

United States District Court,  
D. Minnesota.  
3M INNOVATIVE PROPERTIES COMPANY and  
3M Company, Plaintiff,  
v.  
TOMAR ELECTRONICS, Defendant.  
**Civil No. 05-756(MJD/AJB).**

Sept. 18, 2006.

David J.F. Gross, James W. Poradek, Timothy E. Grimsrud, Faegre & Benson LLP, Minneapolis, MN, Robert J. Crawford, Crawford Maunu PLLC, St Paul, MN, for Plaintiff.

Erin R. Schulte, Mark V. Steffenson, Henningson & Snoxell, LTD, Maple Grove, MN, Thomas G. Watkins, III, Phoenix, AZ, for Defendant.

ORDER

MICHAEL J. DAVIS, District Court.

The above-entitled matter comes before the Court upon Defendant's objections to the Order and Recommendations of United States Magistrate Judge Arthur J. Boylan dated July 21, 2006 in which Plaintiff's Motions for Sanctions was granted. Defendant asserts that the Order and Recommendation of Magistrate Boylan are based on a number of erroneous findings. Defendant also objects to the recommended attorney fee and quantification procedures on the basis that it conflicts with controlling precedent of the United States Supreme Court.

The Court must modify or set aside any portion of the Magistrate Judge's Order found to be clearly erroneous or contrary to law. *See* 28 U.S.C. § 636(b)(1)(A); Fed.R.Civ.P. 72(a); Local Rule 72.2(a). Based on a review of the record and the submissions of the parties, the Court concludes that the Magistrate Judge's Order and Recommendations are neither clearly erroneous or contrary to law.

IT IS HEREBY ORDERED that the Order and Recommendation dated July 21, 2006 is AFFIRMED.

ARTHUR J. BOYLAN, Magistrate Judge.

ORDER AND RECOMMENDATIONS ON  
PLAINTIFFS' MOTION FOR SANCTIONS

This matter is before the Court, United States Magistrate Judge Arthur J. Boylan, on Plaintiffs'

Motion for Sanctions. A hearing was held on July 7, 2006, in Courtroom # 5 of the United States District Court for the District of Minnesota, 180 East Fifth Street, St. Paul, MN 55101. David J.F. Gross, Esq., James W. Poradek, Esq., and Timothy E. Grimsrud, Esq., appeared for and represented the Plaintiffs; 3M Innovative Properties Company and 3M Company. Thomas G. Watkins, III, Esq., telephonically appeared for and represented the Defendant, Tomar Electronics, Inc. Local counsel was not present for Tomar.

After reviewing the file and documents contained therein, along with the memoranda and arguments of counsel, and based on the memorandum below,

**A. IT IS HEREBY ORDERED** that Plaintiffs' Motion for Sanctions [Docket No. 43] is **GRANTED** as follows:

1. The court recommends [FN1] directing a factual finding that Tomar is aware of the end users of its STROBECOM II products at issue and has knowledge of how the end user is using its product.

FN1. Plaintiffs' motion for sanctions is clearly a non-dispositive motion, yet the envisioned relief clearly includes evidentiary issues for the trial judge. As such, the undersigned Magistrate Judge presents its evidentiary sanctions as a recommendation to the district court.

2. The court further recommends that the jury instructions shall include an instruction that allows the jury to give a negative inference regarding Tomar's alleged inducement to the fact that Tomar willfully withheld the names of the end users of its STROBECOM II system.

3. The court further recommends that the jury instructions shall include an adverse inference instruction, with respect to the email and other documents destroyed or withheld by Tomar, that these documents support 3M's claims and are unfavorable to Tomar's defenses.

4. For reasons discussed in the memorandum below, Scott Sikora is not allowed to attend the deposition of any Tomar witness or any third party.

5. 3M is granted five additional depositions over and above the original number. No objections shall be sustained with regards to a person having been previously deposed or a subject matter having been previously discussed.

6. 3M is entitled to conduct further discovery with respect to Tomar's product development project. Information regarding this project shall be protected by the designation "Confidential-Outside

Attorneys Eyes Only."

7. All future depositions shall take place in the District of Minnesota and Tomar's local counsel shall be present at every deposition.

8. Tomar shall make deposition witnesses available within the next 45 days.

9. Tomar shall reimburse 3M for reasonable attorney fees and costs associated with bringing this motion for sanctions. 3M shall submit an affidavit to the Court within ten days from this order outlining its costs and attorney fees arising from bringing its motion before the court.

