

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

GARRY GARNER, SHEILA GARNER and AMERICA’S PET REGISTRY, INC.	:	CIVIL ACTION
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	:	
v.	:	
	:	
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ROBERT G. YARNALL, JR., a/k/a BILL MARKSMAN, AMERICAN CANINE ASSOCIATION, INC., AMERICAN CANINE ASSOCIATION, INC. (incorporated in the Bahamas) and PORTIA JENKINS	:	NO. 03-4967

ORDER AND OPINION

JACOB P. HART
UNITED STATES MAGISTRATE JUDGE

DATE: April 11, 2005

I. Introduction

In Plaintiffs’ Motion to Compel the Production of Financial Documents, they ask that Defendants Robert G. Yarnall, Jr., and the American Canine Association, (“ACA”), be compelled to produce (a) any and all financial statements for ACA from 2001 through 2004; (b) tax returns or other documents showing ACA’s revenue in those years (c) all documents that show revenue for each class or type of ACA registration during the same years, and (d) authorizations permitting Plaintiffs’ to obtain from the IRS ACA’s tax returns for the years 1989 through 1995. For the reasons that follow, their motion will be granted in part and denied in part.

II. Factual Background

Plaintiff America’s Pet Registry, Inc. (“APRI”) is a business which registers pure-bred dogs and cats for pet breeders, distributors, retailers, and owners. Garry Garner is the president of APRI, and both he and his wife, Sheila Garner, are shareholders. In this action, they have asserted Lanham Act violations, as well as counts for defamation, conspiracy to defame, and commercial disparagement, against Defendants.

The case arises out of the dissemination of a letter by defendant Yarnall, a principle of the ACA, which is a competitor to APRI, accusing the Garners of corruption – specifically, cheating and bleeding APRI. Plaintiffs allege that Yarnall was aided in mailing out this letter by his sister, Portia Jenkins.

Defendants have asserted counterclaims in which they accuse Plaintiffs of forming a company called the American Canine Hybrid Club, which registered mixed-breed animals, in order to harm the reputation of ACA and to capitalize on its good reputation.

III. Discussion

A. ACA's Financial Documents From the Years 2001 Through 2004

In an earlier discovery motion, Plaintiffs sought an order compelling Defendants to disclose financial information for all years from 1993 to the present. They made no detailed statement as to why the material was discoverable, stating only: "Plaintiffs maintain that this material relates to both APRI's damages on its claim, and ACA's damages on its counterclaim." Defendants' response alluded only to the use of the documents in its counterclaim. Accordingly, in my December 20, 2004, Order on that motion, I compelled Defendants to produce only such material as I found was relevant to their counterclaim: documents from the three years before and the three years after the creation of the American Canine Hybrid Club, which is the subject of the counterclaim. The parties appear to have agreed that those are the years 1989 through 1995.

Plaintiffs now seek ACA's financial documents from the years 2001 through 2004, arguing that I had never ruled squarely on their discoverability. They now explain that their expert, who holds a Ph.D. in microeconomic theory and econometrics, has asked for this material in order to prepare a damages calculation.

Defendants respond that (a) my ruling on the earlier motion precludes the discovery of any material I did not order produced at that time; (b) Plaintiffs have never made a valid discovery request for the documents requested; and (c) the documents are not relevant to Plaintiffs' damages, which would be measured by Plaintiffs' lost revenues and not the profit to Defendants.

I cannot credit Defendants' first argument. Since I would have been empowered to amend my own earlier decision, or to render an additional opinion, I do not see my previous failure to order the discovery of this material as a barrier to my ruling now on Plaintiffs' second motion.

The second argument is of more concern. Plaintiffs did not attach their original discovery requests to their first Motion to Compel. Instead, they attached a letter between their counsel and counsel for Defendants, recapitulating the material they sought. Letter, attached as Exhibit A to Plaintiffs' Motion to Compel Production of Documents. Plaintiffs stated in that letter they had asked for ACA's tax returns from 1993 until "the present" in their Document Request No. 84, which obviously encompasses the years 2001 through 2004. However, as Defendants have pointed out, Plaintiffs claimed in that letter that their request for ACA's other financial documents was set forth only in "David Perlman's August 5, 2004 e-mail."

