

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

HEALTHIER CHOICE FLOORING,)	
LLC,)	
Plaintiff,)	CIVIL ACTION NO.
v.)	1:11-CV-2504-CAP
CCA GLOBAL PARTNERS, INC.,)	
Et al.)	
Defendants.)	

REPORT AND RECOMMENDATION OF SPECIAL MASTER

I. BACKGROUND

The Plaintiff brought this action asserting a variety of trademark infringement, trade dress infringement, false advertising, counterfeiting, trademark dilution, false designation of origin, palming off and unfair competition claims against the Defendants. [Docket No. 70, Amended Complaint at par. 1] Pursuant to an Order of the Court dated October 23, 2012, the undersigned was appointed Special Master to resolve a number of pending and emerging discovery disputes between the parties. [Dckt. No. 158] Each of these issues and the Special Master's recommendations are described herein.

The first motion at issue is the Defendants' Motion to Compel Substantive Corporate Representative Testimony. [Dckt No. 138] This motion seeks the following relief: (a) an order compelling Plaintiff's counsel to "discontinue its practice of improperly instructing the witness not to answer and asserting speaking objections in violation of Federal Rule of Civil Procedure 30(c)" [Dckt No. 138 at 1]; and (b) an order instructing Plaintiff to "produce deposition witnesses who will answer substantive questions." [Dckt No 138 at 1]

The second motion at issue is the Plaintiff's Motion for Protective Order Preventing Defendants from Asking Questions Outside the Scope of the Rule 30(b)(6) Designations. [Dckt No. 149] This motion notes that the corporate designees of the Plaintiff were previously deposed in their individual capacities and asserts that questions outside the scope impermissibly attempt to re-open these individual depositions without a court order.

The third motion at issue is Plaintiff's Motion for Protective Order Regarding Defendant's Abusive Third-Party Subpoena Practice. [Dckt No. 152] This motion seeks an order prohibiting Defendants from issuing further non-party subpoenas without leave of Court.

The fourth motion at issue is Plaintiff's Motion for Protective Order limiting the timing and scope of the deposition of Michael Norton in his individual capacity.

[Dckt No. 166] This motion is based on the fact that Mr. Norton has already been deposed, first as an expert witness, and subsequently as a corporate designee under Rule 30(b)(6).

The fifth motion at issue is Plaintiff's Motion seeking a determination as to the scope of the waiver of attorney-client privilege implicated by Plaintiff's decision to rely upon advice of counsel as a defense to the Defendants' counterclaim alleging the fraudulent filing of an incontestability affidavit in connection with Plaintiff's HEALTHIER CHOICE® trademark registration. [Dckt No. 167]

The sixth motion at issue is Defendants' Motion to deem responses to over two hundred and fifty requests to admit as admitted. [Dckt No. 171]

The Special Master conducted a hearing on these motions on November 28, 2012. At the hearing, the parties agreed to several undertakings in an effort to resolve or at least narrow the scope of issues in need of resolution.

After the November 28 hearing, a dispute arose between the parties as to the reimbursement of fees and expenses relating to expert witness discovery, including document production, document review and deposition. The Special Master directed the parties to file letter briefs addressed to this issue, and the parties complied. [Dckt. Nos. 179-180]

A supplemental telephone conference was conducted on January 3, 2013 to discuss the remaining issues relating to the attorney-client privilege waiver, and the dispute relating to expert witness fees. The Special Master has now considered the briefs of the parties, the evidence of record and the arguments of counsel at the hearing and supplemental call, and herein renders the following report and recommendations on the disputed matters described above.

II. THE CORPORATE DEPOSITION OF PLAINTIFF (MOTIONS 1-2)

Rule 30 of the Federal Rules of Civil Procedure states in relevant part:

(a) When a Deposition May Be Taken.

* * * * *

(2) With Leave. A party must obtain leave of court, and the court must grant leave to the extent consistent with Rule 26(b)(2):

* * * * *

(A) if the parties have not stipulated to the deposition and:

* * * * *

(ii) the deponent has already been deposed in the case;

* * * * *

(b) Notice of the Deposition; Other Formal Requirements.

* * * * *

(6) Notice or Subpoena Directed to an Organization. In its notice or subpoena, a party may name as the deponent a public or private corporation, a partnership, an association, a governmental agency, or other entity and must describe with reasonable particularity the matters for examination. The named organization must then designate one or more officers, directors, or managing agents, or designate other persons who consent to testify on its behalf; and it may set out the matters on which each person designated will testify. A subpoena must advise a nonparty organization of its duty to make this designation. The persons designated must testify about information known or reasonably available to the organization. This paragraph (6) does not preclude a deposition by any other procedure allowed by these rules.

Fed. R. Civ. P. 30 (emphasis added).

The Defendants served Plaintiff with a corporate deposition notice specifying 49 topics upon which the Plaintiff was to designate a witness and provide testimony. [Dckt No. 138-1] Among the topics specified in the notice are as follows:

- Topic 1: The development and creation of any of the trademark(s) alleged by Healthier Choice Flooring, LLC to have been infringed by any defendant.
- Topic 2: The development and creation of any of the trade dress alleged by Healthier Choice Flooring, LLC to have been infringed by any defendant.
- Topic 3: The revenue, cost of goods sold, and profit derived from sales of carpet cushion or underlayment manufactured by

Healthier Choice Flooring, LLC, and the creation of records reflecting same.

