THE HONORABLE JAMES J. ROBART

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

SOARING HELMET CORPORATION, a Washington Corporation,

Plaintiff,

v.

NANAL, INC., a Nevada corporation, d/b/a LEATHERUP.COM,

Defendant.

Cause No. C09-0789 JLR

MOTION IN LIMINE TO EXCLUDE EVIDENCE REDUCING SOARING HELMET'S DAMAGES

I. Introduction

Plaintiff Soaring Helmet Corporation ("Soaring Helmet"), respectfully requests that the Court preclude Defendant Nanal, Inc. ("Defendant") from presenting evidence that seeks to reduce Soaring Helmet's damages as measured by Defendant's profits.

Soaring Helmet will present evidence at trial that Defendant sold XElement Vega jackets, which infringed Soaring Helmet's VEGA® trademark. Soaring Helmet will

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present evidence of Defendant's gross sales of all XElement products, including XElement Vega jackets, from 2007-2009. Soaring Helmet will present evidence of Defendant's ordinary business income ("net profit") from all XElement products for that same time period.

Soaring Helmet has repeatedly (six times) sought discovery of Defendant's gross and net profits attributable to sales of the infringing XElement Vega jackets. However, Defendant has repeatedly refused to provide any evidence of either its total sales of XElement Vega jackets, or expenses to be deducted from these sales. Instead, after promising to produce those numbers, Defendant changed its story and now claims that it never sold XElement Vega jackets at all. Soaring Helmet anticipates that Defendant will, at trial, reverse its current contention that it never sold such jackets, and seek to minimize its damages by offering evidence of the portion of its overall sales attributable solely to the infringing jackets. This reversal will gravely prejudice Soaring Helmet in light of Defendant's continued failure to produce the critical information.

Because of Defendant's refusal to produce evidence, it is impossible for Soaring Helmet to show the portion of Defendant's profits which are attributable to the infringing activity. Thus, any evidence of Defendant's gross and net profits related solely to the XElement Vega jackets should be precluded because Defendant failed to disclose the information in discovery, as required by Federal Rule 26(e), despite Soaring Helmet's *six* separate, specific, requests for the information. Under these circumstances, Defendant should be prevented from offering the evidence at trial under Federal Rule 37(c). Further, the evidence should be excluded on the grounds that Defendant's deposition

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statements denying that it ever sold XElement Vega jackets are binding judicial admissions, which cannot be contradicted at trial.

II. Evidence Relied Upon

This Motion is supported by the Declaration of Heather Morado and the exhibits thereto.

III. Factual Background

On June 11, 2010, Soaring Helmet served its first set of interrogatories and requests for production on Defendant. Soaring Helmet's discovery requests sought information specifically related to Defendant's sale of the XElement Vega motorcycle jacket. Specifically, Soaring Helmet's discovery requests included the following:

> **INTERROGATORY NO. 3.** State why you selected the Mark for use in connection with the marketing and sale of products, **including but not limited to motorcycle jackets**, and identify the person who was primarily responsible for the selection of the Mark.
>
> **INTERROGATORY NO. 5.** Identify your sales and profits, in dollar and unit terms, by month, year, or any other applicable period of time for which data is available to you, for all products marketed and sold by you, **including but not limited to motorcycle jackets**.
>
> **INTERROGATORY NO. 12.** Identify your sales and profits, in dollar and unit terms, by month, year, or any other applicable period of time for which data is available to you, for all products sold by you through the website.
>
> **REQUEST FOR PRODUCTION NO. 15.** For the fiscal years 2007, 2008, 2009 and 2010 to date, produce documents which record, refer to, or relate to the amount of sales (actual and/or projected) by calendar quarter of goods and/or services, **including but not limited to motorcycle jackets,** sold by you or on your behalf, including, without limitation, the identification of the goods, the number of units sold, the jurisdiction or location of the sale, the dates of the sales, the purchasers of the goods, and the dollar value of the sales.

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See Declaration of Heather M. Morado is Support of Motion in Limine, ("Morado Decl.,") ¶ 2, Exh. A. On July 30, 2010, Defendant responded to plaintiff's first set of interrogatories. However, Defendant failed to provide any response to interrogatory no. 3 with regard to motorcycle jackets, instead limiting its answer to the purchase of Plaintiff's trademark VEGA® as an advertising keyword from Google. Morado Decl., ¶ 3, Exh. B. In response to interrogatory numbers 5 and 12, Defendant provided identical responses: "Nanal will provide a response to Interrogatory [Nos. 5 and 12] limited to motorcycle helmets and motorcycle jackets and limited to one year prior to any purchase and/or use of the keyword term "vega" by Nanal upon entry of a confidentiality order by the Court." Morado Decl., ¶ 4, Exh. C. Despite entry of a confidentiality order on August 8, 2010, no response was provided to interrogatory numbers 5 and 12.