For this reason, although I can compel the production of the requested tax returns, I cannot reasonably request the production of other financial documents, which, as far as I know, have never been the subject of a formal request. Nevertheless, my discussion of the discoverability of this material, set forth below, should inform Defendants' response to any formal request which may be forthcoming from Plaintiffs.

Defendants' third argument is that the requested material is irrelevant to Plaintiffs' claim for damages, because those damages will be measured by the loss to Plaintiffs, and not by any gain to Defendants. In support of this argument, Defendants cite cases establishing that Plaintiffs must show actual harm to recover damages. Neuroton Inc. v. Medical Serv. Assoc. of Pa., Inc., 254 F.3d 444 (3d Cir. 2001); Marcone v. Penthouse Int'l Magazine, 754 F.2d 1072 (3d Cir. 1985) (defamation); Synergy, Inc. v. Scott-Levin, Inc., 51 F. Supp. 2d 570 (E.D. Pa. 1999) (Lanham Act).

Defendants are mistaken in this, however, at least as regards the Lanham Act. 22 U.S.C. § 1117 provides that:

When a violation ... under section 1125(a) of this title [the Lanham Act] shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled ... subject to the principles of equity, to recover (1) *defendant's profits*; (2) any damages sustained by the plaintiff, and (3) the costs of the action.

See, also Banjo Buddies, Inc. v. Renosky, 399 F.3d 168 (3d Cir. 2005) (Willfulness by the defendant need not be shown to find that equity favors disgorgement). Defendants' financial information would obviously be relevant to a claim for disgorgement.

It is also possible that the amount of any rise in Defendants profits after the dispersion of the Yarnall letter could, in conjunction with a drop on Plaintiffs' profits, could aid Plaintiffs' expert in showing the amount of Plaintiffs' actual damages. As noted, Plaintiffs' expert economist states that he needs the requested material, although he does not explain why. Affidavit of Brian P. Sullivan, attached as Exhibit D to Plaintiffs' Motion.

Accordingly, I will order Defendants to produce tax returns for the years 2001 through 2004, and to execute authorizations permitting the Plaintiffs to obtain from the IRS any tax

returns Defendants do not possess. As noted above, I will not order Defendants to produce material which has not been the subject of a formal request. However, as the above discussion indicates, I would be likely to give serious consideration to a motion made after non-compliance with an appropriate request for this material.

B. Tax Returns for the Years 1989 through 1995

Additionally, Plaintiffs ask that I order Defendants to execute authorizations permitting Plaintiffs to obtain tax returns for ACA, or its predecessor, the American Kennel Association, for the years 1989 through 1995. In my December 20, 2004, Order, I directed Defendants to turn over this material, but they claim not to have retained the returns. Defendants argue only that Plaintiffs are not entitled to Mr. Yarnall's personal tax returns. However, Plaintiffs are not requesting them. I consider Plaintiffs' request for authorizations reasonable, and I will grant it.

IV. Conclusion

For the reasons set forth above, I now enter the following:

ORDER

AND NOW, this 11th day of April, 2005, upon consideration of Plaintiffs' Motion to Compel the Production of Financial Documents, docketed in this case as Document No. 59, and Defendants' response thereto, I hereby ORDER the motion GRANTED IN PART and DENIED IN PART, as follow:

1. Within ten days of the date of this Order, Defendants shall produce tax returns for the ACA for the years 2001 through 2004;
2. Within ten days of the date of this Order, Defendants shall execute authorizations permitting Plaintiffs to obtain from the IRS all tax returns for the ACA for the years 2001

through 2004 which Defendants have not turned over on that day AND for all tax returns for ACA or the American Kennel Association for the years 1989 through 1995 which Defendants have not turned over on that day.

BY THE COURT:

JACOB P. HART
UNITED STATES MAGISTRATE JUDGE