- Topic 4: The revenue, cost of goods sold, and profit derived from the sales of carpet cushion or underlayment manufactured by Healthier Choice Flooring, LLC in connection with the “MoistureBloc” logo, and the creation of records reflecting same.
- Topic 5: The revenue, cost of goods sold, and profit derived from the sales of carpet cushion or underlayment manufactured by Healthier Choice Flooring, LLC in connection with the “Made with Bio Materials” logo, and the creation of records reflecting same.
- Topic 6: The revenue, cost of goods sold, and profit derived from the sales of carpet cushion or underlayment manufactured by Healthier Choice Flooring, LLC in connection with the “Platinum Plus” logo, and the creation of records reflecting same.
- Topic 7: Healthier Choice Flooring, LLC’s advertising expenditures and sales revenue with respect to each mark asserted against defendants since the date of first use for each of the marks.
- Topic 10: The creation of the advertisements, catalogs, circulars, leaflets, signs, point of sale materials, internet publications or other advertising, promotional or marketing materials for the goods and services sold under the Healthier Choice Flooring, LLC Marks.
- Topic 11: Any market research, focus group study or survey concerning the Healthier Choice Marks.
- Topic 13: All licenses, agreements or other electronically stored information, documents, or tangible things concerning the grant to others of any authorization, consent or license to

use the Healthier Choice Marks or ability to co-exist with other trademarks having HEALTHIER CHOICE as part of the mark.

- Topic 14: Your knowledge of others using the terms “healthy,” “healthier,” or “healthiest” in connection with the sale or offer for sale of goods and services.
- Topic 15: Any market plans, forecasts, or projections relating to marketing, sales, or production for the goods and services sold under the Healthier Choice Marks.
- Topic 16: Any instances of confusion between Healthier Choice Marks and the Healthier Living Marks, including, without limitation misdirected mail, email, telephone calls, orders, or inquiries concerning any relationship or association between the parties.
- Topic 17: Any instances of confusion between the trade dress of carpet cushion or underlayment products manufactured by Healthier Choice Flooring, LLC and the trade dress of the Healthier Living Flooring Installation System, including, without limitation misdirected mail, email, telephone calls, orders, or inquiries concerning any relationship or association between the parties.
- Topic 18: Any evidence of customer recognition of the Healthier Choice Marks in the marketplace as trademarks or service marks of Healthier Choice Flooring, LLC.
- Topic 19: Any evidence of customer recognition of the of carpet cushion or underlayment products manufactured by Healthier Choice Flooring, LLC as that of Healthier Choice Flooring, LLC.
- Topic 30: The basis for allegations of Healthier Choice Flooring, LLC in its Complaint and the Amended Complaint in this case.

- Topics 31-38 address “The basis for allegations of [Plaintiff] concerning [Counts I-VIII of the Amended Complaint].”
- Topic 42: The factual basis of Healthier Choice Flooring, LLC for its allegation that any purported infringement by any defendant was willful.
- Topic 43: Any communications or agreements with any third party concerning this lawsuit or any defendant.
- Topic 45: The factual basis for any claims of Healthier Choice Flooring, LLC for monetary relief.
- Topic 46: The corporate structure and history of Healthier Choice Flooring, LLC including a discussion of any corporate organization chart.

[Dckt No. 138-1]

In response to the Notice of Deposition directed to the Plaintiff, Plaintiff designated and produced Craig Poteet and Drew Holland as two of its representatives. Additionally, Plaintiff served Defendants with Plaintiff’s Supplemental Responses and Objections to the corporate deposition notice. [Dckt No. 138-4] Plaintiff identified the topics as to which each witness would testify. For example, with respect to Mr. Poteet, Plaintiff designated him as a witness on topics 8-9, 11-14, 22, 43-44 and 46-48. [Dckt Nos. 138-2 and 138-4] Furthermore, Plaintiff advised that Mr. Poteet would be available to confirm on the record that the position taken by Plaintiff in its substantive written response to topics 30-38, 42 and 45 (each of which sought information underlying the basis for the claims in suit) was the position of the Plaintiff. [Dckt No. 138-4] Messrs.

Poteet and Holland testified as corporate representatives on August 23-24, 2012. [Dckt Nos. 138-2 and 138-3] Both witnesses were previously deposed in their individual capacities. [Hearing Tran. at 29]

The first issue raised in the Defendant's motion to compel substantive corporate testimony pertains to a series of questions as to which the corporate representative was instructed not to answer on the basis that the question asked exceeded the scope of the deposition topics on which the witness was designated to testify.

As a threshold matter, the Defendants argue that instructing a corporate representative not to answer a question on the basis of scope (rather than privilege) is categorically unacceptable. *See, e.g., United States ex. rel. Tiesinga v. Dianon Sys., Inc.*, 240 F.R.D. 40, 43 (D. Conn. 2006) (improper for counsel to direct a witness not to answer a question in a deposition, even if question goes beyond the scope of the deposition notice).

To this point, Plaintiff responds that it is improper to ask a witness who has already been deposed in his individual capacity questions which exceed the scope of the deposition topics for which the person is designated.¹ Noting that the Court

¹ This concern is manifest in the Plaintiff's motion for protective order relating to the scope of the corporate deposition, which was filed after the corporate deposition adjourned. [Dckt No. 149]

signed off on the scheduling order in the case which included language to the effect that there are no alterations to the normal rules of discovery relating to individual depositions (e.g., limits on the number of depositions or the seven hour rule)², Plaintiff cites Fed. R. Civ. P. 30(c)(2) for the proposition that “A person may instruct a deponent not to answer only when necessary to preserve a privilege, to enforce a limitation ordered by the court, or to present a motion under Rule 30(d)(3).” (Emphasis added). Finally, Plaintiff argues that the burden and expense of reconvening the depositions heavily outweighs any potential benefit. *See Provide Commerce, Inc. v. Preferred Commerce, Inc.*, No. 07-80185 CIV 2008 WL 360591, at *2 (S.D. Fla. Feb. 8, 2008) (denying motion to compel in case where certain instructions to deponent not to answer questions were improper).

Normally, the Defendants would have the better of this threshold argument. *See generally King v. Pratt & Whitney*, 161 F.R.D. 475 (S.D. Fla. 1995). It is widely acknowledged that lawyers in a deposition should avoid instructing a witness not to answer a question, except where the question implicates the attorney-client privilege. If a question exceeds the scope of a noticed topic, the court can decide that the answer given by the witness is not binding upon the corporation. In such a case, the testimony can nevertheless be considered the testimony of the witness in his individual capacity. However, unlike *King* and its

² *See* Hearing Tran. at 30-33 and Hearing Exhibits 2-3.

progeny, there is no case law addressing the limited circumstance at issue in the case at bar, where the corporate designee has already been deposed as an individual, and then is asked questions outside the scope of the corporate deposition notice.