B. The court **FURTHER ORDERS THAT** Tomar's request for a special designation of a "top secret" category under the protective order is denied. The Court finds that there is sufficient protection under the "attorney-eyes only" designation for Tomar's intellectual property rights protected by trade secret. In addition, Tomar's request that the Court impose a January 1, 2005, time limit on the scope of discovery is **DENIED**. The Court finds that documentary evidence prior to January 1, 2005, is relevant to 3M's claims of infringement and inducement and discovery of information prior to January 1, 2005, may lead to evidence that is admissible at trial.

C. The Court notes that Tomar continues to be under the obligation imposed by Fed.R.Civ.P. 26(e) to supplement discovery responses as appropriate and is also under the obligation to comply with this court's February 10, 2006, discovery order. Failure to abide by this Court's rulings, the Federal Rules of Civil Procedure, or any further discovery abuse, may result in further sanctions, including a recommendation by this Court to the district court that a default judgment be issued against Tomar.

## MEMORANDUM

### I. BACKGROUND

Plaintiffs 3M Innovative Properties Company and 3M Company (collectively 3M) have brought a patent infringement case against Tomar Electronics, Inc. (Tomar). 3M alleges, *inter alia*, that traffic control systems manufactured and sold by Tomar infringe patent rights held by 3M. In addition, 3M alleges that Tomar has induced others to infringe the 3M patent rights.

On January 17, 2006, a hearing was held before the Court regarding 3M's motion to compel. On February 10, 2006, this Court issued an order granting 3M's motion and instructing Tomar to fully respond to several interrogatories and document requests to which Tomar had inadequately responded. The Court

expressly overruled all of Tomar's objections, including Tomar's objections that the discovery requests were irrelevant, burdensome, and overly broad. 3M has now brought a motion before this Court, asking the court to impose sanctions for Tomar's alleged failure to comply with this Court's discovery order and other discovery abuses.

## II. DISCUSSION

### A. Discovery Generally

The United States Supreme Court has long expressed that the liberal discovery rules are meant to ensure open, efficient, and fair dealings within the federal courts. *See Hickman v. Taylor*, 329 U.S. 495, 501 (1947). Prior to the procedural provisions in Federal Rules of Civil Procedure 26 through 37, "a judicial proceeding was a battle of wits rather than a search for the truth [and] each side was protected to a large extent against disclosure of its case." 8 Charles Alan Wright, *et al*, *Federal Practice and Procedure* § 2001 (2d ed.1994). The rules, however, impose a more liberalized procedure for pretrial discovery where "every party to a civil action is entitled to the disclosure of all relevant information in the possession of any person, unless the information is privileged." *Id*. The Court explained in *Hickman*: "Mutual knowledge of all the relevant facts gathered by both parties is essential to proper litigation. To that end, either party may compel the other to disgorge whatever facts he has in his possession. The deposition-discovery procedure simply advances the stage at which the disclosure can be compelled from the time of trial to the period preceding it, thus reducing the possibility of surprise." *Hickman*, 329 U.S. at 507. The Court noted that the Federal Rules of Civil Procedure regarding discovery were drafted so that "civil trials in the federal courts no longer need be carried on in the dark." *Id*. at 501.

Reiterating the need for parties to be forthcoming during the discovery process, in *United States v. Procter & Gamble Co.*, the Court observed that the purpose of the discovery rules in federal court is to "make a trial less a game of blind man's bluff and more a fair contest with the basic issues and facts disclosed to the fullest practicable extent." 356 U.S. 677, 682 (1958); *see also Greyhound Lines, Inc., v. Miller*, 402 F.2d 134, 143 (8th Cir.1968) ("The purpose of our modern discovery procedure is to narrow the issues, to eliminate surprise, and to achieve substantial justice."). Thus, the Supreme Court has directed parties to conduct discovery with the goal of "ascertaining the facts, or information as to the existence or whereabouts of facts, relative to

those issues." *Hickman*, 329 U.S. at 500. "The way is now clear, consistent with recognized privileges, for the parties to obtain the fullest possible knowledge of the issues and facts before trial." *Id.* at 501. Although the rules do set boundaries to the scope of discovery, those boundaries serve only to protect against discovery abuses arising from discovery that is "being conducted in bad faith or in such a manner as to annoy, embarrass or oppress the person subject to the inquiry" or when an "inquiry touches upon the irrelevant or encroaches upon the recognized domains of privilege." *Id.* at 507.

