay as their sole expert witness on the issue of industry standards of loan management, loan workouts, and liquidations by January 2, 1992. The two expert witnesses who are not so designated are barred from testifying at trial. Furthermore, defendants are ordered to submit amended answers to Merrill Lynch's expert interrogatories in full compliance with Rule 26(b)(4)(A)(i) by January 2, 1992. Failure to do so shall result in the exclusion of all of defendants' expert witnesses from trial.^{FN10}

FN1. See Merrill Lynch's motion at exhibit A.

FN2. See statement of defendants' expert witnesses' qualifications, attached to Merrill Lynch's memorandum as exhibit B. The nine expert witnesses are Richard G. Friederichsen (“Friederichsen”), Larry Yuspeh (“Yuspeh”), Cheryl Shuffield (“Shuffield”), Dr. Charles Venus (“Venus”), Dean Bozzano (“Bozzano”), Al Harkins (“Harkins”), Ronald Clay (“Clay”), R.L. Barber (“Barber”), and Paul Wengert (“Wengert”).

FN3. Defendants' answers to Merrill Lynch's expert interrogatories are attached to defendants' response as exhibit C.

FN4. See this court's minute order of August 14, 1991.

FN5. See July 11, 1991 letter from defendants' counsel to Merrill Lynch's counsel, attached to defendants' response as exhibit A.

FN6. See Merrill Lynch's motion at 4, defendants' statement of expert witnesses' qualifications at ¶ 5.

FN7. See Merrill Lynch's motion at 4, defendants' statement of expert witnesses' qualifications at ¶ 8.

FN8. Defendants' answers to Merrill Lynch's expert interrogatories at 2-3.

FN9. For example, defendants' state that

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Not Reported in F.Supp., 1991 WL 278305 (N.D.Ill.)
(Cite as: 1991 WL 278305 (N.D.Ill.))

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their experts will testify as to the “operations of defendants;” “industry standards in loan management, workouts and liquidations;” and “projections to establish value of defendants’ operations.” Defendants provide no further elaboration of these vague statements. Furthermore, the experts’ opinions are typically said to be based upon “experience and training” or “general knowledge.” Defendants also refer to depositions and other documents rather than provide complete answers. *See* defendants’ answers to expert interrogatories.

FN10. This leaves defendants with a maximum of three expert witnesses at trial: Shuffield, Wengert, and defendants’ choice of either Venus, Harkins or Clay.

N.D.Ill.,1991.
Merrill Lynch Business Financial Services, Inc. v.
Gray Supply Co., Inc.
Not Reported in F.Supp., 1991 WL 278305 (N.D.Ill.)

END OF DOCUMENT

TAB C

Westlaw

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Not Reported in F.Supp.2d, 1998 WL 566668 (N.D.Ill.)
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Only the Westlaw citation is currently available.
United States District Court, N.D. Illinois.
SCRANTON GILLETTE COMMUNICATIONS,
INC., Plaintiff,
v.
William O. DANNHAUSEN, et al., Defendant.
No. 96 C 8353.
Aug. 26, 1998.

MEMORANDUM AND ORDER ON
DEFENDANTS' MOTION IN LIMINE

URBOM, Senior District J.

*1 The defendants, William O. Dannhausen, Eugene H. McCormick, Jerry Curtice, Laurie N. Dlugos, and McCormick Communications Group Ltd., move in limine to exclude twenty-three witnesses ^{FN1} and twenty-nine documents ^{FN2} that the plaintiff failed to produce pursuant to the defendants' discovery requests as required by the Federal Rules of Civil Procedure; in particular, Rule 26(e)(2). The plaintiff contends, however, that it has fully complied with all its discovery obligations and therefore its witnesses and documents at issue should not be barred from trial.

^{FN1}. Edward Gillette, Linda Lambden, Dan Serum, Tim Campbell, Tami Morrell, Sheldon Schultz, Adrienne Miller, Danny McBride, Keith Doak, Adrena Bauman, Jim Henderson, John Parrish, Nora McElroy, Frank Johnson, Nancy Horvat, Lorence Wenke, Juanita Jones Wilmore Paul Thomas, Bill Longfellow, Alden Longfellow, John Nelson, Lynn Whitmore, and Frank Paulo.

^{FN2}. Plaintiff's Exhibits 79, 80, 89, 90, 91, 92, 113, 115, 117, 126, 128, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 172, 173, 179, 180, 222, and 225.

The Law

The general purpose of the Federal Rules of Civil Procedure is to promote liberal discovery in an effort to narrow the issues for trial and to prevent unfair

surprise. Rule 26(e)(2), in line with this purpose, imposes a duty on a party to amend and supplement previous discovery requests when its prior response is known to be incomplete or incorrect and if the correction is not otherwise communicated to the other party during discovery. FED. R. CIV. P. 26(e)(2).^{FN3} No motion to compel is necessary. *Id.* See also 6 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE 26.132[3] (3d ed.1998) (citing *Allread v. City of Grenada*, 988 F.2d 1425, 1436 (5th Cir.1993)) ("Rule 26 imposes no requirement, express or implied, that a motion to compel precede a court's imposition of a sanction ... for failure to supplement expert interrogatory responses."). Rather the duty to supplement discovery requests lingers on without subsequent solicitation. *Pasant v. Jackson Nat'l Life Ins. Co.*, 137 F.R.D. 255, 257 (N.D.Ill.1991). The Rule, however, does not require a party to tender any information not within the scope of previous discovery requests. See FED. R. CIV. P. 26(e)(2). Furthermore, a party need not supplement its answers to prior discovery if the information has been made known to the other party otherwise through the discovery process. See FED. R. CIV. P. 26(e) advisory committee's note (1993).

^{FN3}. Although the plaintiff's original filing of its case was in the Circuit Court of Cook County, the rule governing the parties conduct in discovery is essentially the same; "[a] party has a duty to seasonably supplement or amend any prior answer or response whenever new or additional information subsequently becomes known to that party." Ill. Sup.Ct. Rule 213(i).

Rule 26(e)(2) itself does not provide sanctions for its violation. FED. R. CIV. P. 26(e); *Pederson v. Louisiana State Univ.*, 912 F.Supp. 892, 935-36 (M.D.La.1996). Nor does Rule 37(c)(1)'s exclusionary mandate apply to its violations. See, e.g., *Brasic v. Heinemann's Inc. Bakeries*, 1996 WL 495562, at *3 (N.D.Ill.1996) (finding that Rule 37(c)(1) applies only to violations pertaining to mandatory disclosures and not discovery requests.). Rather sanctions for failure to comply with Rule 26(e)(2) fall squarely within the trial court's discretion. *Moore v. Boating Industry Associations*, 754 F.2d 698, 715 (7th

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Cir.1985), vacated, Boating Industry Associations v. Moore, 474 U.S. 895, 106 S.Ct. 218, 88 L.Ed.2d 218 (1985), aff'd in part and rev'd in part, Moore v. Boating Industry Associations, 819 F.2d 693 (7th Cir.1987); see also Scaggs v. Consolidated Rail Corp., 6 F.3d 1290, 1295 (7th Cir.1993) ("The district court has broad discretion when deciding if sanctions for discovery violations should be imposed"); Heidelberg Harris, Inc., v. Mitsubishi Heavy Industries, Ltd., and MLP U.S.A., 1996 WL 680243, at *8 (N.D.Ill.1996) ("The [] Court has broad discretion in determining whether to impose sanctions") (citations omitted).

***2** Should the court determine a party has in fact violated Rule 26(e)(2) by failure to timely supplement its answers to interrogatories or requests for document production the court may, at its discretion, impose sanctions including excluding the evidence, granting a continuance, or any other action this court deems appropriate under the circumstances. FED. R. CIV. P. 26(e) advisory committee's note (1970); see also Holiday Inn, Inc. v. Robertshaw Controls Co., 560 F.2d 856, 858 (7th Cir.1997). The decision to award sanctions, in light of a violation of the discovery rule, the court must consider not only the importance of the evidence to the case but must weigh that importance against the possible prejudice to the contesting party resulting from its admission into evidence. Moore, 754 F.2d at 515; see also 6 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE 26.132[2] (3d ed.1998) (other factors to guide the court's determination include "[t]he possibility of curing prejudice by granting a continuance" and "[t]he explanation, if any, for the party's failure to comply with the duty to supplement."). Indeed, the goal behind Rule 26(e)(2) is to prevent any unfair, prejudicial surprise at trial. See Heidelberg Harris, Inc., v. Mitsubishi Heavy Industries, Ltd., and MLP U.S.A., 1996 WL 680243, at *8 (N.D.Ill.1996) (" '[t]he purpose of [Rule 26(e)(2)] is to prevent trial by ambush.' " (quoting Gorman v. Chicago Housing Authority, 1991 WL 10893, at *2 (N.D.Ill.1991))).

Application and Analysis

Initially the plaintiff filed its claim in the Circuit Court of Cook County. For nearly two years, while the case remained in that court, the parties actively engaged in discovery. In particular, the defendants served at least one set of interrogatories and two sets

of document requests in an effort to obtain any information that may lead to admissible evidence at trial. The plaintiff responded to the defendants' first set of interrogatories naming nineteen potential witnesses. The plaintiff's supplemental response named no further witnesses. With respect to the defendants' request for documents, the plaintiff responded generally that its investigation was ongoing and all relevant documents would be produced at a time in the future agreed upon by the parties. Occasionally, the plaintiff objected on grounds that the request called for confidential business communications.

In December of 1996, the plaintiff voluntarily dismissed its claim in Cook County and filed the present suit in this court under the Lanham Act. In today's telephonic conference I ruled that the discovery procedures of the state court action were effective but that no obligation to supplement discovery answers continued after the state court action was dismissed. A discovery deadline was set for July 3, 1997, in this federal court action. Even so, no further discovery requests were made by either party during the first five months of litigation in this court.