Assuming the scope of the topics is in fact exceeded, the situation before the Court now is more closely related to an attempt to take a second deposition of a witness in his individual capacity, which is conduct prohibited by Rule 30(a)(2)(A)(ii) unless a court order is first obtained. In such a situation, where the individual has already given a deposition and the scope of the corporate deposition notice is plainly exceeded, counsel is justified in refusing to permit the deposition of the individual to proceed as to the subject matter that is beyond the scope.³ In addition, the Court entered the scheduling order in this case with its specific notation that the restrictions of the discovery rules were not to be altered. [Hearing Tran. at 30-33 and Hearing Exs. 2-3] This lends additional credence to the Plaintiff's argument. *See* Fed. R. Civ. P. 30(c)(2). For these reasons, I do not

³ During the hearing, all counsel agreed that in a situation where the "seven hour rule" for an individual's deposition is exceeded, counsel for the witness is justified in terminating the deposition proceedings until and unless a court order is obtained permitting the deposition to continue. [Hearing Tran., pp. 44-46] I find this to be an additional convincing analogy to the situation where an individual's deposition is closed, and without a court order, counsel attempts to question a witness for a second time in his or her individual capacity by exceeding the scope of the noticed topics for a corporate deposition.

recommend a ruling here that each instruction not to answer was *per se* unreasonable.

At the same time, the policy of Rule 30 is in general to lawyers to object to improper questions, but not to instruct witnesses not to answer. Normally, the ruling on a deposition asserted in deposition is reserved to the Court until the first use of the relevant portion of the transcript. When counsel is permitted to instruct a witness not to answer for reasons other than privilege, there is the potential for abuse of such an instruction because what constitutes an objectionable question to counsel may not comport with the opinion of the Court. As Defendants' counsel noted during the hearing, 30(b)(6) depositions often require some latitude to ask the witness in question about his background with the corporation designating him, whether specifically referenced as a topic for inquiry or not. [Hearing Tran. at 48] As a check against abuse of the power to instruct a witness not to answer, this Court has been vigilant in sanctioning counsel in order to deter improper objections instructing the witness not to answer. *See Forman v. Welding Serv., Inc.*, Case No. 04-CV-2838-TCB (Dckt No. 92 at 14, imposing attorney's fees as sanction for improper instruction to witness not to answer a question based on assertion of privilege, where the basis for the objection was overruled).

In light of the foregoing, it is especially important that counsel for the witness exercise reasonableness and caution when employing an instruction not to

answer on the basis of scope. If and to the extent that an instruction not to answer is improvidently given, it has the grave potential to disrupt the deposition and, worse, to necessitate motion practice and a possible re-deposition of the witness. For this reason, I adopt the notion that scope objections – particularly when accompanied by an instruction not to answer -- should be evaluated critically to make sure that they are not being interposed unfairly to obstruct the deposition proceedings. Such an evaluation is provided herein.

A. Instructions Not to Answer

In this case, there are twelve (12) sets of instructions not to answer at issue, each based on an objection that the question lacked a reasonable relationship to any of the topics as to which the witness was designated. [Dckt No. 138 at 7-9] Each set of objections and resulting instructions not to answer will be dealt with in turn.

(1) Holland Deposition at 40:8-24 [Dckt No. 138-3 at 16].

The question giving rise to the objection/instruction not to answer was “Why did the company choose the term Healthier Choice to identify its carpet cushion?” I find this question to be related to Topic 1 of the deposition notice, and as such, the objection/instruction is overruled.

(2) Holland Dep. at 127:20-130:12 [Dckt No. 138-3 at 17-20]

The questions giving rise to the objection/instruction are (a) “what is it that they [Plaintiff] believe is infringing upon what is shown in Exhibit 3T?”; (b) “what

it is that you believe infringed that mark?"; and (c) "What is it that makes you believe that the logo shown in Exhibit 3T is infringed by any of these defendants?" Plaintiff asserts that these questions are related to Topic 1. However, Topic 1 is not fairly read as a topic relating to contentions of infringement. Such questions are implicated by one or more of Topics 30-38, as to which Mr. Holland was not offered as a witness. For this reason, I sustain the scope objection to these questions because Plaintiff lacked notice that it should have prepared Mr. Holland for questions relating to infringement prior to the deposition.

(3) Holland Dep. at 137:23-138:19 and 141:12-142:4 [Dckt No. 138-3 at 22-25]

The questions giving rise to the objection/instruction are (a) "And [Exhibit] 3V uses different colors than 3U, correct?"; (b) "What is it that you believe 3V is conveying?"; and (c) "Is there anything about Exhibit U Stafford that would indicate to a consumer that those wavy lines are stopping things from going into the carpet or the subfloor or the cushion?" Defendants assert that these questions are related to Topics 1, 16 and 17. However, there is nothing in these topics to suggest that they would cover infringement contentions, comparison of particular marks in question, or questions about these particular exhibits. Thus, I sustain the scope objection to these questions.

(4) Holland Dep. at 156:3-13 [Dckt No. 138-3 at 26]

The question giving rise to the objection/instruction is “are you aware of anything used by any Defendants that you believe infringes the trade dress shown in 3W?” Defendants assert that this question is related to Topic 2. However, while Topic 2 relates to the development of Plaintiff’s own trade dress at issue, it does not extend to contentions relating to infringement of trade dress by any defendant. Thus, I sustain the scope objection to this question.

(5)Holland Dep. at 161:20-162:7 [Dckt No. 138-3 at 27-28]

The question giving rise to the objection/instruction is “Can you identify any trade dress in Exhibit 3X?” Defendants assert that this question is related to Topic 2 relating to the development and creation of any of the trade dress asserted by Plaintiff. I find this question to be related to Topic 2, and as such, the objection/instruction is overruled.