### **B. This Court's Authority to Impose Sanctions for Discovery Abuse**

The authority of the court to impose sanctions for misconduct committed in the course of discovery arises from two distinct authorities. The Federal Rules of Civil Procedure expressly provides authority for this court to impose sanctions for abuse of the discovery process. *See* Fed.R.Civ.P. 37. The court may impose sanctions when, *inter alia*, a party fails to comply with an order from the court or when a party fails to amend or correct a response to a discovery request. *Id.* The court may also impose sanctions based on its inherent authority to control its own judicial proceedings. *Stevenson v. Union Pac. R.R. Co.*, 354 F.3d 739, 745 (8th Cir.2004) (citing *Chambers v. NASCO, Inc.*, 501 U.S. 32 (1991)); *see also Arctic Cat, Inc. v. Injection Research Specialists, Inc.*, 210 F.R.D. 680, 683 (D.Minn.2002) ("In assessing the need for sanctions, a Federal District Court has the inherent authority, and responsibility, to regulate and supervise the bar practicing before it.").

The court has a range of sanctions that may be imposed, including the awarding of attorney fees and costs, imposing an adverse inference instruction to the jury, directing factual findings, and finding a default judgment against the party that committed the misconduct. *See* Fed.R.Civ.P. 37(b)(2)(A)-(C). When determining the severity of sanctions to impose, the court considers whether the conduct was committed in bad faith. *Int'l Broth. of Elec. Workers v. Hope Elec. Corp.*, 380 F.3d 1084, 1105 (8th Cir.2004). In determining whether a party has acted in bad faith, the court must consider all of "the evidence and circumstances that tend to provide a complete understanding of the [party's] motivations." *Id.* (internal quotation marks omitted). An evidentiary hearing is not necessary "before sanctions are imposed where the record demonstrates a willful and bad faith abuse of discovery and the non-cooperating party could not be unfairly surprised by the sanction."

*Chrysler Corp. v. Carey*, 186 F.3d 1016, 1022 (8th Cir.1999).

### **III. 3M'S ASSERTIONS AND SANCTIONS REQUEST AND TOMAR'S RESPONSE**

3M makes three basic assertions: (1) Tomar gave false discovery responses; (2) Tomar failed to retain, collect, and produce court-ordered documents; and (3) Tomar engaged in deposition misconduct. 3M requests that the Court sanction Tomar for this alleged flagrant and intentional discovery abuse by entering judgment against Tomar. In the alternative, 3M asks that the Court issue multiple sanctions against Tomar and lists ten suggested sanctions, including the Court making findings of facts adverse to Tomar, an adverse inference instruction given to the jury, certain impositions and restrictions be imposed against Tomar regarding further discovery, and attorney fees and costs.

Tomar responds that 3M's allegations are baseless. Tomar argues that the scope of discovery is limited by: (1) 3M's failure to mark the serial number on the Hamer patent on any of its patented products" and (2) the "calculated failure to provide written notice to Tomar of 3M's first asserted claim of patent infringement." Tomar then proceeds to present a legal argument on the limitations for damages in an infringement action imposed by 35 U.S.C. § 287(a). Tomar additionally argues that because Tomar generally sells its products to distributors that in turn sell the product to the end user, Tomar cannot be found to have induced the end user and therefore discovery relating to any cities or municipalities that use its product is irrelevant and outside the scope of discovery. Tomar categorizes 3M's discovery requests as "overreaching and overly broad." Tomar explains steps that it is undergoing to locate responsive information, but fails to explain why these explanations were not offered prior to 3M having to bring a motion for sanctions. Tomar concludes by asking the Court to "impose a January 1, 2005, time limit on the scope of documentary evidence in the present case." Tomar also requests that the Court designate a "top secret" designation, not included in the current designated levels of protection afforded in the protective order in place in this action, for its "highly proprietary STROBECOM II software."

### **IV. TOMAR'S CONDUCT**

#### **A. Tomar's False Discovery Responses**

3M alleges that Tomar gave false discovery responses. Tomar never directly refutes 3M's

contentions that Tomar gave false discovery responses and that Sikora gave false testimony at his deposition regarding those responses. Tomar merely states, "There are two sides to every story."