***3** On June 30, 1997, the plaintiff filed a motion to amend its complaint and to extend discovery beyond the July 3, 1997, deadline. The motion to amend was granted. In ruling on the motion to extend discovery Judge Lindberg at least allowed further discovery relating to the new amendments to the plaintiff's complaint; more specifically, claims against Jerry Curtice, a new defendant, and a new claim for trade dress infringement. The parties disagree with respect to any further limitations or allowances made by Judge Lindberg.

Subsequently, the defendants served another set of interrogatories and document requests on the plaintiff. Objecting on the basis of the limited discovery order, the plaintiff tailored its answers and document production to fall within its purview as the plaintiff's counsel understand it.

In August, the defendants moved to compel the plaintiff to answer the interrogatories and to produce the documents requested. On August 22, 1997, the motion was granted. A deadline of August 28, 1997, was set for the plaintiff's response. No response was made on or before this deadline.

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On August 29, 1997, one day after the deadline, the plaintiff produced two boxes of documents. These boxes contained at least fifteen of the twenty-nine documents the defendants seek to bar from trial. In addition, the plaintiff supplemented its answers to the defendants interrogatories revealing at least six potential witnesses.

Furthermore, in its Memorandum in Opposition to the defendants' Motion in Limine, the plaintiff explains that nine ^{FN4} additional witnesses had not been previously disclosed because it did not have knowledge of them until the filing of the pretrial order. I shall exclude them. The plaintiff has not shown diligence in searching for them or that allowing them to testify would not be unfair to the defendants.

FN4. Danny McBride, Keith Doak, Adrena Bauman, Jim Henderson, John Parrish, Nora McElroy, Bill and Alden Longfellow and John Nelson.

Conclusion

IT IS ORDERED that the defendants' Motion in Limine is granted as to the following witnesses:

Lynn Whitmore
Linda Lambden
Dan Serum
Sheldon Schultz
Tim Campbell
Adrienne Miller
Frank Paulo
Juanita Wilmore
Frank Johnson
Danny McBride
Keith Doak

Adrena Bauman

Jim Henderson

John Parrish

Nora McElroy

Bill Longfellow

Alden Longfellow

John Nelson

and the motion otherwise is denied.

N.D.Ill.,1998.
Scranton Gillette Communications, Inc. v. Dann-
hausen
Not Reported in F.Supp.2d, 1998 WL 566668
(N.D.Ill.)

END OF DOCUMENT

TAB D

LEXSEE 2006 U.S. DIST. LEXIS 85678

SUNSTAR, INC, Plaintiff, v. ALBERTO-CULVER COMPANY, INC. and BANK ONE CORPORATION f/k/a FIRST NATIONAL BANK OF CHICAGO, Defendants. ALBERTO-CULVER COMPANY, a Delaware Corporation, Plaintiff, v. SUNSTAR, INC., a Japanese Corporation, SUNSTAR GROUP COMPANY (f/k/a Alberto-Sunstar Co., Ltd.), a Japanese Corporation, KANEDA, KASAN, KABUSHIKI KAISHA, a Japanese Corporation, and BANK ONE, NATIONAL ASSOCIATION, as Trustee under Trust Agreement No. 22-81196, dated February 27, 1980, a National Banking Association, Defendants.

No. 01 C 736, No. 01 C 5825

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

2006 U.S. Dist. LEXIS 85678

November 16, 2006, Decided

SUBSEQUENT HISTORY: Motion for new trial denied by, Motion granted by Sunstar, Inc. v. Alberto-Culver Co., 2007 U.S. Dist. LEXIS 62135 (N.D. Ill., Aug. 22, 2007)

PRIOR HISTORY: Sunstar, Inc. v. Alberto-Culver Co., 2005 U.S. Dist. LEXIS 23098 (N.D. Ill., Sept. 19, 2005)

COUNSEL: [*1] For Sunstar Inc, Plaintiff, Counter Defendant: Carolyn C Andrepont, Patula & Associates, Chicago, IL; Charles Thomas Riggs, Jr., Patula & Associates, P.C., Chicago, IL; Janice A Payne, Marvin R Lange, Melissa Jayne LaRocca, Robert A Schwinger, Scott Sonny Balber, Chadbourne & Parke LLP, New York, NY; Paige J Thomson, Timothy Todd Patula, Patula & Associates, Chicago, IL; William S D'Amico, Chadbourne & Parke LLP, Washington, DC.

For Alberto-Culver Company, Defendant, Counter Claimant: Craig S. Fochler, LEAD ATTORNEY, Charles Robert Mandly, Jr., Jennifer L. Gregor, Michael R. La Porte, Foley & Lardner, Chicago, IL; John Sheldon Letchinger, Lindsey Dinner Barnes, Melissa Suzanne Skilken, Wildman, Harrold, Allen & Dixon, Chicago, IL.

For Bank One Corp., formerly known as First National Bank of Chicago, The, Defendant: Daniel A. Dupre, JPMorgan Chase, Chicago, IL; John Bostjancich, Patricia Susan Smart, Smart & Bostjancich, Chicago, IL.

For Alberto-Culver Company, a Delaware corporation, Plaintiff: Craig S. Fochler, LEAD ATTORNEY, Charles

Robert Mandly, Jr., Foley & Lardner, Chicago, IL; John Sheldon Letchinger, Mike M Yaghmi, Wildman, Harrold, Allen & Dixon, Chicago, IL.

[*2] For Sunstar Inc, a Japanese corporation, Kaneda, Kasan, Kabushiki Kaisha, a Japanese corporation, Defendants: Paul Ethan Slater, LEAD ATTORNEY, Sperling & Slater, Chicago, IL; Carolyn C Andrepont, Patula & Associates, Chicago, IL; Charles Thomas Riggs, Jr., Patula & Associates, P.C., Chicago, IL; Janice A Payne, Marvin R Lange, Melissa Jayne LaRocca, Robert A Schwinger, Scott Sonny Balber, Chadbourne & Parke LLP, New York, NY; Paige J Thomson, Timothy Todd Patula, Patula & Associates, Chicago, IL; William S D'Amico, Chadbourne & Parke LLP, Washington, DC.

For Bank One, National Association, as trustee under Trust Agreement No. 22-81196, dated 2/27/80, a national banking association, Defendant: John Bostjancich, LEAD ATTORNEY, Patricia Susan Smart, Smart & Bostjancich, Chicago, IL.

JUDGES: RONALD A. GUZMAN, United States District Judge.

OPINION BY: RONALD A. GUZMAN

OPINION

MEMORANDUM OPINION AND ORDER

These related cases arise from a dispute between Sunstar, Alberto-Culver Company ("Alberto") and Bank

One ("the Bank") over Sunstar's use of a modified trademark ("1999 mark") in Japan. The case is before the Court for rulings on: (1) the parties' objections to Magistrate Judge [*3] Nolan's August 22, 2006 Report and Recommendation on the admissibility of the exhibits and deposition testimony the parties seek to introduce at trial ("Order"); (2) the motions of Alberto and the Bank to bar Sunstar from presenting the testimony of Dorothy Spencer, or any other the witness from Desgrippes, Gobe &, Associates ("DGA"), and related exhibits; and (3) Sunstar's motion to declare that Alberto may not proceed at the trial with any claim against Sunstar for damages. For the reasons set forth below, the Court sets aside only two of Judge Nolan's determinations: (a) that Malcolm Lloyd's deposition testimony at 68:3 to 69:4 and 73:6 to 74:17 is inadmissible hearsay; and (b) that the Bank withdrew its objection to the admissibility of John Prendiville's deposition testimony at 84:14-22 and 85:7-16. The Court: (1) adopts Judge Nolan's Order in all other respects and overrules the parties' objections to it; (2) grants the motions of Alberto and the Bank to bar Sunstar from presenting testimony from Spencer, or other DGA witnesses, and related exhibits; and (3) denies Sunstar's motion to declare that Alberto may not proceed at the trial with any claim against Sunstar for damages.

[*4] Discussion

1 The facts of the case have previously been described in opinions by Judge Lindberg, Magistrate Judge Nolan and this Court and will not be repeated here.

Alberto's Objections to the Order

We will modify or set the Order aside only if it is "clearly erroneous or contrary to law." Fed. R. Civ. P. 72(a). Among other things, Judge Nolan determined that Sunstar could introduce the following deposition testimony and exhibits to rebut Alberto's claim that Sunstar's use of the 1999 mark might lessen the value of the licensed marks: (1) Bernick deposition at 36:17 to 37:14, 39:9 to 39:19, 86:10 to 86:19, 89:2 to 89:9, 89:20 to 93:7, 93:9 to 93:13, 94:4 to 94:12, 106:1 to 107:2, 107:16 to 107:24, 108:12 to 109:1, 109:3 to 109:5, 115:14 to 116:11, 151:9 to 151:23, 152:1 to 152:22, 154:13 to 154:21, 155:21 to 156:3, 156:10 to 156:24, 158:6 to 158:9, 189:23 to 191:9, 299:15 to 299:19, 326:20 to 326:22 and 326:24; (2) Lavin deposition at 77: [5] 22 to 79:9, 79:12 to 79:16, 79:22 to 80:2; (3) Lloyd deposition at 127:2 to 128:22, 135:4 to 138:6; (4) Shakeshaft deposition at 41:13 to 41:20, 42:23 to 43:13, 43:16 to 44:25, 45:12 to 45:21, 55:17 to 56:8, 56:13; (5) Schmidt deposition at 108:1 to 108:11, 108:17 to 111:23, 112:3 to 113:2, 113:6 to 113:13, 113:17 to 114:11; (6)

Prendiville deposition at 39:17 to 40:10, 94:3 to 94:7; and (7) Sunstar exhibits 11, 12, 30, 46, 50, 54, 55, 82 and 84-89. In general, this evidence suggests that Alberto uses, or permits its licensees to use, logos that deviate from the licensed marks in markets outside of Japan; Alberto has registered marks that deviate from the licensed marks in various countries; Alberto takes various steps, including changing its logo and product packaging, to strengthen its sales and trademarks; and Alberto did not formally measure the value of its marks in Japan. Alberto says the evidence is irrelevant because: trademark owners, unlike licensees, are free to modify or abandon their marks; Alberto's activities outside of Japan shed no light on Sunstar's rights under the license; and the steps Alberto takes to enhance its sales and trademarks have no bearing on whether [*6] Sunstar's use of the 1999 mark was likely to lessen the value of the licensed marks. Alberto also contends that the evidence is prejudicial because it would lead the jury to equate license rights with ownership rights or believe that Alberto had a duty to measure the licensed marks' value in Japan.