(6)Holland Dep. at 174:10-17 [attached as part of Exhibit 1 to the Hearing Transcript]

Relating to Exhibit 3Z’s reference to “educate consumers to make informed decisions,” the witness was asked “what are you attempting to educate the consumer about?” Defendants assert that this question is related to Topic 10, but the witness was instructed not to respond since the question was not “relative [to] any of the trademark trade dress in dispute in this case as to any topic to which he’s been designated.”

Exhibit 3Z is a power point presentation apparently created by the Johnson Group, and advertising and marketing company employed by Plaintiff. The specific page giving rise to the question pertained to the objectives of creating a website for Plaintiff. After the objection was given, the witness was asked “was one of the objectives in creating advertisements, et cetera, of Healthier Choice for their new website to educate consumers?” The witness responded “Yes” and proceeded to answer a series of questions about the education of consumers, therefore curing any potential prejudice from the prior instruction. For this reason, I deem the objection/instruction to be a moot issue.

(7) Holland Dep. at 180:13-20 [Dckt No. 138-3 at 29]

The question giving rise to the objection/instruction is “Then [Exhibit 4A] says ‘rarely speak to actual consumer and then usually if there’s a problem.’ Do you agree with that?” Exhibit 4A was a proposal and a mission plan from a website development company Solar Velocity. Defendants assert that the question is related to Topics 16 and 17, dealing with instances of consumer confusion. However, the question at issue is not reasonably related to one or more instances of consumer confusion. Defendants further assert that the question is related to Topics 18 and 19 dealing with customer recognition of the trademarks and trade dress at issue. However, the question is not reasonably related to customer recognition of trade dress. Finally, Defendants assert that the question is related to

Topic 43, dealing with communications or agreements with any third party concerning this lawsuit or any defendant. Again, the question is not reasonably related to this topic. Therefore, I sustain the objection.

(8) Holland Dep. at 187:22-188:4 [Dckt No. 138-3 at 31-32]

The question giving rise to the objection/instruction is “Do others in the industry of carpet padding use antimicrobial[s] allowing others to breathe easier?” Defendants assert that the question relates to Topics 1 and 2, involving the creation and development of Plaintiff’s trademarks and trade dress. I find that the question is not related to Topics 1 or 2⁴, and thus sustain the objection.

(9) Poteet Dep. at 83-86 [Dckt No. 138-2 at 10-13]

The question was asked of several former Plaintiff’s employees questions to the effect of, “Did [the employee] leave on good terms?” This prompted a scope objection and an instruction not to answer. Defendants argue that these questions relate to Topic 46, dealing with the corporate structure and history of [Plaintiff], including a discussion of any corporate organization chart. I do not find this topic to be worded in a manner which would have put Plaintiff on notice that its witness

⁴ For example, the Plaintiff was not put on notice by the topic that they needed to have a witness prepared to discuss third party usage of Breathe Easier or any other purported trademark at issue, in addition to the Plaintiff’s own creation and/or development of its marks. This is in contrast to a hypothetical situation where the question posed was “Did you borrow the phrase Breathe Easier from any other company?” which appears defensible under Topics 1 and/or 2 because it relates to the development of the mark.

needed to be prepared to discuss the circumstances upon which each of the former employees in question left the Plaintiff's employment. Therefore, I sustain the objection.

(10) Poteet Dep. at 179:1-190:8 [Dckt No. 138-2 at 14-25]

At the hearing, counsel for Plaintiff conceded that the agreement that was the subject of these questions was responsive to Topic 13 relating to consent and coexistence agreements relating to the Plaintiff's marks. [Hearing Tran. at 92] Thus, the Plaintiff's stated concerns are restricted to those questions which go beyond the questions about the agreements into more general areas of inquiry relating to the trademark prosecution history (Topic 49), for which the representative was not designated to testify. This was used as the basis for numerous inter-related instructions not to answer questions that related to at least one consent agreement.

The Plaintiff is entitled to further depose the Plaintiff regarding consent agreements and co-existence agreements. Topic 13 as stated refers to agreements, at least one of which appears to have been entered for the implicit if not explicit purpose of securing registration of the Plaintiff's trademark. The context of any such agreement is difficult, if not impossible to divorce from the proceedings affecting the registration of the Plaintiff's mark. [Hearing Tran. Ex. 4] Therefore, it was improper to instruct the

witness not to testify as to consent and co-existence agreements, including the circumstances associated therewith. Plaintiff can take this into consideration and decide whether Mr. Poteet or someone else is best suited to respond to questions relating to Topic 13.

(11) Poteet Dep. at 207:24-208:6 [Dckt No. 138-2 at 26-27]

During the Poteet deposition, he was shown a report from the U.S. Patent and Trademark Office website showing 260 different trademark registrations using the word “healthier.” This was presumably relating to Topic 14 relating to Plaintiff’s knowledge of others using the terms “healthy,” “healthier,” or “healthiest” in connection with the sale of goods and services. When Mr. Poteet indicated that of the 260 records in question, the only one he could see which used the words “Healthier Choice” together was the Plaintiff, he was asked “And you believe that that Choice distinguishes it from other trademarks?” Before he could answer, counsel interposed an objection on the basis that the scope was exceeded and that this was now asking about Plaintiff’s contentions in the litigation. As such, he was instructed not to answer.

Pursuant to Topic 14, it was appropriate to show the witness the list of records and to ask the witness which records or other uses of “healthier” it was aware of and at what time it became aware of them. However, asking the witness

whether “Choice” distinguishes its use of “healthier” from other registrations is not related to Topic 14. Rather, it seeks quasi-legal contentions relating to a claim of trademark rights in “Healthier Choice” given significant third party usage of “healthier.” For this reason, I sustain the objection. *See EEOC v. Ceasar’s Ent., Inc.*, 237 F.R.D. 428, 430, 435 (D. Nev. 2006) (deposition topics seeking quasi-legal contentions of a party are not appropriate in context of a corporate deposition).