On November 14, 2005, 3M served its first set of interrogatories on Tomar. Interrogatory No. 6 asked that Tomar "fully describe and identify all suppliers, manufacturers, assemblers, distributors, installers, customers, services, and end-users." Tomar replied on December 14, 2005, refusing to answer the interrogatory objecting on the basis of relevancy and stating that "the identity of Tomar's distributors, installers, services and end users represent carefully guarded company trade secrets." Tomar also stated that even if a protective order were to be issued by the Court, Tomar would continue to refuse to disclose any trade secret information. Finally, Tomar asserted that "[b]ased on the agreement to bifurcate the damages issue, no Tomar response is presently required."

On February 10, 2006, this Court ordered, *inter alia*, that Tomar fully respond to 3M's Interrogatory No. 6, overruled Tomar's objections regarding relevance, and stated that Tomar's concerns regarding confidential information and trade secrets could be addressed by a protective order from the Court. The Court also found that the requested information was relevant to 3M's infringement claim, and not just the damages aspect of the claim. Tomar submitted a supplemental response to 3M's Interrogatories on March 2, 2006. Tomar's response to Interrogatory No. 6 stated that "except for the City of Phoenix project identified previously, Tomar delivers its STROBECOM products to its distributors and the identify of the distributors' customers, services and end-users is not known by Tomar." This response was signed by counsel and by Tomar's president, Scott Sikora.

Scott Sikora was deposed on May 10, 2006. During his deposition, Sikora was questioned about Tomar's supplemental response to Interrogatory No. 6. First, Sikora admitted that there were outside suppliers of some components of the STROBECOM system. He stated, however: "I felt it was burdensome to try to figure out who all of those people are. So I didn't do it." (Sikora Dep. 218, May 10, 2006) He also stated that he did not see the relevancy of the names of suppliers. (*Id.*) Sikora was then asked about the customers or end users of Tomar's products. Sikora asserted that Tomar's answer given in the supplemental interrogatory responses was correct. He stated: "I listed the ones that we are directly aware of that are direct customers of Tomar's. The rest are

products shipped to distributors. Where it goes after that I don't know." (*Id.* at 219-20.) When counsel expressed disbelief that Sikora would not know the cities that used the Tomar system, Sikora reiterated that the response to the interrogatory was correct and that he did not know any other cities other than the two already mentioned. (*Id.* at 222.)

"False testimony in a formal proceeding is intolerable. We must neither reward nor condone such a 'flagrant affront' to the truth-seeking function of adversary proceedings." *ABF Freight Sys., Inc. v. N.L.R.B.*, 510 U.S. 317, 323 (1994). Sikora's multiple statements during his deposition as Tomar's 30(b)(6) witness, and Tomar's supplemental response to 3M's interrogatory No. 6, that Tomar knew of only two entities that used its STROBECOM product, is clearly contradicted by evidence before this Court. First, Tomar's own bid proposal, submitted to the City of Phoenix, and signed by Scott Sikora, lists at least nine different entities that use the STROBECOM system. (3M Ex. 15.) Second, Tomar's sales representative, Bill Taylor sent an email to Sikora in July 2003 informing Sikora that the City of San Jose had agreed to trial test Tomar's system. (3M Ex. 16.) In April 2005, Taylor emailed Sikora telling him that "Tomar now has San Jose." (3M Ex. 17.)

A finding that a person or party has given false testimony under oath is not one that this Court makes lightly. The evidence clearly indicates that Sikora was aware of more than two entities that used the STROBECOM system and Tomar provides no evidence or arguments that indicates otherwise. This Court finds that Tomar, through Sikora's deposition statements and the company's supplemental discovery responses, has willfully given false discovery responses.

## **B. Tomar's Failure to Retain, Collect, and Produce Court-Ordered Documents**

3M alleges that Tomar failed to produce documents pursuant to this Court's order compelling full and complete discovery responses. 3M states that Sikora did not inquire into whether other employees within the company had potentially relevant material, but merely looked at his own email and files. In addition, 3M alleges that, because Tomar failed to instigate a document hold on relevant documents, documents, including email, relevant to 3M's claims of infringement and inducement to infringe have been destroyed. Tomar does not directly address the alleged failure to fully respond to discovery as required by this Court's order, merely stating that

3M's discovery requests are overreaching and overly broad. Tomar does assert that Bill Taylor's email, alleged by 3M to have been destroyed, have not been destroyed. Tomar stated at the hearing that, after counsel and Sikora return from their respective vacations, they will review the requested email and produce those they deem relevant to this action. [FN2]

FN2. Tomar also states that when Bill Taylor was deposed on May 17, 2006, Taylor brought his laptop computer with him and Tomar downloaded all of Taylor's email. Tomar suggests that, if 3M wanted these email, 3M should have requested the email at that time. This borders on the ridiculous. At that time, based on the deposition testimony of Sikora, 3M would have been under the reasonable impression that the email had all been irretrievably deleted from the system. Additionally, there is no indication that 3M was even aware that Taylor's laptop was in Tomar's possession. Finally, Tomar was already under the duty to produce these email according to 3M's discovery requests and this Court's order and, therefore, it was unnecessary for 3M to expressly requests the email at that time.