Magistrate Judge Nolan properly rejected Alberto's arguments. Alberto claims that Sunstar's use of the 1999 mark breached the license agreement because it was likely to lessen the value of the licensed marks. Evidence that Alberto registered, used, or acquiesced in the use of, non-conforming marks in other countries, intentionally changed the marks to increase sales, and believes that its trademarks are strengthened by increased sales is directly relevant to that claim. Moreover, any potential this evidence may have to mislead can be cured by jury instructions. If the jury is instructed that both parties' actions must be measured by the terms of the license, any temptation it may have to equate license and ownership rights or impose an extra-contractual duty on Alberto will be eliminated.

Alberto also contends that Judge Nolan should have sustained its objections to evidence regarding: [*7] (1) the pre-1999 recommendations made to Sunstar by the designers of the 1999 mark; (2) Sunstar's pre-1999 market research as to the attitudes of Japanese consumers toward the licensed marks; (3) the presentation Sunstar made to Alberto before 1999 in an effort to obtain Alberto's consent for the mark modification; and (4) historical data on the sales of VO5 products in Japan. Specifically, Alberto says that the Spencer deposition, the Bernick deposition at 826:10-19, 115:14 to 24, 116:1-11, the Lloyd deposition at 127:2 to 128:22, and Sunstar exhibits 15, 18, 22, 36-42, 74 and 84-89 should be excluded because their admission violates the Court's motion in limine rulings and the evidence is irrelevant.

Once again, the Court agrees with Judge Nolan. The motion in limine rulings to which Alberto refers bar Sunstar from introducing evidence of the intent underlying

its decision to use the 1999 mark. Such evidence sheds no light on the parties' dispute, the Court ruled, because the license prohibits Sunstar from infringing Alberto's marks or taking action likely to lessen their value, regardless of Sunstar's motivation for doing so. Thus, Sunstar cannot, for example, introduce evidence [*8] that VO5 sales in Japan were poor in the late 1990s to show that it had sound business reasons for adopting the 1999 mark.

That does not mean, however, that such evidence is inadmissible for all purposes. Data on VO5 sales in Japan before 1999, the reactions of Japanese consumers to the licensed marks, and the recommendations made by the designer of the 1999 mark are all relevant to the "lessening-of-value" issue. Further, any risk that the jury will consider the evidence for other purposes can be vitiated by limiting instructions. Thus, the Court will not disturb Magistrate Judge Nolan's determination that this evidence is not barred by the Court's previous ruling and is relevant to the parties' claims.

Alberto also says the Magistrate Judge should have granted its request for judicial notice of the word "may," which appears in the license provision Sunstar is alleged to have breached: "Licensee shall not at any time do, or cause to be done, any act or deed which will or may infringe, impair or lessen the value or the exclusive right, title, and interest of [Alberto] in Licensed Trademarks. . . ." (1980 license Agreement § IV.) Judge Nolan declined Alberto's request because she [*9] believed it was unnecessary to offer evidence of such a common word. That was erroneous, Alberto says, because Federal Rule of Evidence ("Rule") 201 requires courts to take notice of adjudicative facts if a party makes the request and provides the appropriate support.

Rule 201 does, indeed, say that judicial notice is "mandatory" when a party requests it and supplies the necessary supporting information. Fed. R. Evid. 201(d). But facts subject to judicial notice are not exempt from analysis under the other rules of evidence. See *United States v. Falcon*, 957 F. Supp. 1572, 1585 (S.D. Fla. 1997) ("[W]hile the Rule . . . [says] the court 'shall take judicial notice if requested by a party and supplied with the necessary information' . . . , a court may refuse to take judicial notice of facts that are irrelevant to the proceeding or (in certain contexts) otherwise excludable under the Federal Rules." (quoting Rule 201(d)). As a result, courts refuse to take even "mandatory" judicial notice when the fact to be noticed is inadmissible under Rule 403. See, e.g., *Guidi v. Inter-Cont'l Hotels Corp.*, 2003 U.S. Dist. LEXIS 6385, No. 95 Civ. 9006 (LAP), 2003 WL 1907904, [*10] at *1 n.1 (S.D.N.Y. Apr. 16, 2003) ("Because the evidence is excluded under Rule 403, it is not necessary to determine whether. . . Rule 201 otherwise provide[s] for the admissibility of the prof-

ferred evidence."); *Cipriani v. Lycoming County Hous. Auth.*, 177 F. Supp. 2d 303, 326 (M.D. Pa. 2001) ("I . . . interpret [R]ule 201's mandatory language in clause (d), as with all evidence, to be subject to Rule 403. And . . . even though it doesn't say that in 201 itself, 403 . . . is a rule that's applicable almost across the board, and the basis for my ruling. . . is 403."); *Knop v. Johnson*, 667 F. Supp. 467, 485 (W.D. Mich. 1987) ("[J]udicial notice is an alternative means of proof that is subject, like all other offers of evidence, to rule[] 403 . . ."). Magistrate Judge Nolan concluded that introducing evidence of the definition of "may" would be a pointless exercise and, thus, she excluded it under Rule 403. That is a sound decision that we will not disturb.

Next, Alberto argues that Judge Nolan wrongly excluded Malcolm Lloyd's deposition testimony at 68:3 to 69:4 and 73:6 to 74:17 as hearsay. In those passages, Lloyd testifies that sometime [*11] before the 1989 license modification was executed, he and others told Mr. Lavin, chairman of Alberto's board of directors, that Sunstar was using a mark different from those licensed to it on packages of Alberto products. Lavin's response, Lloyd testified, was that "[Sunstar] should not be doing that," a message Lavin subsequently conveyed to Sunstar "in no uncertain terms." (Lloyd Dep. at 68:15 to 69:4; see *id.* at 73:6 to 74:17.) Alberto argues that Lloyd's testimony is admissible because is not offered for the truth of the matter asserted, i.e., that Sunstar was not allowed to use a modified mark, but to show Alberto's intent regarding the scope of the 1980 license agreement.

Hearsay or not, Sunstar says the evidence is inadmissible because the belief Lavin expressed about the terms of the license nearly nine years after it was signed sheds no light on Alberto's intent at the time the license agreement was executed. Judge Nolan agreed with Sunstar and recommended that the testimony be excluded.

This time, we part company with Judge Nolan. Lavin's belief that the license did not permit Sunstar to use a modified mark suggests that Alberto's interpretation of *senyo-shiyoken* [*12] was quite different from Sunstar's. The fact that Lavin made the comment nearly a decade after the license was executed may diminish its impact but does not vitiate its relevance. Accordingly, the Court agrees with Alberto that this testimony is admissible.

Alberto's last objection to Judge Nolan's Order concerns Sunstar's exhibit 22. That exhibit is a memorandum prepared by an Alberto employee recounting a meeting between Sunstar and Alberto after Sunstar started using the 1999 mark. Among other things, the memorandum says that Alberto "[s]tressed [to Sunstar] our objectives [sic] how to get back trade mark that we consider core" and that "[o]bjective (without time) is to get trademark

(VO5) back to our company." (Sunstar Ex. 22 at ALB000446, 453.) Sunstar says those statements are admissible because they suggest that Alberto's "lessening-the-value" rhetoric is simply a pretext for it to reclaim the licensed marks. Judge Nolan agreed.

Alberto says that conclusion is erroneous because the timing of the statements (they were made after Sunstar started using the 1999 mark) makes them irrelevant. This is precisely the argument that Sunstar made, and this Court rejected, with [*13] respect to Lavin's alleged comment. The fact that these comments were made after Sunstar introduced the 1999 mark may make them less compelling, but it does not render them irrelevant. Judge Nolan properly concluded that Sunstar exhibit 22 is admissible.

Bank One's Objections²

2 The Bank objects to much of the same evidence and on the same grounds as Alberto. Because those objections are addressed in the previous section, in this section the Court will address only the objections that are unique to the Bank.

The Bank first contends that evidence concerning Alberto's actions with respect to its trademarks in places other than Japan -- the Lavin deposition at 79:4-9, the Lloyd deposition at 144:13 to 145:8, 146:19 to 147:6, 148:6 to 151:8, the Schmidt deposition at 104:14-19, 107:1 to 108:17, and the Shakeshaft deposition at 41:21 to 42:20 and 44:15-24 -- are irrelevant. The Bank says this evidence, which generally shows that Alberto uses, or accepts the use of, a variety of nonconforming VO5 [*14] marks, has no bearing on whether Sunstar's use of the 1999 mark breached the license. Judge Nolan disagreed, and so do we. Evidence that Alberto tolerates variations in the VO5 mark in places other than Japan tends to refute its claim that it thought Sunstar's use of the 1999 mark would lessen the value of the licensed marks. Moreover, as noted above, any temptation the jury may have to equate ownership and license rights can be cured with jury instructions. As a result, we will not disturb Magistrate Judge Nolan's ruling.

The Bank also objects to the introduction of the deposition testimony at pages 84:14-22 and 85:7-16 of Bank employee John Prendiville. In these pages, Prendiville testifies that the Bank sent a letter to Sunstar in 1999 suspending its right to use the licensed marks. The Bank says this evidence is barred by the Court's motion in limine ruling that Sunstar cannot introduce evidence challenging the reasonableness of the suspension. Judge Nolan believed, incorrectly, that the Bank had withdrawn this objection. Because she did not address it, this Court will.