(12) Poteet Dep. at 214:18-215:22 [Dckt No. 138-2 at 30-31]

The question giving rise to the objection/instruction is “Does [Plaintiff] have any evidence that any specific sale has been lost to the Healthier Living Installation System?” Defendants assert that this question is related to Topic 3, which deals with accounting issues related to actual sales made by Plaintiff. However, this question does not relate to actual sales but to sales that were lost (i.e., potential sales which were not consummated). As such, the question falls outside the scope of Topic 3.⁵ Defendants next assert that the question is related to Topic 45, which sets forth “The factual basis for any claims [of Plaintiff] for monetary relief.” Mr. Poteet was designated for the purpose of affirming that the written response to Topic 45 was in fact the position of the Plaintiff. Having reviewed the Plaintiff’s written response to Topic 45, it is apparent that the Plaintiff has not alleged that

⁵ In any event, Mr. Holland was designated as to Topic 3. Mr. Poteet was not designated as to Topic 3.

any sales have been lost to the Healthier Living Installation System. As such, the question is outside the scope of the claims for monetary relief, and I sustain the objection.⁶

B. The “Refusal”⁷ to Answer Questions by the Corporate Designee

As discussed above, Plaintiff’s counsel apparently prepared detailed written responses to each of the deposition topics (referenced herein as the “Response”). [Dckt No. 138-4] The Response set forth by topic, for example, the identities of various documents which the Plaintiff deemed responsive to the topic in question. In the case of the contention-oriented topics 31-38, 42 and 45, the responses set forth contentions that the Plaintiff held which were responsive to said topics.

Defendants object to a number of occasions during the course of the corporate deposition where the witness indicated an unwillingness to answer questions about a given topic without first being given access to the Response.

It is not unreasonable or unusual for a corporate designee to be provided with written information in order to satisfy the duty of the corporation to produce a

⁶ At the same time, because of the position taken by Plaintiff, it should be precluded at trial from offering any evidence purporting to show any lost sales because it has expressly taken the position that lost sales are irrelevant to its basis for the recovery of the monetary relief that it seeks.

⁷ The alleged “refusals” addressed in this section of the report were not based upon any instruction of counsel. [Hearing Tran. at 98]

knowledgeable witness in response to the topics noticed for deposition pursuant to Fed. R. Civ. P. 30(b)(6). Counsel for the movant agreed, for example, that counsel for the corporation may furnish the designated witness with a binder of written information responsive to each topic and that the witness may consult the binder in order to formulate responses to questions presented in deposition. [Hearing Tran. at 104-105]

After all, it is well-established that a corporate deposition is not a “memory contest.” *EEOC v. Am. Int’l Group, Inc.*, No. 93 CIV 6390 (PKL) RLE, 1994 WL 376052, at *3 (S.D.N.Y. July 18, 1994). The corporation has a duty to present witnesses which are prepared to testify on the topics for which they are designated, and the rule is silent regarding exactly how that duty is to be discharged.

The Defendants have identified twenty-two instances where a witness was asked a question about a topic for which they were designated, and the witness essentially responded by asking to see a copy of the Response before answering. [Dckt No. 138 at 9-12] Defendants’ counsel at the hearing indicated that on at least some of these occasions, he then showed the Response to the witness and asked questions, to which he received substantive testimony. [Hearing Tran. at 102] Counsel was asked to identify any instances where a witness, having “refused” to answer a question without seeing the Response, refused to answer once the Response was furnished. Counsel could not recall any. [*Id.* at 107]

Having reviewed the record of each of these instances, I am unconvinced that the witness' request to see the Response before answering is or should be construed as an outright refusal to answer. As such, the portion of the motion to compel dedicated to the witness' "refusal" to answer questions without the Response in hand is denied.

C. Refusal to Designate a Witness on Topics 30-38, 42 and 45

Corporate deposition topics seeking to elicit a party's contentions in litigation are a subject of much controversy, especially in complex litigation. *See Byrd v. Wal-Mart Transportation, LLC*, No. CV609-014, 2009 WL 3055303, at *4 and n.7 (S.D. Ga. Sept. 23, 1999).

In one case cited by the parties, the court denied a motion for protective order concerning contention 30(b)(6) topics because they were limited to seeking "factual information" only and not "quasi-legal argument" concerning the legal bases for certain affirmative defenses. *EEOC v. Ceasar's Ent., Inc.*, 237 F.R.D. 428, 430, 435 (D. Nev. 2006). In drawing the distinction between topics seeking facts from those seeking information about legal theories or arguments, Ceasar's cited *McCormick-Morgan, Inc. v. Teledyne Ind., Inc.*, 134 F.R.D. 275, 285-87 (N.D. Cal. 1991), *overruled on other grounds*, 765 F. Supp. 611 (N.D. Cal. 1991). *McCormick-Morgan* held that it was proper to treat certain 30(b)(6) topics as deposition upon written questions because the topics implicitly involved a

relationship between facts, application of intellectual property law and an analysis of patent claims.⁸

Of course, the courts are split over the proper approach where the topics in question relate to the basis for a party's claims or defenses in the litigation. *See AMP, Inc. v. Fujitsu Microelectronics, Inc.*, 853 F. Supp. 808, 831 (M.D. Pa. 1994) (compelling attendance of corporate representative to answer questions relating to contentions and defenses outlined in answer and counterclaims).

Topics 30-38, 42 and 45 are topics dedicated to exploring the "basis" for the various allegations and claims in the case. Topic 30 seeks to explore the basis for the allegations of the Complaint and the Amended Complaint. This topic is especially broadly worded and applies to exploration of the factual basis underlying the factual allegations of the Amended Complaint, as well as how those facts relate to the legal theories underlying liability and damages considerations associated with the causes of action asserted in the Amended Complaint. Topics 31-38 each relate to the basis for the allegations related to various specific counts of the Amended Complaint. Topic 42 relates to the "factual basis" underlying any contentions of willful infringement in the case, and as such, it is more limited in

⁸ Another case, *Dunkin' Donuts Inc. v. Mary's Donuts, Inc.*, 206 F.R.D. 518 (S.D. Fla. 2002), was willing to permit a corporate deposition but only if necessary to clarify written answers to contention interrogatories.

nature. Topic 45 likewise relates to the “factual basis” relating to any claims for monetary relief.