In light of the Supreme Court's directive that discovery under the federal rules requires a complete disclosure of relevant facts known to the parties, parties are under a duty to complete a reasonable investigation when presented with the opposing party's interrogatories and document requests. Discovery requests served on a company solicits information known *to the company*, not solely information known by the president, CEO, or other person directed to respond to the discovery requests. Accordingly, a reasonable investigation by a company would include an inquiry of a company's employees for relevant information. A company need not question all employees, but must question those that would reasonably have relevant information.

Once presented with 3M's discovery requests, Sikora had the duty to contact those people within Tomar that may reasonably be in possession of information or documents relative to 3M's claims. The evidence demonstrates that Sikora knew that his sales personnel had direct contact with distribution and end users, conducted training sessions with distributors and end users, and used email to conduct business. (Bill Taylor Dep., 3M Ex. 11 at 29-30, 49, & 53.) Accordingly, Sikora should have contacted employees involved in the sales of the

STROBECOM II system to inquire about their knowledge of information or documents relevant to 3M's requests. Testimony indicates that Sikora did not ask his sales personnel for responsive documents. (*Id.* at 80.)

In addition, Sikora should have inquired into information and documentation known by, or in the possession of, persons involved in Tomar's research and development of the system. Sikora claimed several times that he is the sole inventor of the STROBECOM II system and, therefore, no one else has relevant information to the development and manufacturing of the system. Evidence indicates otherwise. For example, Dr. David Huizingh testified that he participated in testing and developing the STROBECOM system, working almost exclusively on the STROBECOM II system. (*See generally* Huizingh Dep., 3M Ex. 14.) Huizingh would therefore have been a person likely to have relevant documents and information. In fact, testimony revealed that Huizingh maintained several notebooks on the development of the STROBECOM II system. (*Id.* at 30.) Huizingh, however, was never asked by Sikora to produce documents that were relevant to the STROBECOM II system. (*Id.*) In addition, persons involved in the manufacturing of the STROBECOM system would reasonably have knowledge of relevant and discoverable information. Testimony indicates that Sikora never contacted any company employees to inquire about responsive information or documents. Tomar has presented no evidence or argument to this court that it has conducted a reasonable investigation for responsive information or documents, other than to assert that Sikora was in possession of all relevant documents and therefore an inquiry of other employees for relevant information was not necessary. Evidence indicates, however, that this position is not reasonable nor supported by evidence before this court.

A party's obligation to conduct a reasonable inquiry when presented with discovery requests during litigation also triggers an "obligation to preserve evidence arises that when the party has notice that the evidence is relevant to litigation or when a party should have known that the evidence may be relevant to future litigation." *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212, 216 (S.D.N.Y.2003); *see also E\*TRADE Sec. LLC v. Deutsche Bank AG*, 230 F.R.D. 582, 588 (D.Minn.2005). Although Sikora has indicated that he prevented some documents from being destroyed, Tomar did not implement a company-wide litigation hold on relevant documents. [FN3] There is no indication that Sikora ever

contacted any employee with instructions to retain documents relevant to the pending litigation. Employees testified that they had continued to delete documents, including email, after the litigation commenced. Sikora testified that he is the one most knowledgeable about the email system at Tomar. He told 3M during his deposition that once an email had been deleted, it could not be retrieved.

FN3. Tomar argues that it was unnecessary to issue a document retention policy because Sikora was the only person who had relevant documents and that he did not need to issue a retention policy to himself. Evidence indicates, however, that contrary to Sikora's assertion that he has control over all information in the company and that no other person has relevant information, there are persons with relevant information and documents and that relevant documents may have been destroyed. Taylor testified to email pertaining to the STROBECOM system and training and sales material regarding STROBECOM. Sikora testified that he did not know the day to day activities of his sales people. He would, therefore, have had no idea whether they had relevant information or documentation and should have issued a retention policy.