On August 11, 2010, counsel for Defendant wrote to counsel for Soaring Helmet, requesting a CR 37 conference to resolve outstanding discovery issues. In response, counsel for Soaring Helmet wrote to counsel for Defendant on August 16, 2010. Morado Decl., ¶ 5, Exh. D. Plaintiff's letter clearly identified the deficiencies in Defendant's responses to interrogatory numbers 3, 5, 12, and request for production number 15. Further, with regard to interrogatory number 3, Plaintiff's counsel stated:

> "In response to interrogatory number 3, Nanal has objected on the basis that is has not "used" plaintiff's Vega mark, except in connection with the Google AdWords keyword suggestion tool. However, this interrogatory clearly seeks information related to why Nanal chose to use plaintiff's Vega mark in connection with motorcycle jackets, as alleged in the complaint. By incorporating plaintiff's Vega mark in its entirety in connection with the marketing and sale of Nanal's "Extreme XElement Vega" motorcycle jackets, Nanal has clearly "used" plaintiff's Vega mark under any reasonable interpretation of this interrogatory request.

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> Accordingly, Nanal's answer to this interrogatory is incomplete. Please advise as to when Nanal will supplement its response to this interrogatory."

On August 18, 2010, the parties had their CR 37 telephone conference. Morado Decl., ¶ 6. That same day, counsel for Soaring Helmet e-mailed counsel for Nanal, confirming that Nanal had agreed to supplement its deficient responses and produce documents requested by Soaring Helmet. Morado Decl., ¶ 7, Exh. E. Counsel for Nanal confirmed that it would remedy its inadequate discovery responses, which specifically included interrogatory numbers 3, 5, 12, and request for production number 15. Morado Decl., ¶ 8, Exh. F.

Soaring Helmet never received the information requested and promised related to Nanal's sales and profits from XElement Vega jackets. Accordingly, on August 20, 2010, counsel for Soaring Helmet wrote to counsel for Nanal:

> I am writing to follow-up on our discovery conference and particularly, outstanding discovery requests related to Soaring Helmet's calculation of damages. In its complaint, Soaring Helmet requested an award of monetary damages in the form of Soaring Helmet's lost profits and/or an award of Nanal's profits gained from the infringement. So there is no confusion, be advised that Soaring Helmet intends to engage in and complete discovery related to an award of Nanal's profits as a possible measure of Soaring Helmet's damages in this case...
>
> At this time, Soaring Helmet will not file a motion to compel Nanal's answers to Soaring Helmet's Requests for Production numbers 16 and 17 (requesting copies of Nanal's tax returns and corporate financial statements). However, Soaring Helmet reserves the right to ask the Court for relief if Nanal does not provide sufficient responses to **interrogatory numbers 5, 12, and request for production number 15 (requesting sales information related to motorcycle jackets and helmets),** as agreed in our discovery conference.
>
> See Morado Decl., ¶ 9, Exh. G (emphasis added).

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Nanal never provided the information related to its profits requested by Soaring Helmet. On September 15, 2010, counsel for Soaring Helmet again wrote to counsel for Nanal:

> Nanal's responses to Soaring Helmet's discovery requests remain deficient, and we request your immediate attention to these deficiencies. In our Rule 37 discovery conference on August 18, 2010, Ms. Lay agreed that Nanal would provide answers to **interrogatory numbers 3, 5, and 12**, and also provide a response to **request for production number 15**...In my follow-up letter to the discovery conference dated August 20, 2010, I made it clear that Soaring Helmet would pursue discovery related to an award of Nanal's profits as a possible measure of Soaring Helmet's damages in this case...For that reason, the information requested regarding Nanal's profits is critical...It is imperative that we receive the above-referenced discovery responses in order to prepare for the deposition [of Albert Bootesaz on September 20, 2010]. Given that these discovery responses are already overdue, we expect to receive them by the close of business on Thursday, September 16th.
>
> See Morado Decl., ¶ 10, Exh. H (emphasis added).