The Plaintiff’s Response to the foregoing topics indicated that the topics were impermissible contention –style topics and that the Plaintiff was electing to treat the topics as deposition upon written questions. At the deposition of Mr. Poteet, counsel for the Plaintiff indicated that Mr. Poteet as corporate designee would “stand exactly on what has been provided in [the Response] for the purposes of the 30(b)(6) deposition.” [Dckt No. 138-2 at 29-30 (Poteet Dep. at 213:2-214:8)] [Hearing Tran. at 58]

I find that it was appropriate in the first instance for the Plaintiff to provide its Response to Topics 30-38, 42 and 45, treating these topics as if they were a deposition upon written questions or contention interrogatories. The litigation is complex and the allegations of the Amended Complaint are numerous and often a lay witness is prejudicially disadvantaged when it comes to the task of presenting the company’s position because they are not trained in the subject matter of the litigation – in this case, trademark and unfair competition law. Permitting the Plaintiff to respond initially in writing to each of these topics is fair and appropriate.

The Defendants are entitled to review the substance of the Response on each of these topics and either (a) accept the written response as the complete testimony of the Plaintiff on the topic in question; or (b) seek the opportunity to ask questions to the Plaintiff regarding the substance of its written response, including questions about particular documents, information or prior witness testimony identified in the Response on the topic at issue. Here, with the Response in hand, the Defendants have opted to request a deposition to probe further the information identified in the Response. So the question is whether and to what extent in this case the Plaintiff should designate one or more witnesses to answer such questions.

In accordance with the authorities referenced above, topics requesting such “factual basis” have been deemed acceptable for 30(b)(6) deposition inquiry. For this reason, if Topics 30-38, 42 and 45 were the only topics in the corporate deposition notice to the Plaintiff, the motion to compel would be granted in part as to the parts of Topics 30-38, 42 and 45 which relate to the factual basis for the Plaintiff’s contentions or allegations identified in each of the respective topics. However, those are not the only topics upon which Plaintiff has testified.

To grant the motion outright as to these topics in light of the other thirty-eight (38) noticed topics on which the Plaintiff has previously provided a corporate designee to testify would effectively ignore the fact that there is a substantial overlap between (a) the facts underlying the contentions of the Plaintiff identified

in Topics 30-38, 42 and 45, and (b) the facts reasonably related to the other topics of the corporate deposition notice issued to Plaintiff. It would be unreasonably burdensome to require the Plaintiff to provide a witness to address facts subject to exploration under other topics of the deposition notice. For this reason, it is necessary to analyze what contentions in Topics 30-38, 42 and 45 implicate facts that are unrelated to the other topics of the deposition.

Most if not all of the asserted counts of the Amended Complaint ultimately rise or fall based upon whether there is a likelihood of confusion between the Plaintiff's trademark/trade dress and the accused mark/trade dress of the Defendants. The Eleventh Circuit case uses a multi-factor test in determining the likelihood of confusion. *Safeway Store, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160, 1164 (11th Cir. 1982). The oft-repeated factors in *Safeway Store* are: (1) strength of the mark; (2) similarity of the marks; (3) similarity of the goods; (4) similarity of the sales methods; (5) similarity of advertising media; (6) defendants' intent; and (7) evidence of actual confusion. *Id.*

Topics 1-2, 7, 10, 11 and 14-19 of the deposition notice at issue illustrate that the Plaintiffs have already designated one or more witnesses on topics reasonably related to the facts underlying the Plaintiff's contention that there is a likelihood of confusion between the marks and trade dress at issue. Thus, a deposition on the underlying facts relating to the Plaintiff's contentions in the

counts of the Complaint and Amended Complaint (Topics 30-38) would prove an exercise in redundancy given the topics on which Plaintiff has already been deposed. Such would be inefficient and wasteful, at odds with the most basic goals set forth in Fed. R. Civ. P. 1. (seeking the just, speedy and inexpensive determination of issues in dispute).

While on this point, Defendants' counsel indicated that Plaintiffs did not put up a witness relating to the factual allegations underlying the dilution or false advertising claims. [Hearing Tran. at 139-140] This contention is meritorious insofar as there could be facts relating to these claims extend beyond the "likelihood of confusion" analysis implicated in most other trademark and unfair competition analysis. Topic 30 is broad enough to require Plaintiff to put up a witness to testify as to the Plaintiff's understanding of facts underlying its false advertising and dilution claims.

Based on the relevant authorities, the motion to compel is denied as to questions which seek to probe legal or quasi-legal contentions of the Plaintiff.

In summary, the motion to compel is granted in part and the Plaintiff shall produce one or more corporate representatives to testify as to the Plaintiff's knowledge of factual matters reasonably related to Topics 1, 2, 13, 30 (only as to facts underlying the false advertising and dilution claims), 42 and 45.

In light of the fact that the Plaintiff has already produced two representatives who have been questioned extensively relating to numerous topics, the parties are hereby ordered to confer in advance of the deposition relating to:

(a) the identity of each corporate representative who is being identified by the Plaintiff and the topic(s) on which each person will testify; and

(b) the anticipated length of time the Defendant seeks with each representative so that reasonable time limits for each representative may be established by the parties in advance of the deposition.

Any disagreements as to subpoint (b) shall be brought to the attention of the Special Master in advance, and the Special Master shall if necessary impose a time limit on the deposition of each representative.

Furthermore, the Plaintiff's deposition shall proceed with the caveat that the deposition shall not seek to re-ask questions which Plaintiff has already answered in the prior corporate deposition testimony, nor shall counsel for the Defendants ask questions that are outside the scope of the Topics identified above as to which the instant motion is granted.