Sunstar admits that it is precluded by the Court's previous ruling from using this evidence to challenge the [*15] substance of the Bank's decision to suspend the license. But, it says, the evidence is admissible to show that the suspension notice was deficient in form, *i.e.*, that the notice did not contain all of the information required by suspension provision of the license agreement. In its amended complaint, however, Sunstar challenges only the substantive reasonableness of the notice, not its form. Because Sunstar did not raise this issue until the eve of trial, it is waived. The Bank's objection is, therefore, sustained.

Lastly, the Bank objects to Judge Nolan's failure to address its hearsay objections to Sunstar exhibit nos. 15, 36-39, 42 and 74. Exhibits 36-39 are DGA documents which, as discussed below, are excluded on other grounds. Thus, we need not address the hearsay objection.

Exhibit 42 is a slightly modified version of Sunstar exhibit 15, the presentation materials Sunstar created to try to convince Alberto to allow it to use a modified mark. The Bank did not raise a hearsay objection to exhibit 15 nor did it argue in the hearing before Judge Nolan that either exhibit 15 or exhibit 42 is inadmissible hearsay. (*See* 6/5/06 Hr'g Tr. at 352-55, 453-55.) By failing to argue [*16] these hearsay objections to the Magistrate Judge, the Bank has waived them.

The Bank similarly waived its hearsay objection to Sunstar exhibit 74, a chart of VO5 sales from 1966-2001 in Japan. During the hearing before the Magistrate Judge, the only ground for exclusion the Bank argued was lack of foundation. (*See* 6/7/06 Hr'g Tr. at 581-82.) Having failed to press its hearsay objection before Judge Nolan, the Bank cannot raise it now.

Sunstar's Objections

Sunstar takes issue with Magistrate Judge Nolan's conclusion that its exhibit nos. 91-100, which are translations of Japanese trademark statutes and cases, are inadmissible. The Court agrees with Judge Nolan. To the extent these exhibits contain versions of the Japanese Trademark Law that went into effect after 1980, or cases that interpret them, they are irrelevant.

To the extent the exhibits pertain to the appropriate time period, their relevance is outweighed by the risk of confusion and delay they will create. Both parties have experts who will opine on the meaning of *senyoshiyoken*, based in part on their knowledge of these materials. Thus, there is no need for the jurors to review the materials themselves. [*17] Moreover, if they do, this group of lay people is likely to misinterpret them. Further, because the materials are lengthy and dense, the jurors' examination of them would needlessly and sub-

stantially increase their deliberation time. Finally, giving the documents to the jurors creates the risk that they will ignore the testimony introduced by the parties in favor of their own interpretations of these documents. In short, we agree with Judge Nolan that Sunstar exhibits 91-100 are inadmissible.

Sunstar's next objection concerns the deposition testimony of Dorothy Spencer. Spencer is a former employee of DGA, the firm that commissioned the research into Japanese consumer attitudes toward the licensed marks, recommended that Sunstar modernize the VO5 logo and designed the 1999 mark. As discussed above, Magistrate Judge Nolan found that Spencer's testimony is relevant. But she also said that Spencer could testify only as an expert, not a lay, witness. Sunstar contends that conclusion is wrong because Spencer was not hired for litigation and is offering opinions based on her work experience and personal involvement in the Sunstar project.

Rule 701, which sets the parameters for lay opinion [*18] testimony, provides:

If the witness is not testifying as an expert, the witness' testimony in the form of opinions or inferences is limited to those opinions or inferences which are (a) rationally based on the perception of the witness, (b) helpful to a clear understanding of the witness' testimony or the determination of a fact in issue, and (c) not based on scientific, technical, or other specialized knowledge within the scope of Rule 702.

Fed. R. Evid. 701. The Seventh Circuit has explained the difference between lay and expert opinion testimony as follows:

Lay opinion testimony most often takes the form of a summary of first-hand sensory observations. See *Asplundh Mfg. Div. v. Benton Harbor Eng'g*, 57 F.3d 1190, 1196-1202 (3rd Cir. 1995). The opinion provides the jury with a more complete picture than would be provided by a recitation of each component fact. "Lay opinion testimony is admissible only to help the jury or the court to understand the facts about which the witness is testifying and not to provide specialized explanations or interpretations that an untrained layman could not make if perceiving [*19] the same acts or events." *United States v. Peoples*, 250 F.3d 630, 641 (8th

Cir. 2001). Expert opinion, by contrast, need not be based on first-hand knowledge of the facts of the case. It brings to an appraisal of those facts a scientific, technological or other specialized knowledge that the lay person cannot be expected to possess.

United States v. Conn, 297 F.3d 548, 554 (7th Cir. 2002) (footnote omitted). Testimony can fall on the expert side of the line, our court of appeals has said, even if the witness was not specifically retained to provide testimony:

Expert testimony is designated as such by its reliance on "scientific, technical, or other specialized knowledge." Fed. R. Evid. 702. Occurrence witnesses, including those providing "lay opinions," cannot provide opinions based on scientific, technical, or other specialized knowledge within the scope of Rule 702." Fed. R. Evid. 701. Thus, a treating doctor (or similarly situated witness) is providing expert testimony if the testimony consists of opinions based on "scientific, technical, or other specialized knowledge" [*20] regardless of whether those opinions were formed during the scope of interaction with a party prior to litigation. Cf. *O'Conner v. Commonwealth Edison Co.*, 13 F.3d 1090, 1105 n.14 (7th Cir. 1994) (noting that treating physicians are not exempt from the requirements of Federal Rules of Evidence 702 and 703 because "we do not distinguish the treating physician from other experts when the treating physician is offering expert testimony regarding causation").

Musser v. Gentiva Health Servs., 356 F.3d 751, 756 n.2 (7th Cir. 2004).

Spencer is like the treating physician discussed in *Musser*. If she testifies that DGA was hired by Sunstar and performed research on its behalf, events that any layman could also recount, she is a lay witness. But that is not the kind of testimony Sunstar seeks to present. Rather, it wants to offer Spencer's testimony about the conclusions DGA drew from the research and the recommendations it made to Sunstar as a result. Those are not subjects about which an untrained layman could opine. Thus, Spencer is an expert witness.

Alberto & the [*21] Bank's Motion to Bar

Alberto and the Bank ask the Court to bar Sunstar from using Spencer's testimony, or that of any other DGA employee, because Sunstar did not disclose them as experts. Federal Rule of Civil Procedure 26 requires parties to disclose the identities of all expert witnesses in accordance with the Court's scheduling orders. *See* Fed. R. Civ. P. 26(a)(2); *Musser*, 356 F.3d at 756 (emphasizing that "all witnesses who are to give expert testimony under the Federal Rules of Evidence must be disclosed under Rule 26(a)(2)(A)"). A party who fails to do so, "without substantial justification . . . is not, unless such failure is harmless, permitted to use as evidence at a trial . . . any witness or information not so disclosed." Fed. R. Civ. P. 37(c)(1). Sunstar did not identify Spencer, or any other DGA witness, as an expert during the discovery period of this case. Consequently, Sunstar can introduce her testimony at trial only if there is a substantial justification for its failure to disclose or that failure is harmless.

Sunstar [*22] says it failed to disclose Spencer because it viewed her as a lay witness not an expert. Sunstar's erroneous interpretation of Rules 701 and 702, however, is not substantial justification within the meaning of Federal Rule of Civil Procedure 37. *See Musser*, 356 F.3d at 758 ("A misunderstanding of the law does not equate to a substantial justification for failing to comply with the disclosure deadline.").

The next question is whether Sunstar's failure to disclose was harmless. To make that determination, the Court must consider: "(1) the prejudice or surprise to the party against whom the evidence is offered; (2) the ability of the party to cure the prejudice; (3) the likelihood of disruption to the trial; and (4) the bad faith or willfulness involved in not disclosing the evidence at an earlier date." *Keach v. U.S. Trust Co.*, 419 F.3d 626, 640 (7th Cir. 2005) (quotation omitted). Sunstar says these factors militate in favor of allowing Spencer's testimony to be introduced because its failure to disclose was innocent and defendants, who deposed Spencer regarding DGA's documents, her professional background and [*23] her work for Sunstar, will suffer no prejudice.

The Court disagrees. Defendants did indeed depose Spencer, but they did so assuming she was a fact witness, not an expert. They asked Spencer generally about her experience but did not conduct the in-depth examination that is required to determine whether she is qualified to provide expert testimony. Defendants also did not ask Spencer whether there is an accepted methodology for evaluating brand equity and whether DGA used it on the Sunstar project, nor did they delve into the facts and rationale underlying DGA's recommendations. Had defendants known Sunstar intended to call Spencer as an expert, her deposition would have been much different.

Indeed, defendants' whole discovery plan probably would have been different if they had known Spencer would be called as an expert. They would likely have taken discovery of the firms DGA hired to perform the Japanese market research and any other DGA employees involved in the Sunstar project. They may even have hired a brand equity expert of their own. Their inability to do so constitutes prejudice for the purposes of Federal Rule of Civil Procedure 37 [*24]. *See Musser*, 356 F.3d at 757-58 (stating that defendant was prejudiced by plaintiff's failure to disclose experts "because there are countermeasures that could have been taken that are not applicable to fact witnesses, such as attempting to disqualify the expert testimony on grounds set forth in *Daubert*. . . , retaining rebuttal experts, and holding additional depositions to retrieve the information not available because of the absence of a report.").

Moreover, because Spencer would testify via deposition, not in person, Alberto and the Bank could not cure this prejudice through cross-examination. The only other way the prejudice could be cured is by delaying the trial and reopening discovery, an untenable solution given the age of this case and its impending trial date.

In short, Sunstar has not shown that its failure to disclose Spencer as an expert was either substantially justified or harmless. Therefore, it may not introduce at trial her testimony, or that of any other DGA witness, or Sunstar exhibits 36-41, which depend on her testimony.

Sunstar's Motion to Bar Alberto's Damage Evidence

Sunstar has filed a motion styled "Motion to Declare [*25] that Alberto May Not Proceed at the Trial with Any Claim Against Sunstar for Damages." To the extent Sunstar is seeking judgment with respect to damages, as the title of its motion suggests, the motion is denied. The Court will not entertain a summary judgment motion at this late date.