Tomar now states in its memorandum to the Court, that it has downloaded over 6000 individual emails from Tomar's sales representative's laptop computer and that these email, contrary to 3M's assertion, have not been destroyed. These email should have been produced in response to 3M first set of document requests, submitted over eight months ago. Based on assertions by Tomar and testimony by Sikora [FN4] and other Tomar employees, however, absent this motion for sanctions, it would have been assumed, both by this Court and opposing counsel, that these documents no longer existed. Because Tomar failed to initiate a litigation hold, it remains unclear to this court whether the email sent or received by Tomar employees or any relevant documents are still obtainable. Contrary to the sworn testimony by Sikora given at his depositions that all deleted email could not be retrieved, Tomar has now expressed to the Court that no documents, including email, have been destroyed. Based on the evidence in sworn testimony before this Court, absent evidence to the contrary, and noting that in four months since this Court's order compelling full responses to 3M's document requests, no email other than those from Sikora's mailbox have been produced, the Court finds that relevant email have been destroyed.

FN4. Sikora testified under oath as follows:

Q. Okay. And so with respect to e-mails that have been deleted, is there a way to obtain those e-mails?

A. Not that I'm aware of.

Q. Who is the most technically inclined person when it comes to e-mails in the company? A. Me.

In sum, Tomar has acted inappropriately with respect to the discovery process. First, Tomar failed to produce documents even after being explicitly required to do so by an order from this Court to fully comply with the 3M's document requests and interrogatories. Plaintiffs may not decline to produce documents on their own belief that a response is not relevant or overly burdensome without placing such an objection before the Court. In this case, in its initial response to 3M's discovery requests, Tomar listed several objections, including relevancy. This Court overruled those objections. Tomar did not appeal the discovery order to the district court. Tomar has waived further objections. Accordingly, Tomar cannot continue to object to producing documents that are responsive to 3M's requests. Certainly, Tomar cannot at this late date raise further objections based on a specious legal argument about the scope of discovery being limited by 3M's alleged failure to place a mark on their invention. This questionable argument is likewise untimely. Further, Tomar should have conducted a reasonable inquiry into whether employees, other than Sikora, had documents or information responsive to 3M's request. Tomar's sales personnel, those involved in the development of the STROBECOM and others would reasonably had responsive documents. Finally, Tomar should have instigated a litigation hold after being notified of this litigation. Tomar employees should have been notified to retain all documents relative to the development, manufacturing, sale and support of the STROBECOM II system. By failing to comply with this Court's express order to produce all responsive documents, failing to conduct a reasonable inquiry for relevant documents, failing to place a litigation hold on the destruction of documents, expressing new reasons and new objections to 3M as an excuse not to comply with this Court's order, and making specious legal arguments more responsive to a motion to compel rather than a motion for sanctions, Tomar has exhibited a complete disregard for the authority of this Court and for the rules in which parties before this Court must abide.

### **C. Tomar's Improper Conduct During Depositions**

3M argues that Tomar should be sanctioned because Tomar's counsel, Thomas Watkins, and president, Scott Sikora, acted improperly during certain depositions. 3M describes several instances where, 3M claims, Watkins' or Sikora's conduct was inappropriate under the rules.

### ***1. Sikora's conduct during depositions***

The first incident described by 3M is Sikora's interjection of a comment during redirect conducted by Tomar's counsel of Bill Taylor. Sikora's comment is explained in Tomar's response brief as being done "to facilitate Mr. Taylor's answer." Sikora's interjection, however, elicited a response from the witness contradicting the witness' previous testimony. (See 3M Ex. 11, Taylor Dep. 351, May 17, 2006.) Facilitating a deposing witness' testimony by an attending party is entirely inappropriate. The court notes that Sikora made remarks during another deposition. During the deposition of Tracy Vander Kooi, Sikora apparently became frustrated and upset over the questioning about the kind of car he and others were provided by the company for work and person use. (3M Ex. 13, Vander Kooi Dep. 69, May 18, 2006.) He also directed a question toward opposing counsel about the kind of car the attorney drove to work. (*Id.* at 70.) The court does note that counsel for Tomar apologized for Sikora's actions. The Court, however, finds Sikora's conduct is inappropriate. Tomar is represented by counsel. If a party has relevant information that the party would like to impart to counsel to help clarify the questioning, the party may request a moment to confer with counsel. The party should not interrupt the deposition as this gives the impression that the party is guiding the witness' testimony. In addition, it is counsel's duty to object to any questioning that is beyond the scope of the depositions. Here, the court finds that Sikora's interjection during Taylor's deposition was an attempt to guide Taylor's testimony. In addition, the court finds that Sikora's conduct during other depositions was also inappropriate. To prevent this from occurring in future depositions, this court is barring Sikora from attending depositions other than his own.