The deposition shall proceed on a date and time agreed upon by the parties and the Special Master. The Special Master shall provide the parties a call in number so that during the deposition, if any objections are raised as to repetitious

questioning or as to the scope of questioning which counsel for the parties are unable to resolve between themselves, the parties may call the Special Master for a ruling during the deposition.⁹ [Hearing Tran. at 163] Prior to the deposition, to aid the Special Master, counsel for the parties shall provide the Special Master an electronic copy of the prior corporate depositions of Plaintiff.

To the extent that the Plaintiff wishes its representative(s) to have access to any pre-prepared written information or documents during the deposition, such as the Response or any materials referenced therein, it shall be the Plaintiff's responsibility to furnish the written information and/or documents to the witness at the deposition. Because the information and/or documents relate to the Plaintiff's duty to present a prepared and knowledgeable witness for the deposition, Counsel for Defendants is not entitled to deprive any representative of access to any such written information and/or documents provided to the witness by Plaintiff's counsel during the deposition.

In light of the recommended rulings relating to each of the scope objections asserted during the prior deposition of the Plaintiff, the Plaintiff's motion for a

⁹ The presence of a Special Master acting in such a capacity renders this case distinguishable from *Fidelity Mgmt. & Research Co. v. Actuate Corp.*, 275 F.R.D. 63, 64 (D. Mass. 2011), where the Court was reluctant to permit further oral deposition because it was not available to act as a referee over anticipated objections.

protective order relating to the scope of deposition questions [Dckt No. 149] is denied as moot.

III. THIRD PARTY SUBPOENA PRACTICE (MOTION 3)

The next motion at issue is Plaintiff's Motion for Protective Order Regarding Defendant's Abusive Third-Party Subpoena Practice. [Dckt No. 152] This motion seeks an order prohibiting Defendants from issuing further non-party subpoenas without leave of Court.

At the hearing, Defendants' counsel indicated that the Defendants do not presently possess plans to issue any further subpoenas to third parties. [Hearing Tran. at 149] In an effort to resolve this issue to the mutual satisfaction of the parties, the Special Master suggested that the parties confer prior to the issuance of further subpoenas, and contact the Special Master only in the event of a disputed issue relating to a putative subpoena. [*Id.* at 151] Defendants' counsel indicated this approach would be satisfactory so long as Plaintiff's counsel is not permitted to act on the information relating to the anticipated subpoena in advance of its issuance and formal notice pursuant to Fed. R. Civ. P. 45. [*Id.* at 151-52] Plaintiff's counsel likewise agreed with this approach. [*Id.* at 152]

For these reasons, in the event the Defendants wish to issue further subpoenas, Defendants' counsel shall confer with Plaintiff's counsel as to the

subpoena. In the event that there is an objection to the subpoena, the parties shall each contact the Special Master by email and a telephone hearing will be set for argument on the matter. Counsel for the Plaintiff is to keep the information relating to the identity of any third party to be subpoenaed strictly confidential and shall not use it for any purpose other than to present argument to the Special Master pending the issuance of the actual subpoena. [Hearing Tran. at 154]

Based on the process outlined above, the Motion for Protective Order [Dckt No. 152] is denied as moot.

IV. THE DEPOSITION OF MICHAEL NORTON (MOTION 4).

The next motion at issue is Plaintiff's Motion for Protective Order limiting the timing and scope of the deposition of Michael Norton in his individual capacity. [Dckt No. 166] By way of background, Mr. Norton has already been deposed two times in the case – first, as an in-house expert for the Plaintiff, and secondly, as a corporate representative designated by Plaintiff to testify on one or more topics. Subsequent to his deposition testimony, he was identified by Plaintiff in supplemental Rule 26 disclosures as based on an apparent contact with someone in California who may have expressed confusion between the marks of the Plaintiff and Defendant. [*Id.* at 157] There was at least one other basis stated by Defendants as justifying the need for an individual deposition of Mr. Norton.

Defendant's counsel indicated during the hearing that he does not need more than three hours with Mr. Norton. [*Id.* at 160]

Counsel for Plaintiff indicated that there is concern that in each of his prior two depositions, he was asked questions outside the scope of the deposition's purpose, and that this should count against the time for his individual deposition. [Hearing Tran. at 156-57]

The Special Master has considered the prior depositions and the stated reasons put forth by Defendants' counsel for desiring to take the individual deposition of Mr. Norton. The Special Master will grant the Motion for Protective Order in part and deny it in part. Defendants are permitted to take a deposition of no more than two and a half hours in duration of Mr. Norton, and with the caveat that the deposition shall not seek to re-ask questions which Mr. Norton has already answered. The deposition shall proceed on a date and time agreed upon by the parties and the Special Master. The parties shall provide copies of each of Mr. Norton's prior deposition transcripts to the Special Master in advance of the deposition. The Special Master shall provide the parties a call-in number so that during the deposition, if any objections are raised as to the scope of questioning in light of this protective order which counsel for the parties are unable to resolve between themselves, the parties may call the Special Master for a ruling during the deposition. [Hearing Tran. at 163]

**V. SCOPE OF WAIVER OF ATTORNEY-CLIENT PRIVILEGE
(MOTION 5)**

Next, Plaintiff has asked for a determination as to the scope of the waiver of attorney-client privilege implicated by its decision to rely upon advice of counsel as a defense to the Defendants' counterclaim alleging the fraudulent filing of an incontestability affidavit. [Dckt No. 167] The affidavit which was filed upon apparent advice of counsel was submitted to the United States Patent and Trademark Office (USPTO) in March of 2012. [Hearing Tran. at 167]

All parties appear to agree with the familiar "sword/shield" dichotomy holding that once attorney-client privilege is waived as to advice of counsel, it may not be invoked as to the subject matter to which the waiver applies. Here, the fraud counterclaim of the Defendants, as plead, asserts that the affidavit from fraudulently filed with the USPTO. [Answer to Amended Complaint and Counterclaim, Counterclaim Count V, at 33-35] Advice of counsel was asserted during the deposition of Plaintiff's President Mr. Poteet in response to these allegations. [Dckt. No. 167-6 at 4, Poteet Dep. at 65] For this reason, based on the way the issue has evolved to this point in the case, the waiver of attorney-client privilege applies to any advice relating to the same subject matter as the waiver,

namely, advice of counsel relating to the affidavit in question.¹⁰ The parties disagree whether the scope of the waiver should apply strictly to advice pertaining to the filing of the affidavit, or should apply to advice provided to the Plaintiff relating to the affidavit after it was filed.