In response, on September 16, 2010, Nanal submitted a "corrected" response to Soaring Helmet's interrogatory number 3, and supplemental responses to Soaring Helmet's interrogatory numbers 5 and 12. Morado Decl., ¶¶ 11, 12 Exhs. I, J. In its corrected response to interrogatory number 3, Defendant completely reversed its position on the issue, and for the first time contended it never used the term "vega" in connection with the marketing and sale of motorcycle jackets. Defendant stated, "In further response, based on Nanal's investigation to-date, Nanal did not use the word "vega" in connection with a motorcycle jacket as alleged in Plaintiff's Second Amended Complaint and Exhibit E thereto." Morado Decl., ¶ 11, Exh. I. In its confidential supplemental responses, Defendant provided gross sales information for all XElement products, including jackets, boots, and saddle bags, for the years 2007-2009. Morado Decl., ¶ 12,

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Exh. J. However, Defendant also stated: "[T]hese sales for each of these years represent numerous different brands and products, none of which include or are related to Plaintiff's...alleged trademark "VEGA." *Id.*

On September 20, 2010, Soaring Helmet deposed Albert Bootesaz as the 30(b)(6) representative of Nanal, Inc. In his deposition, Mr. Bootesaz denied that Nanal ever used Soaring Helmet's VEGA® mark in connection with motorcycle jackets. Morado Decl., ¶ 13, Exh. K. Instead, Mr. Bootesaz claimed that the printout from the Leatherup website showing the "XElement Vega" jacket was "doctored" by "that Chinese guy in Seattle," - presumably a reference to Lou Xu, one of the owners of Soaring Helmet. See Morado Decl, ¶ 14, Exh. L. Because of Defendant's new position that it had never used the term "Vega," in connection with XElement, and because it would have been futile for Soaring Helmet to move to compel the production of information that Defendant claimed didn't exist, Soaring Helmet did not file a motion to compel Defendant's sales information related exclusively to XElement Vega jackets. Morado Dec., ¶ 15.

In follow-up to the deposition, on September 21, 2010, counsel for Soaring Helmet wrote to counsel for Defendant, specifically requesting a "true copy of the [Leatherup] website as it appeared on 12/21/2009," since Mr. Bootesaz had claimed in his deposition that the printout from the Leatherup website attached to Soaring Helmet's complaint was a "fabrication." Morado Decl, ¶ 16, Exh. M. Further, the letter also requested evidence of deductions to back out of the gross sales numbers previously provided by Nanal, so that Soaring Helmet could determine Nanal's net profits. *Id.*

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On October 1, 2010, counsel for Defendant responded to Soaring Helmet's follow-up letter. Morado Decl., ¶ 17, Exh. N. Counsel for Defendant did not provide a true copy of the Leatherup website as requested. Instead, counsel stated that "Mr. Bootesaz and his web hosting company did not understand this request," - despite the *crystal clear* nature of the request by Soaring Helmet. *Id.* In response to Soaring Helmet's request for deductions to back out of sales, counsel claimed that, "Nanal provided sales and costs information in the enclosed documents." *Id.* However, the documents enclosed only included gross sales information related to all of Defendant's XElement products, including boots, saddle bags, and jackets. *Id.*

On October 15, 2010, Defendant provided a "three year cost analysis", which indicates certain deductions from gross profits from all of Defendant's XElement products, but again failed to segregate gross and net profits related to sales of the XElement Vega jackets. Morado Decl., ¶ 18, Exh O. Once again, Defendant failed to provide any sales information related exclusively to XElement Vega jackets, despite the fact that Soaring Helmet had requested that information on *six* separate occasions.

III. Argument

A) Defendant's evidence of cost deductions should be excluded under Federal Rules 26(e) and 37.

If a party fails to supplement its discovery responses as required under Federal Rule 26(e), that party is prohibited under Federal Rule 37 from using the undisclosed information at trial:

(1) Failure to Disclose or Supplement. If a party fails to provide information

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> or identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that information…at trial. See Fed.R.Civ.P. 26(e) and 37(c).

Sanctions under Rule 37 are "self-executing" and "automatic," which "provides a strong inducement for disclosure of material that the disclosing party would expect to use as evidence." See *Murray v. Hmshost Corp.*, 2009 WL 702095 at *6-7 (holding that a party was not required to move to compel supplemental report before seeking to exclude the evidence under Rule 37).