Sunstar fares no better if we construe the motion as one to bar Alberto from presenting any reasonable royalty evidence at trial. Sunstar says such evidence should be barred because: (1) Alberto's royalty evidence is based solely on the royalty rate in the parties' 1989 agreement, which the Court previously ruled could not be used as a basis for a royalty in this case; and (2) it is too late for Alberto to advance any other theory of damages.

The latter contention is true but immaterial. The only damage theory Alberto seeks to pursue is the one it has disclosed: a reasonable royalty.

The first contention is no more persuasive. Alberto's damages expert, Aron Levko, used the royalty rate from the 1989 agreement as a basis for his reasonable royalty

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calculation. Thus, as Alberto acknowledges, he cannot testify about that calculation. But Levko does more in his report than calculate the present day value [*26] of the 1989 rate. He also explains the assumptions underlying his calculations, including that: (1) Sunstar would have been willing to pay a substantial amount for a license in 1999 because it viewed the redesigned mark as crucial to its business and had already invested heavily in it, (2) Alberto would have demanded a significant royalty rate in 1999 because the company was, at that point, focused on consistency in its global brand; (3) a royalty in the form of an annual payment is appropriate; (4) to calculate the royalty rate, it is appropriate to enhance a prior royalty rate for a license of similar scope by the percentage rise in the Consumer Price Index for hair care products between the year of the benchmark and 1999; and (5) it is appropriate to assume, for the purpose of calculating prejudgment interest, that Alberto would have used the royalty payments to pay down existing debt. None of this testimony is barred by the Court's order.

Moreover, Levko's report shows that, among other things, he reviewed 1999 correspondence between Sunstar's Saegusa and Radding and Alberto's Schmidt in which they discussed prices for Alberto's possible purchase of the Japanese V05 marks. Schmidt [*27] is listed as a possible witness in the revised pre-trial order by both Alberto and the Bank. If Schmidt testifies about the prices the parties discussed in 1999, Levko could, given his expertise in valuing and licensing intellectual property, testify about the reasonableness of those prices.

In short, Levko cannot testify about the calculation he performed using the 1989 royalty rate as a benchmark or about a different calculation not disclosed in his report. But he can give testimony about the overall process of determining a reasonable royalty rate, his opinions about the parties' positions relative to a hypothetical license negotiation in 1999, and, to the extent such evidence is introduced, the reasonableness of any monetary

value the parties placed on the contested marks at or before 1999. Taken together, that evidence -- which may be just a portion of what is available to Alberto -- is a sufficient basis for Alberto to argue its reasonable royalty claim to the jury. See *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970) (seminal case on reasonable royalty, stating that expert testimony is one of many factors that is "relevant, [*28] in general, to [determining] the amount of a reasonable royalty," not a prerequisite to doing so), modified, *Georgia-Pacific Corp. v. U. S. Plywood--Champion Papers, Inc.*, 446 F.2d 295 (2d Cir. 1971). Sunstar's motion to bar Alberto from presenting any reasonable royalty evidence at trial is denied.

Conclusion

For the reasons set forth above, the parties' objections to Magistrate Judge Nolan's Order are, in all but two respects, overruled. The Court sets aside Judge Nolan's determinations that Malcolm Lloyd's deposition testimony at 68:3 to 69:4 and 73:6 to 74:17 is inadmissible hearsay, and that the Bank withdrew its objection to the admissibility of John Prendiville's deposition testimony at 84:14-22 and 85:7-16. In all other respects, the Court adopts Judge Nolan's Order. The Court grants the motions of Alberto and the Bank [doc. nos. 337 & 343] to bar Sunstar from presenting testimony from Spencer, or any other DGA witness, and related exhibits. The Court denies Sunstar's motion to bar Alberto from introducing damages evidence [doc. no. 333].

SO ORDERED.

ENTERED: 11/16/06

HON. RONALD A. GUZMAN

United States District [*29] Judge

TAB E

Westlaw

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(Cite as: 2004 WL 421984 (N.D.Ill.))

H

United States District Court, N.D. Illinois, Eastern
Division.

TY, INC., Plaintiff,

v.

PUBLICATIONS INTERNATIONAL, LTD., De-
fendant.

No. 99 C 5565.

Feb. 17, 2004.

Avrum Sidney Katz, Joseph Eben Cwik, Michael A. Bondi, Welsh & Katz, Ltd., Chicago, IL, for Plaintiff.
Anthony C. Valiulis, Kimberly A. Krugman, Much, Shelist, Freed, Denenberg, Ament & Rubenstein, P.C., Michael John Merrick, Penny, Nathan, Kahan and Associates, Ltd., Chicago, IL, Wayne B. Giampietro, Stitt, Klein, Daday & Aretos, Arlington Heights, IL, E. Leonard Rubin, John L. Hines, Jr., Sachnoff & Weaver, Ltd., Chicago, IL, Paul M. Faker, William F. Patry, Baker, Botts LLP, New York, NY, for Defendant.

MEMORANDUM OPINION AND ORDER

ZAGEL, J.

*1 This is a copyright and trademark infringement suit brought by Ty, Inc. ("Ty") against Publications International, Ltd. ("PIL"), in connection with PIL's publication and sale of books featuring Ty's Beanie Babies plush toys. Before me are PIL's Motion for Reconsideration, or, in the Alternative, to Strike and its Motion to Strike Plaintiff's Motion for Leave to Take Discovery Against Counsel for PIL.

Motion for Reconsideration

On October 22, 1999, Ty served its first discovery requests on PIL, including Interrogatory 8: "Identify each person, including but not limited to expert witnesses, having knowledge of discoverable matters who may be called by you to testify as a witness at trial, and for each such person ... please state what you anticipate to be the substance of said person's testimony at trial." Ty also served Interrogatory No. 9 in which it asked PIL to "[s]pecify the facts and witnesses with knowledge of the facts supporting the

affirmative defense to the Complaint in this action." In response to both interrogatories, PIL named six individuals.

At the request of both parties, an expedited eight-week discovery period was scheduled with a cutoff date of May 2, 2000. Neither party requested a discovery extension, and discovery did indeed close on May 2. Two months thereafter, Ty moved for summary judgment in connection with its copyright and trademark related claims, which I granted as to the copyright claims but denied as to the trademark claims. Ty then moved for summary judgment for monetary relief as to its copyright claim, which I granted and subsequently entered final judgment on the claim under Federal Rule of Civil Procedure 54(b).

PIL appealed both summary judgment rulings, and the Seventh Circuit reversed. Ty, Inc. v. Publications Int'l, Ltd., 292 F.3d 512 (7th Cir.2002), cert. den., 537 U.S. 1110, 123 S.Ct. 892, 154 L.Ed.2d 783 (2003). Rehearing and rehearing *en banc* were denied by the Court on July 11, 2002, and Ty's Petition for Certiorari before the U.S. Supreme Court was denied on January 13, 2003. Ty, Inc. v. Publications Int'l, Ltd., 537 U.S. 1110, 123 S.Ct. 892, 154 L.Ed.2d 783 (2003). On February 3, 2003, PIL served supplemental interrogatory responses, identifying 14 new persons with information relevant to PIL's defenses and who may be called upon at trial, none of which were included in its responses to Interrogatories No. 8 and 9 while discovery was open.^{FNI} On June 5, 2003, I struck the 14 additional witnesses from PIL's supplementary interrogatory responses-and its ability to call these witnesses at trial-on the ground that PIL had failed to supplement its interrogatory response as required by Rule 26 and that Rule 37 sanctions were therefore justified. Ty, Inc. v. Publications Int'l, Ltd., No. 99 C 5565, 2003 WL 21294667, at *7 (N.D.Ill. June 4, 2003). PIL now moves for reconsideration of that decision.

FNI. The supplemental response itself named 15 additional trial witnesses, but one of them, Scott Rogers, was identified and deposed during discovery, so Ty has no objection to PIL's naming him as a potential

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trial witness.

PIL first argues that it should be permitted to amend its witness list because a party is not required to identify trial witnesses until the pretrial conference. See *Hottenstein v. Burlington N. R.R. Co.*, No. 96 C 8616, 1998 WL 378429 (N.D.Ill. July 1, 1998) (denying motion to preclude witnesses disclosed after close of discovery because “a party is not required to identify trial witnesses until the pretrial order.”); *Kedzior v. Talman Home Fed. Sav. & Loan Ass’n of Illinois*, No. 89 C 4188, 1990 WL 70855, at *7 (N.D.Ill. May 10, 1990) (“the better and more widely adopted rule is that it is inappropriate to expect counsel to provide this information until the pretrial conference.”). While this is so, the problem with PIL’s amendments is that the individuals it seeks to add were never identified during discovery as persons having relevant knowledge to the issues in this case, despite Ty’s interrogatories seeking this information. Federal Rule of Civil Procedure 26 requires a party to provide other parties with “the names and, if known, the addresses and telephone number of each individual likely to have discoverable information that the disclosing party may use to support its claims or defenses ..., identifying the subjects of the information.” Fed.R.Civ.P. 26(a)(1)(A). Rule 26 also requires a party to supplement or amend its disclosures and discovery responses if it learns that the information disclosed or the response is “incomplete or incorrect and if the additional corrective information has not otherwise been made known to the other parties during the discovery process or in writing.” Fed.R.Civ.P. 26(e)(1). The purpose of supplementary discovery “is to prevent trial by ambush.” *Heidelberg Harris, Inc. v. Mitsubishi Heavy Indus., Ltd.*, No. 95 C 0673, 1996 WL 680243, at *8 (N.D. Ill. Nov 21, 1996). “If a party is allowed to withhold the supplementation of its discovery responses until after fact discovery is closed, the purpose of [Rule 26] is effectively frustrated because the opposing party is denied the opportunity to conduct discovery on the supplemental responses.” *Id.* Therefore, it is not PIL’s belated identification of trial witnesses, but rather its belated identification of people with knowledge relevant to the issues in this case, in violation of Rule 26, to which Ty objects.