### ***2. Tomar's Counsel's Conduct***

3M describes an incident when Watkins, Tomar's counsel, whispered to at least two deponents during their questioning by opposing counsel and attempted to limit 3M's ability to question witnesses by threatening to leave one deposition during 3M's questioning and stating that 3M had 30 seconds left

for recross with another witness.

While this conduct is questionable, the court finds that it is not severe enough to warrant further sanctions. The court notes, however, to avoid the appearance of imparting coaching information to the witness, counsel should refrain from whispering to witnesses during the questioning period. The court additionally notes that the time limits for conducting depositions is clearly set forth in the rules and pretrial scheduling order. Counsel may not dictate another allocation of time absent an order from this court or by an agreement with opposing counsel.

### ***3. Tomar's Failure to Answer Questions about its Product in Development***

During the depositions of Scott Sikora and David Huizingh, 3M asked about a new product that was being developed at Tomar related to the STROBECOM II system. 3M claims that this information is important, identifying the product as Tomar's attempt as a "design-around for the STROBECOM II system." Tomar claims that this product is unrelated to optical technology and therefore is not relevant to the present litigation. Both Sikora and Huizingh refused to answer questions about the product. (3M Ex. 10, Sikora Dep. 41-42; 3M Ex. 14, Huizingh Dep. 248-252.)

Under Fed.R.Civ.P. 30, "[a]ll objections made at the time of the examination to ... any ... aspect of the proceedings shall be noted by the officer upon the record of the deposition; but the examination shall proceed, with the testimony being taken subject to the objections. Fed.R.Civ.P. 30(c). Generally, a party may state an objection, but the deponent will continue to answer the posed questions. Where information is relevant and necessary to the presentation of a case the consequence of disclosure of a trade secret is not a bar to discovery. *Caldwell-Clements, Inc. v. McGraw-Hill Pub. Co.*, 12 F.R.D. 531, 545 (S.D.N.Y.1952). It may be appropriate, however, to protect the disclosed information with a protective order. *Id.*

Testimony indicates that this new product development project may be relevant to the STROBECOM II system. David Huizingh stated that the development project was related to optical traffic preemption. (Huizingh Dep., 3M Ex. 14 at 248.) He also answered in the affirmative when asked: "Does [the product development project] leverage off technology that you've worked on regarding optical preemption products?" (*Id.* at 251.) Thus, this information should have been discoverable since it

appears relevant to the claims litigated or likely to lead to admissible evidence. Here, there is already a protective order in place. There is a designation of "confidential--outside attorneys eyes only" which would sufficiently protect Tomar's trade secrets. Accordingly, Tomar must answer questions regarding the product development project.

#### **D. Other Discovery Abuses**

The same shortcomings exhibited by Tomar's failure to completely respond to 3M's document requests discussed above, is reflected in Tomar's response to interrogatories and its preparation of its 30(b)(6) witness. Although not addressed by 3M, this Court notes Tomar's failure to conduct a reasonable investigation prior to responding to 3M's interrogatories and Sikora's lack of preparation prior to his deposition as Tomar's 30(b)(6) witness.

Under Rule 30, the party requesting a 30(b)(6) deposition, must articulate in its deposition notice the particular subject areas that the party anticipates will be discussed and are relevant to the party's claims. Fed.R.Civ.P. 30. "[T]he responding party must make a conscientious good-faith endeavor to designate the persons having knowledge of the matters sought by [the opposing party] and to prepare those persons in order that they can answer fully, completely, and unequivocally, the questions posed by [the opposing party] as to the relevant subject matters." *Prokosch v. Catalina Lighting, Inc.*, 193 F.R.D. 633, 638 (D.Minn.2000). "Any other interpretation of the Rule would allow the responding corporation to 'sandbag' the depositions process 'by conducting a half-hearted inquiry before the deposition but a thorough and vigorous one before the trial.'" *Id.* In a 30(b)(6) notice, 3M set a list of areas that would be raised as topics for discussion. Tomar had a duty to prepare its 30(b)(6) witness to be capable of providing information relevant to those topic areas. Sikora admittedly did not confer with anyone in the company before he appeared as the company's 30(b)(6) deponent. [FN5] A company has a similar duty to conduct a reasonable investigation, make reasonable inquiries of its employees, and fully respond to interrogatories posed to the company. See Fed.R.Civ.P. 33. The Court finds that, just as Tomar failed to fully respond to 3M's document requests, Tomar failed to prepare Sikora so that he could answer fully, completely, and unequivocally, the questions posed by 3M and failed to fully respond to 3M's interrogatories. The Court finds that this lack of preparation, and considering Tomar's entire conduct during discovery, is further indication of Tomar's disregard of the authority and rules of this Court.