Defendant has failed to provide sales and profits information related to its XElement Vega jackets, despite Soaring Helmet's *six* requests over the course of four months. Instead, Defendant claims that it never sold XElement Vega jackets, and that its website showing such jackets was a fabrication by Soaring Helmet. In reliance on this representation, Soaring Helmet did not file a motion to compel – as clearly, a party cannot move to compel information that Defendant claims does not exist. Since Defendant has failed to provide the information, despite Soaring Helmet's numerous and well-documented requests, Defendant is precluded from offering evidence on the subject of gross and net profits from its sales of XElement Vega jackets, in an attempt to reduce Soaring Helmet's damages, at trial.

B) <u>Defendant's deposition statements that it never sold XElement Vega jackets constitute binding judicial admissions that may not be contradicted at trial.</u>

A judicial admission is a deliberate, clear, and unequivocal statement of a party about a concrete fact within that party's peculiar knowledge. *Truckstop.Net, L.L.C. v. Sprint Communications Co., L.P.*, 537 F. Supp. 2d 1126, 1135 (D. Idaho 2008); *Caponi*

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v. Larry's 66, 236 Ill.App.3d 660, 671 (1992). A judicial admission may not be contradicted and is binding upon the party making such admission. See *Am. Title Ins. Co. v. Lacelaw Corp.*, 861 F.2d 224, 226 (9th Cir. 1988). Although statements made during a discovery deposition are normally treated as evidentiary admissions, which may be contradicted, such statements may be "so deliberate, detailed, and unequivocal, as to matters within the party's personal knowledge" that the statements will be held to be judicial admissions. *Caponi,* 262 Ill.App.3d at 671. The determination of whether a party's statement is sufficiently unequivocal to be considered a judicial admission is a question of law. *Id.*

Defendant's entire defense relating to the XElement Vega infringment is that such sales never occurred. Mr. Bootesaz's statements in his deposition that Nanal never sold XElement Vega motorcycle jackets was deliberate, clear, and unequivocal, and should be deemed a judicial admission that may not be contradicted at trial. Because of Mr. Bootesaz's deposition statements, Soaring Helmet could not move to compel the production of information related to Defendant's sales and profits from XElement Vega jackets. Defendant claimed such evidence simply did not exist.

Defendant has gambled that it will be able to show that it never sold XElement Vega motorcycle jackets. However, at trial, Soaring Helmet will show that Defendant did in fact sell infringing XElement Vega jackets. This will leave Defendant back-pedaling, with a contention that Soaring Helmet cannot segregate the sales related solely to the infringing jackets. But Soaring Helmet will not be able to present evidence of gross or net profits attributable solely to the infringing XElement Vega jackets, despite

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diligently seeking that information, because Defendant first refused to produce that information, and now claims it doesn't exist.

Defendant should not be allowed to reverse its position at trial and attempt to introduce evidence of its gross and net profits related solely to the infringing jackets, when Defendant never produced this evidence during discovery despite Soaring Helmet's numerous requests. And, Defendant's deliberate, clear, and unequivocal statements that it never sold XElement Vega jackets should be considered binding judicial admissions that may not be contradicted through the introduction of evidence of gross and net profits, specifically related to the jackets, at trial. Thus, Soaring Helmet respectfully requests the court to enter an Order precluding such evidence.

DATED January 4, 2011.

INVICTA LAW GROUP, PLLC

By _____
Stacie Foster, WSBA No. 23397
Heather M. Morado, WSBA No. 35135
Attorneys for Plaintiff

ATTORNEY CERTIFICATION

Pursuant to CR 7(d)(4), I certify that I conferred in good faith with Stacia Lay, counsel for Defendant Nanal, Inc., in an effort to resolve matters in dispute in this motion in limine.

By _____
Heather M. Morado, WSBA No. 35135
Attorney for Plaintiff

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following persons/attorneys of record:

Ms. Katherine Hendricks
Ms. Stacia N. Lay
HENDRICKS & LEWIS, PLLC
901 Fifth Avenue, Suite 4100
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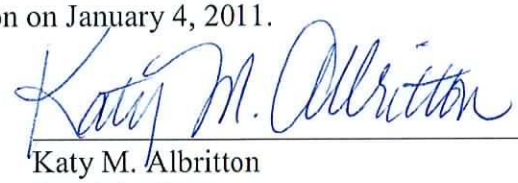
EXECUTED at Seattle, Washington on January 4, 2011.



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