*2 PIL further argues that even if it did violate Rule 26, I failed to engage in the requisite analysis in determining to impose exclusion under Rule 37. The

rule provides that “[a] party that without substantial justification fails to disclose information required by Rule 26(a) or 26(e)(1)... is not, unless such failure is harmless, permitted to use as evidence at a trial ... any witness or information not so disclosed.” Fed.R.Civ.P. 37(c)(1). “The fundamental purpose of Rule 37 is to ensure that the merits of the case can be addressed at trial without any party suffering prejudice as a result of nonfeasance or malfeasance during discovery.” *Weiland v. Linear Constr., Ltd.*, No. 00 C 6172, 2002 WL 31307622, at *2 (N.D. Ill. Oct 15, 2002). The Seventh Circuit has stated that “the sanction of exclusion is automatic and mandatory unless the sanctioned party can show that its violation of Rule 26(a) was either justified or harmless.” *Salgado v. Gen. Motors Corp.*, 150 F.3d 735, 742 (7th Cir.1998). However, the Court has also stated that “[t]he determination of whether a Rule 26(a) violation is justified or harmless is entrusted to the broad discretion of the district court.” *Mid-America Tablewares, Inc. v. Mogi Trading Co., Ltd.*, 100 F.3d 1353, 1363 (7th Cir.1996); see also *Salgado*, 150 F.3d at 739. “A district court need not make explicit findings concerning the existence of a substantial justification or the harmlessness of a failure to disclose.” *David v. Caterpillar, Inc.*, 324 F.3d 851, 857 (7th Cir.2003). However, “the following factors should guide the district court’s discretion: (1) the prejudice or surprise to the party against whom the evidence is offered; (2) the ability of the party to cure the prejudice; (3) the likelihood of disruption to the trial; and (4) the bad faith or willfulness involved in not disclosing the evidence at an earlier date.” *Id.* at 857.

In connection with my earlier ruling, I found that PIL’s failure to supplement its interrogatory response as required by Rule 26 was unjustified:

PIL’s proffered justification for supplementing its witness list at this late stage is the alleged “relatively late production” of key documents relating to Ty’s misuse, the same justification offered above for additional merits discovery. Although parties may supplement relevant discovery responses with documents and information that has become available since the close of discovery, it has been clearly established, as discussed above, that PIL had access to the documents from which it derived these fourteen proposed witnesses for three weeks prior to the close of discovery. However, PIL did

not name these additional witnesses before the May 2, 2000 cutoff. Furthermore, PIL made no attempt to supplement their responses by naming these witnesses during the two months between the close of discovery and the filing of Ty's summary judgment motion. As with its request for additional merits discovery, PIL chose not to name these fourteen witnesses when discovery was open or shortly thereafter. Because PIL has offered no explanation, let alone a reasonable one, as to why it did not do so, I am striking the fourteen new witnesses from its responses.

***3** *Ty, Inc.*, 2003 WL 21294667, at *7. I explained PIL's failure to take discovery as follows:

The fact of the matter is that PIL chose not to explore these issues when discovery was open. It is inexplicable why PIL did not take whatever discovery it needed in this regard when it had the chance. Any alleged shortcoming is the result of its own calculated decision not to pursue the defense in discovery.... I can infer-and I do infer-that in all likelihood, counsel for PIL made a strategic decision, just as any lawyer makes strategic decisions, to explore other issues at the expense of leaving the misuse defense undeveloped. I suspect that the value of the defense may not have been fully apparent to PIL until Judge Posner hinted that a misleading statement in Ty's standard copyright licenses "might constitute copyright misuse, endangering Ty's copyrights." *Ty, Inc.*, 292 F.3d at 520. Alternatively, it may well have been that PIL intended to raise this defense, as it now asserts, but that it did not need discovery in order to do so. In any event, PIL has made their bed, and Ty is entitled to have them lie in it.

Id. at 7, 7 n. 6. Accordingly, I rejected PIL's claim that its late disclosure was justified because of Ty's allegedly late production of the documents. The best explanation for PIL's failure comes from its own brief:

In a perfect world PIL would have been able to review the documents, develop a strategy, identify the witnesses and amend the answers within the three weeks left in discovery or the two months thereafter before the parties became locked in the summary judgment proceedings. Unfortunately, PIL was at the time represented by two small-firm practitioners, dwarfed by Ty's large-firm team, and was unable to do so.

While this may be true, it unequivocally reveals that PIL's failure was its own doing.

Along with the lack of justification, allowing the new trial witnesses to testify-with discovery now closed-would prejudice Ty. Two of the named witnesses are Ty's trial attorneys and have been from the onset of this case. Compelling them to testify against their own client would prejudice Ty at this late stage. Even accepting PIL's offer to not seek disqualification of the attorneys, forcing them to testify against their own client is against public policy, as explained by the Seventh Circuit:

The roles of attorney and witness are usually incompatible. A witness is supposed to present the facts without a slant, while an attorney's job is to advocate a partisan view of the significance of the facts. One person trying to do both is apt to be a poor witness, a poor advocate, or both.

Gusman v. Unisys Corp., 986 F.2d 1146, 1148 (7th Cir.1993); see also *United States v. McCorkle*, No. 93 C 6528, 1994 WL 317702, at *3 (N.D.Ill. June 23, 1994) ("There is a strong policy against allowing lawyers to also act as witnesses."). While it may be true that documents involving the attorneys may be offered into evidence by PIL at trial, that is very different from forcing them to take the witness stand against their own client.

***4** Regarding the remaining witnesses, Ty has not had the opportunity to depose them or otherwise develop evidence to contest their anticipated testimony. See *Scranton Gillette Communications, Inc. v. Dannhausen*, No. 96 C 8353, 1998 WL 566668 (N.D.Ill. Aug.26, 1998) (precluding plaintiff from presenting trial witnesses not disclosed until the filing of the pretrial order because allowing them to testify would be unfair to defendants); *Boynton v. Monarch*, No. 92 C 140, 1994 WL 463905 (N.D.Ill. Aug.25, 1994) (it would constitute unfair surprise to the defendant to admit the testimony of a witness plaintiff disclosed only in the pretrial order-and not in supplemental answers to interrogatories-because defendant had no opportunity to depose the witness). Ty should not be put in the position of having to scramble to track down these individuals to see what they may say if called to testify, and then prepare rebuttal evidence or testimony, when it should be focusing its

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resources on preparing for trial. PIL claims that Ty can “hardly be prejudiced or surprised” because the identity of the witnesses was obtained from Ty's own document production.^{FN2} However, merely because the names of these witnesses appeared, among hundreds of other names, somewhere in the thousands of pages of documents produced by Ty, does not mean that Ty should have anticipated that PIL would call these individuals as trial witnesses and deposed them accordingly. See Boynton, 1994 WL 463905 (plaintiff could not name trial witnesses who were not disclosed during discovery even if the witnesses' names appeared on documents produced by defense because the mere appearance of the names on documents produced did not give defendant sufficient knowledge of the witnesses' relevance to the case prior to the close of discovery, and allowing the witness to testify would constitute “unfair surprise” to the plaintiff); United States v. 2016 N. 77th Court, No. 91 C 7755, 1993 U.S. Dist. LEXIS 2523, at *14 (N.D.Ill. March 3, 1993) (recommending that court reject government's claim that it should be permitted to call certain witnesses at trial notwithstanding that it had not identified these witnesses in response to an interrogatory, because the government produced documents that revealed the “existence and knowledge of these persons; the mere production of documents did not satisfy the government's discovery obligations).

^{FN2}. PIL additionally claims that with respect to new witness Ty Warner, it had specifically identified Warner as someone who it wanted to depose during discovery. While this may be true, the fact remains that the aforementioned deposition was never taken. More importantly, Ty Warner—just like the other new witnesses—was never identified, either initially or as a supplement before the close of discovery, in PIL's Interrogatory No. 8 or 9.

PIL also asserts that if there is any prejudice to Ty, it can be cured by Ty “pick[ing] up the phone” to see how these witnesses will testify because each of the new witnesses has some type of relationship with Ty. Apart from being pure speculation, such a remedy might well be of no value to Ty for purposes of impeachment at trial. More importantly, the assertion that each witness is somehow in Ty's control is simply not true. Although some of the named individuals may have, at one time, been employees of Ty's for-

mer licensees, the licenses between Ty and these licensees have since expired or been terminated, so there is no “relationship” between Ty and any of the non-trial counsel individuals. As a final assertion, PIL claims that any prejudice could also be cured by reopening discovery to allow Ty to depose the new witnesses. However, we are well past the discovery cutoff in this case, and I will not permit PIL to use the new witness designations as a backdoor method for reopening discovery. See Great-West Life & Annuity Ins. Co. v. Weisz Michling Hofman, P.C., No. 01 C 2470, 2002 WL 1067707 (N.D.Ill. March 25, 2002) (denying defendants' motion to reopen discovery because defendants did not see fit to conduct requested discovery before close of discovery). Accordingly, I find that any prejudice to Ty cannot be cured or that if it can be cured, it can be done so only at great expense to Ty. Therefore, I deny PIL's motion seeking reconsideration of my decision to preclude it from naming the aforementioned fourteen witnesses.

Alternative Motion to Strike

***5** In the event that I uphold my prior ruling striking PIL's amendments—which I do—PIL asks that I also strike the amended interrogatory responses recently served by Ty identifying its trial witnesses. As background, on March 7, 2000, PIL served its second interrogatories on Ty, including Interrogatory 15: “State the name, address and telephone number of each person Plaintiff intends to call as a witness at the trial of this case, and the subject matter of the testimony to be given by that individual.” On March 17, 2000, when discovery was still ongoing, Ty responded that it “has not yet identified the witnesses it intends to call at trial.” On September 16, 2003, Ty filed its Supplemental Response to PIL's Interrogatory No. 15 identifying six individuals whom it expected to call as trial witnesses. Ty claims that it did not disclose the identity of these witnesses until this date because it did not determine who it would call as trial witnesses until then.