FN5. After his deposition, however, and long after 3M had requested and this Court had ordered production all responsive documents, Tomar downloaded thousands of email of its sales representative. Tomar did not reveal its possession of the email until 3M brought the current motion for sanctions. It is not clear to the Court that these email would have ever been produced, had this motion not been before the Court. This appears to be just the situation that the *Prokosch* Court contemplated a limited, non-existent investigation for and production of responsive documents during pretrial discovery.

#### **E. Prejudice to 3M**

3M describes how Tomar's discovery abuses have affected its ability to proceed through the discovery process and present their claims before the Court. Tomar's failure to comply with the Court's discovery order and produce responsive documents has seriously hampered 3M's ability to litigate its claims against Tomar. False and evasive answers have caused delay and added costs. Failure to produce relevant and responsive documentation has hampered 3M's ability to conduct thorough and complete depositions. The failure to place a litigation hold on company documents has potentially caused relevant documents, potentially beneficial to 3M's claims, from ever coming to light. The Court finds that 3M has been greatly prejudiced by Tomar's misconduct.

#### **V. THE APPROPRIATE SANCTIONS**

"In order to impose sanctions under Rule 37, there must be an order compelling discovery, a willful violation of that order, and prejudice to the other party." *Chrysler Corp. v. Carey*, 186 F.3d 1016, 1019 (8th Cir.1999). Based on the above discussion, the Court finds that sanctions are appropriate. Federal Rule of Civil Procedure 37 sets for a non-exhaustive list of possible sanctions a court may impose for discovery abuse. See Fed.R.Civ.P. 37(b)(2). Rule 37 also states that "an evasive or incomplete disclosure, answer, or response is to be treated as a failure to disclose, answer, or respond." Fed.R.Civ.P. 37(a)(3). Tomar's incomplete, willfully false, and evasive discovery responses borders on a complete failure to respond to 3M's discovery requests. This type of behavior alone could justify a default judgment either under Rule 37 or the court's inherent authority to impose sanctions for an abuse of the judicial process. See *Martin v. DaimlerChrysler Corp.*, 251 F.3d 691,



694 (8th Cir.2001). Taking into account (1) Tomar's failure to comply with this Court's order, (2) Tomar's failure to instigate a litigation hold to retain relevant documents, (3) Tomar's inappropriate conduct during depositions, the Court considered making such a recommendation to the district court. Noting that "there is a strong policy in favor of deciding a case on its merits, and against depriving a party of his day in court," *See Chrysler Corp.*, 186 F.3d 1016 at 1020. Nevertheless, the Court has concluded that a sanction of a default judgment would be extreme and that other less stringent sanctions are more appropriate. The Court, therefore, carefully considered the appropriate sanctions based on Tomar's misconduct and discovery abuse.

## **VI. FINDINGS AND CONCLUSION**

The Court finds that:

1. Scott Sikora as the representative for Tomar clearly gave false and misleading discovery responses;
2. Tomar failed to conduct a reasonable inquiry or investigation for information or documents responsive to 3M's discovery requests;
3. Tomar failed to comply by this Court's February 10, 2006, discovery order;
4. Tomar failed to instigate a litigation hold on relevant documents after being notified of pending litigation. Tomar has still not instigated a litigation hold even after being served discovery requests and ordered to comply with those discovery requests by this court. Tomar has yet to inform its employees to retain possible relevant documents;
5. Noting the lack of credible evidence to the contrary, evidence presented to the Court is sufficient to indicate that relevant and discoverable documents have been destroyed;
6. Sikora acted inappropriately during depositions and guided a witness' answer;
7. Tomar's counsel inappropriately directed Sikora and Huizingh not to answer questions regarding Tomar's product development project;
8. Tomar's described conduct is an abuse of the discovery process; and
9. Tomar has exhibited a complete disregard for the authority of this Court and for the rules in which parties before this Court must abide.

Contrary to the directive of the Supreme Court, this discovery has all the earmarks of a game of blind man's bluff. Based on the findings of this Court and the reasoning set forth in the memorandum, the Court has issued the order above delineating the appropriate sanctions