PIL argues that for the same reasons for which I have struck its supplemental responses, I should also strike Ty's supplemental responses. However, there is a material difference between the six witnesses disclosed by Ty and the fourteen witnesses disclosed by PIL. All of Ty's witnesses were identified as persons with relevant knowledge, either by PIL or by Ty, and

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were deposed by the parties during discovery. In other words, there was no Rule 26 violation. PIL cannot reasonably claim that it did not know about the potential for these six individuals to be designated as witnesses. Therefore, PIL will suffer no harm or surprise as a result of Ty's supplementation. Rather, PIL's only viable claim is one of timing—that Ty has somehow acted in bad faith by never attempting to answer during discovery PIL's Interrogatory No. 15 seeking the identity of Ty's trial witnesses and by waiting seven months after the return of jurisdiction to this Court before doing so. However, although there is no absolute prohibition on interrogatories seeking identification of trial witnesses, such information "is not typically divulged during the discovery stage of a trial." Kedzior, 1990 WL 70855, at *7. Instead, "the better and more widely adopted rule is that it is inappropriate to expect counsel to provide this information until the pretrial conference." *Id.* at *7. Accordingly, the timing of this disclosure is not an appropriate basis, by itself, to strike these witnesses.

Motion to Strike Plaintiff's Motion for Leave to Take Discovery Against Counsel for PIL

In the fall of 2003, Ty discovered that in approximately August of 2003, Judge Richard A. Posner—the author on appeal in this case concerning the issue of copyright fair use—wrote an unpublished article entitled "Fair Use and Statutory Reform in the Wake of Eldred," which was written with William F. Patry, counsel for PIL. Accordingly, Ty moved to take limited discovery against Patry concerning the drafting of the foregoing article and his dealings with Judge Posner. At the November 20, 2003 status hearing, I suggested that there were two areas appropriate for inquiry: (1) whether Patry made representations to others about the article or about the work he was doing with Judge Posner, except any representations he made to his own client; and (2) whether the article in any way, even in its draft forms, touched upon the precise issue which was raised in the appeal in this case. On December 2, Ty wrote to Patry requesting the aforementioned discovery along with additional information beyond the scope of what I found to be reasonable. Patry responded on December 16 by providing answers to the two areas suggested at the November 20 status and to some areas beyond the scope of those suggestions and by simultaneously moving to strike Ty's motion seeking discovery against Patry.

As it prepared its opposition to PIL's motion to strike, Ty submitted another request seeking more information beyond the scope of my November 20 suggestions. Patry responded on January 8, 2004 by noting his continued objection to this line of discovery but nonetheless providing some more information. In its January 16 opposition to the motion to strike, Ty requested that I require Party to disclose two more categories of information: (1) whether he and Judge Posner are still collaborating on the Article and whether there is any plan for future collaboration between the two; and (2) correspondence between the two, whether in electronic or other form.

*6 In response to the motion at hand, I find that Patry has now given more information than I said was reasonable on November 20. This is certainly enough information for Ty, if it should so choose, to file either a motion to recuse Judge Posner in the Seventh Circuit or a complaint under the Rules of the Judicial Council of the Seventh Circuit Governing Complaints of Judicial Misconduct or Disability. Accordingly, I see no reason for further inquiry.^{FN3}

FN3. This case demonstrates that lack of civility does not always occur from lawyers who fear they will come up short on the law. White moved for limited discovery relating to Patry's relationship with Judge Posner on the ground that "[s]uch information is relevant and may be essential in the event Ty later deems it necessary to file a motion in the Court of Appeals concerning Judge Posner's continued involvement in this case." Patry had the better argument on this issue but he ought to reconsider his rhetoric. In response, he wrote in part:

... The Court should summarily dismiss Plaintiff's frivolous, *ethically challenged* motion....

... Ty, although raising the gravest type of allegations that can be made against a judge, *cowardly does so* only by implication ... Like *Senator McCarthy's lists*, Ty will not say what they think the impropriety is ... [Ty] *lacks the courage and the ethical compass* to do so. Instead they are *misusing this Court in an unseemly effort to besmirch blameless reputations*.

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...Since Ty lacks the courage to state what the alleged misconduct is, we are, of course, left to conjecture.

... I am *deeply disgusted* by the nature and manner of the accusations Ty's counsel infer (since they *lack the courage* of stating them). *It is a new low even for them...* Ty chose to file a *sneak attack*... inferring the gravest violations of ethical canons. Such behavior simply cannot be countenanced.

... The motion should be denied summarily and PIL should be awarded all attorney's fees and costs in having to reply to *such a regrettable breach of procedure and common decency*, unsupported by any valid legal or factual basis.

(emphasis added). The passages I have emphasized have no place in legal discourse. Patry should learn to hold his thunder until he is actually accused of some form of wrongdoing and, even then, ought to be far more careful. Insofar as he thought he was defending an excellent judge, it does no service to Judge Posner (who needed no defenders) to have a simple, neutral question in this court's record characterized as an accusation of the "gravest type."

For the reasons above, PIL's Motion for Reconsideration or, in the Alternative, to Strike and its Motion to Strike Plaintiff's Motion for Leave to Take Discovery Against Counsel for PIL are DENIED.

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TAB F



LEXSEE 2007 U.S. DIST. LEXIS 27089

UNITED STATES OF AMERICA, Plaintiff, vs. LINDA L. DUNN and DIANE K. CALLAHAN, personal representatives of the Estate of Harry J. Vernetti, Defendants.

Case No. 04 C 50472

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, WESTERN DIVISION

2007 U.S. Dist. LEXIS 27089; 99 A.F.T.R.2d (RIA) 2205

April 12, 2007, Decided

COUNSEL: [*1] For United States of America, Plaintiff: Philip Doyle, LEAD ATTORNEY, Stephen A Sherman, U.S. Department of Justice, Tax Division, Washington, DC; Heather L. Richtarsik, United States Department of Justice, Tax Division, Washington, DC.

For Linda L Dunn, Personal representative of the Estate of Harry J Vernetti, Diane K Callahan, Personal representative of the Estate of Harry J Vernetti, Defendants: Michael H. Moss, LEAD ATTORNEY, Attorney at Law, Park Ridge, IL; Bradley T. Koch, Kim Marie Casey, Holmstrom & Kennedy, Rockford, IL; Eugene G. Doherty, Holmstrom & Kennedy, P.C., Rockford, IL.

JUDGES: P. MICHAEL MAHONEY, MAGISTRATE JUDGE.

OPINION BY: P. MICHAEL MAHONEY

OPINION

MEMORANDUM OPINION AND ORDER

On January 31, 2007, Plaintiff filed its Motion for an Order to Preclude Evidence Regarding a New Defense Theory and the Testimony of Certain Witnesses, which is the subject of this order. For the following reasons, Plaintiff's Motion is granted in part.

I. Introduction:

This case concerns the government's effort to obtain a judgment under 26 U.S.C. § 6672 against the Estate of Harry J. Vernetti for his failure to collect, account for and pay over to [*2] the IRS, income and FICA contri-

butions due from employees of Vernetti's Mid-State's Construction Systems Corporation. In addition to seeking to preclude the defense from using any evidence of Harry Vernetti's purported cognitive problems, Plaintiff's motion originally sought to bar the testimony of Defendants, Linda Dunn and Diane Callahan. Plaintiff has since withdrawn the portion of its Motion which sought to bar Dunn and Callahan's testimony. *See* Plaintiff's Reply, § III. The following outline of events is provided to place the remaining dispute in context.

II. Background:

September 24, 2004, Plaintiff brought this case in the United States District Court, Middle District of Florida, due to the fact that Harry Vernetti's will was being probated in that state. On November 29, 2004, Defendants filed an answer which failed to raise Harry Vernetti's cognitive problems as an affirmative defense. On December 1, 2004, venue of the case was transferred to the Northern District of Illinois, Western Division.

On March 18, 2005, Defendants made their initial disclosures pursuant to *Fed.R.Civ.P. 26(a)(1)*. Nothing in these disclosures addressed Harry Vernetti's cognitive problems. [*3] On March 22, 2005, the parties submitted their Joint Status Report. The Joint Status Report characterized the principal factual issues in the case as Harry Vernetti's knowledge about the unpaid taxes, the actions he took, and the relationship he held with the corporation. Nothing in the Joint Status Report concerned the cognitive problems of Harry Vernetti.

On June 10, 2005, the Plaintiff served written discovery requests upon the Defendants, consisting of requests to admit, interrogatories and document requests. None of Defendants' responses addressed Harry Ver-

netti's cognitive problems. Defendants preferred instead to support their claim that Harry was not responsible for the underlying offense by pointing out that he had sold his business to his son, Phillip Verneti, and had retired to Florida by the time the alleged violations took place.

However, during the deposition of Phillip Verneti (Harry's son) on February 21, 2006, Harry Verneti's cognitive problems were brought up. During his deposition, Phillip stated that his father Harry "wasn't always coherent" during the last two to four years of his life, and that Phillip was "concerned about dementia," which he discussed with [*4] his sisters, Linda Dunn and Diane Callahan. Exhibit A to Defendants' Response at 195, 209. Phillip's brief mention of Harry's possible dementia was the first time the issue had been brought to the attention of the Plaintiff.

Harry Verneti's cognitive problems were again brought up, this time by Defendants in the context of settlement negotiations. A letter from Defense counsel to Plaintiff's counsel dated October 3, 2006, states:

there is another potentially significant defense of which we have just become aware and intend to further investigate and pursue which can be summarized as follows: Harry Verneti was diagnosed with a brain tumor in September, 2003; he passed away in December, 2003. We have been informed by several persons, including Harry's prior counsel . . . who will attest that Harry may have had cognitive problems long prior to September, 2003. In fact, in early 2002 (prior to Harry's knowledge of liability), his daughter contacted Harry's physician to inform him of her concerns about Harry's mental and physical well-being. These facts would surely serve to explain Harry's inability and resulting failure to promptly respond upon being informed of the potential [*5] liability for unpaid employment taxes.

Exhibit 4 to Plaintiff's Reply. No individuals are identified in this part of the letter, nor are their telephone numbers and addresses disclosed as required under *Rule 26(a)*. Then on October 20, 2006, Defendants motioned for and the court granted an extension of the fact discovery cut-off date from October 31, 2006, to December 29, 2006, due to ongoing settlement discussions. However, the defense did not raise their investigation of Mr. Verneti's alleged cognitive problems in justification of the desired extension of fact discovery.

In light of Phillip Verneti's deposition testimony from February 21, 2006, and the settlement letter from October 3, 2006, it is clear that the Defendants possessed some knowledge of Harry's cognitive problems in advance of the fact discovery cut-off date of December 29, 2006. Yet Defendants did not supplement their *26(a)(1)* disclosures until the very last day of fact discovery. The supplemental disclosure provided on December 29, 2006, identified for the first time witnesses expected to provide testimony concerning Harry's cognitive problems. Witnesses such as Michael Dunn (Linda Dunn's husband), Carol [*6] Shumaker and Thomas Laughlin had not been identified by the Defendants prior to this point. Defendants' supplemental disclosure also identified two doctors, Richard Nora and Bernard O'Malley, who treated Harry Verneti. These doctors were identified as both expert and fact witnesses.

III. Discussion:

A. Whether Defendants Must Have Pled Mr. Verneti's Cognitive Problems, if at all, as an Affirmative Defense Under *Rule 8* ©:

The parties contest whether the Defendants' use of Mr. Verneti's cognitive problems constitutes an affirmative defense under *Rule 8* ©. Under *Rule 8* ©, "[i]n pleading to a preceding pleading, a party shall set forth affirmatively accord and satisfaction, arbitration and award, assumption of risk, contributory negligence, discharge in bankruptcy, duress, estoppel, failure of consideration, fraud, illegality, injury by fellow servant, laches, license, payment, release, res judicata, statute of frauds, statute of limitations, waiver, and any other matter constituting an avoidance or affirmative defense." *Fed.R.Civ.P. 8* © (emphasis added). "The goal of this requirement, consistent with federal practice generally, is to provide notice to the [*7] opponent, avoid surprise and undue prejudice, and afford the opponent a chance to argue, if able, why the defense is unfounded." Steven Baicker-McKee, William M. Janssen, and John B. Corr, *Federal Civil Rules Handbook*, 289-90 (2007 ed.) (footnote omitted).

Generally, the failure to plead an affirmative defense as required by *Rule 8* © results in the waiver of that defense. See *Ill. Conference of Teamsters and Employers Welfare Fund v. Steve Gilbert Trucking*, 71 F.3d 1361, 1365 (7th Cir. 1995). However, the court "has the discretion to allow an answer to be amended to assert an affirmative defense not raised initially." *Jackson v. Rockford Housing Auth.*, 213 F.3d 389, 392 (7th Cir. 2000) (citing *Fed.R.Civ.P. 15(a)* which states that "leave [to amend] shall be freely given when justice so requires").

In order to find personal liability for unpaid withholding taxes under 26 U.S.C. § 6672, two elements must

be present: 1) the defendant must be a person responsible for the collection and payment of withholding taxes; and, 2) the defendant's failure to comply with the statute must be willful. *U.S. v. Landau*, 155 F.3d 93, 100 (2d Cir. 1998). [*8] "Willful action has been defined as voluntary, conscious and intentional-- as opposed to accidental-- decisions not to remit funds properly withheld to the government." *Id.* (quotations omitted). An individual against whom the IRS has made a § 6672(a) assessment has the burden of proving by a preponderance of evidence that one or both of the elements of liability under that section is absent. *Id.*

Defendants seek to use Mr. Verneti's cognitive problems to directly refute the second required element, that his failure to pay over the withheld taxes was willful. As such, Defendants claim this evidence is not used as an affirmative defense. Rather it is characterized as a direct attack on a required element of Plaintiff's claim, that the failure to pay was willful.

Plaintiff claims, without citation to any legal authority in support, that Defendants have waived the mental competence issue by failing to assert it as an affirmative defense in their Answer to the Complaint. Assuming *arguendo* that Mr. Verneti's cognitive problems do constitute an affirmative defense, the court would nevertheless allow Defendants to pursue this defensive strategy despite their failure to plead [*9] it pursuant to *Rule 8* ©. No trial date or pretrial conference date has been set, the parties have yet to file any motions for summary judgment, and *Rule 15* provides a very liberal standard for the amendment of pleadings.

B. Precluding the Use of Evidence as a Sanction Under *Rule 37*

Federal Rule of Civil Procedure 26 requires a party to provide certain initial disclosures automatically, without awaiting a discovery request. *Fed.R.Civ.P. 26(a)(1)*. This initial disclosure must include "the name and, if known, the address and telephone number of each individual likely to have discoverable information that the disclosing party may use to support its claims or defenses." *Fed.R.Civ.P. 26(a)(1)(A)*. In addition to identifying the source of such information, the disclosing party must also identify the subject of the information that they may use in support of their case. *Id.*

Rule 26 further requires that a party supplement its initial disclosures throughout the course of litigation whenever it learns that the information originally provided turns out to be "incomplete or incorrect and if the additional corrective information has not otherwise been made known to the other parties [*10] during the discovery process." *Fed.R.Civ.P. 26(e)(1)*. The Rule also makes clear that "[a] party is under a duty seasonably to amend a prior response to an interrogatory, request for

production, or request for admission if the party learns that the response is in some material respect incomplete or incorrect and if the additional or corrective information has not otherwise been made known to the other parties during the discovery process." *Fed.R.Civ.P. 26(e)(2)*.

To ensure compliance with these rules of discovery, *Rule 37* provides that any party that "without substantial justification fails to disclose information required by *Rule 26(a)*, or *26(e)(1)*, or to amend a prior response to discovery as required by *Rule 26(e)(2)*, is not, unless such failure is harmless, permitted to use as evidence at trial, at a hearing, or on a motion any witness or information not so disclosed." *Fed.R.Civ.P. 37(c)(1)*. The Seventh Circuit has stated that "the sanction of exclusion is automatic and mandatory unless the sanctioned party can show that its violation of *Rule 26(a)* was either justified or harmless." *David v. Caterpillar, Inc.* 324 F.3d 851, 857 (7th Cir. 2003). The district court [*11] enjoys broad discretion in making determinations whether *Rule 26(a)* violations are justified or harmless; however, the following four factors should guide the exercise of that discretion: 1) the prejudice or surprise to the party against whom the evidence is offered; 2) the ability of the party to cure the prejudice; 3) the likelihood of disruption to the trial; and 4) the bad faith or willfulness involved in not disclosing the evidence at an earlier date. *Id.* The court will address these four elements in turn.

First, Plaintiff has suffered some degree of prejudice and surprise in learning on the last day of fact discovery that the defense would raise the issue of Harry Verneti's cognitive problems. It is true that Phillip Verneti testified that he and his sisters discussed the possibility that their father was suffering from dementia at his deposition on February 21, 2006. It is also true that on October 3, 2006, Plaintiff received a letter suggesting Defendants might pursue Mr. Verneti's cognitive problems as a defense. However, Plaintiff had no foreshadowing of the type and volume of material that the Defendants produced on the last day of fact discovery.

Second, by reopening [*12] fact discovery for the limited purpose of allowing Plaintiff time to conduct discovery concerning the content of Defendants' supplemental disclosures, the court is able to cure much of the prejudice Plaintiff has suffered. However, reopening fact discovery at this stage would impose additional expense and delay into the proceedings.

Third, allowing Defendants to use evidence of Harry Verneti's cognitive problems will not disrupt the trial. A trial date has not been established at this point.

Finally, the Defendants have exhibited bad faith in revealing new witnesses on the last day of fact discovery. Defendants are the daughters of Harry Verneti and, ac-

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ording to their brother Phillip's deposition testimony of February 21, 2006, they were aware of their father's cognitive problems and even discussed with Phillip the possibility that their father was suffering from dementia. Defendants were obliged under *Rule 26(a)(1)* to identify each individual "likely to have discoverable information that the disclosing party *may* use to support its claims or defenses," and to supplement or correct such disclosures "if the party learns that in come material respect the information disclosed [*13] is incomplete or incorrect and if the additional or corrective information has *not otherwise been made known.*" *Fed.R.Civ.P.26(e)(1)* (emphasis added). Defendants' conduct in this case constitutes bad faith. The Defendants have failed to comply with either the spirit or the letter of *Rule 26*.

The issue then becomes whether the Plaintiff was "otherwise made known" of any of the material disclosed in Defendant's last minute supplement. The Plaintiff was made aware of Defendants' claim that Harry Verneti suffered cognitive problems through Phillip's deposition testimony. Linda Dunn, Diane Callahan and Phillip Verneti were identified as having information concerning Harry's cognitive problems and the Defendants may use that information in their defense. The court will not pre-

vent these siblings from testifying about their knowledge of their father's cognitive problems.

However, the remaining witnesses which were sprung on the Plaintiff at the eleventh hour via the supplemental disclosure were improperly disclosed and not "otherwise made known" to the Plaintiff. Therefore, pursuant to *Rule 37*, Defendants are barred from using at trial, at a hearing, or on a motion any testimony from [*14] Michael Dunn, Carol Shumaker, Thomas Laughlin, Richard Nora and Bernard O'Malley concerning Harry Verneti's cognitive problems.

IV. Conclusion:

In light of the foregoing discussion, Plaintiff's Motion to Preclude is granted in part. The Defendants are barred from using at trial, at a hearing, or on a motion any testimony from Michael Dunn, Carol Shumaker, Thomas Laughlin, Richard Nora and Bernard O'Malley concerning Harry Verneti's cognitive problems.

P. Michael Mahoney, MAGISTRATE JUDGE

UNITED STATES DISTRICT COURT

DATE: April 12, 2007