The Special Master asked Plaintiff to hand over to Defendants voluntarily certain documents based upon a finding of waiver of privilege. [Hearing Tran. at 203-04] Subsequent to the hearing the parties advised the Special Master that such a voluntary disclosure has taken place. The Special Master also advised the Plaintiff that it needed to prepare and produce to Defendants two privilege logs tailored to the incontestability affidavit. The first log relates to attorney-client privilege relating to the affidavit, including work product items which were shown or described to the client. The second log relates to attorney work product relating to the affidavit where the work product was not shown or described to the client. [Id. at 204] The logs were prepared and produced to Defendants after the November 28, 2012 hearing.

¹⁰ Subsequent to the November 28, 2012 hearing on this motion, the Defendants have filed a motion to supplement the fraud counterclaim with additional allegations of fraud. [Dckt No. 185] As of the date of this report, that motion remains pending. However, were that motion to have been granted prior to the presentation and submission of this Report, it would not have affected the determination of the scope of waiver as to the documents reviewed *in camera*.

In response to the privilege logs and voluntary production of documents to which the waiver applied, counsel for the parties conferred and were unable to resolve amongst themselves differences relating to whether certain items on the privilege logs needed to be produced in view of the waiver. The parties then asked the Special Master to conduct an *in camera* review of the disputed items on the privilege logs.

The Special Master reviewed *in camera* entries 1-7 on Healthier Choice's attorney-client privilege log and entries 1-11 on Healthier Choice's work product log. The *in camera* review included a review of unredacted copies of documents marked HCINC1-11, 34, 81, 82, and 84-85 from Plaintiff's voluntary document production on incontestability.

The Plaintiff's production of documents relating to the incontestability-related communications between Plaintiff and its counsel, as well as its incontestability-related work product, appears exhaustive insofar as it relates to the waiver issue. None of the contested items withheld from production, all of which were reviewed *in camera*, relate to legal advice pertaining to the filing of the incontestability declaration, or even to the withdrawal of the affidavit *vel non*.

On January 3, 2013, the Special Master conducted a telephone conference to hear arguments relating to the parties' disagreements relating to the document

production in view of the waiver of privilege relating to the incontestability affidavit.

During this call, two additional issues were raised by counsel for the Defendant. The first related to whether certain items on the privilege logs which may have been inadvertently omitted from the prior privilege logs of Sutherland, Asbill, Brennan LLP, Plaintiff's trademark counsel, justified a finding of waiver of privilege as to the omitted documents. Because discovery is continuing on the advice of counsel defense – all counsel agreed that the deposition of Sutherland has yet to take place, and that Plaintiff will put Mr. Poteet up if necessary for further questions about his reliance upon advice of counsel – there is no prejudice arising from any error in the previous Sutherland privilege log upon which to base the imposition of a waiver due to an omission in the privilege log.¹¹ In light of the continuing discovery, counsel for the Defendant agreed with this during the January 3 call.

The second issue arising on the call relates to Item 13 on the work product log, which is a generic “catch all” entry meant to protect any trial materials of

¹¹ It is also noteworthy that Sutherland is not involved in the litigation and prepared the privilege log in response to a third party subpoena on or about September 25, 2012. The privilege waiver did not occur until October 25, 2012, and the Special Master provided initial guidance to the parties on how to handle the limited privilege waiver at the November 28, 2012 hearing. Under these circumstances, the Special Master concludes that the Plaintiff was not dilatory in addressing any potential errors or omissions in the original Sutherland privilege log.

counsel which may have been overlooked inadvertently during the preparation of the privilege. Because these materials, to the extent they exist, address only items which trial counsel has accumulated on the incontestability issue, which materials have not been shared with the Plaintiff formally or otherwise, there is no need to produce them. *See In re Seagate, LLC*, 497 F.3d 1360, 1376 (Fed. Cir. 2007).

The Special Master also has reviewed the topics set forth for the corporate deposition of Sutherland. [Dckt. No. 167-8 at 9-11] The purpose of this review was to determine whether any of the topics were barred *per se* by the attorney-client privilege. Plaintiff submitted that in particular, Topic 2 was invasive of the attorney-client privilege. The Special Master has reviewed the topics and finds that none of them are barred *per se* by attorney-client privilege.

Therefore, the deposition of Sutherland shall proceed on a date and time agreed upon by the parties and the Special Master. The Special Master shall provide the parties a call-in number so that during the deposition, if any objections are raised giving rise to a refusal of the witness to answer a pending question, the parties may call the Special Master for a ruling during the deposition.

**VI. RESPONSES TO DEFENDANTS' REQUESTS TO ADMIT
(MOTION 6)**

Defendants have requested that the Special Master recommend that the Court deem Defendants' Requests to Admit Nos. 109-373 admitted based upon allegedly deficient responses.

Requests for admission are used to establish admission of facts about which there is no real dispute. Written statements of facts concerning the case are submitted to an adverse party, which that party is required to admit or deny. Statements that are admitted are then treated by the court as having been established and need not be proved at trial. *See* Fed. R. Civ. P. 36.

Rule 36 permits a party to deny a request for admission in whole or in part:

If a matter is not admitted, the answer must specifically deny it or state in detail why the answering party cannot truthfully admit or deny it. A denial must fairly respond to the substance of the matter; and when good faith requires that a party qualify an answer or deny only a part of a matter, the answer must specify the part admitted and qualify or deny the rest. The answering party may assert lack of knowledge or information as a reason for failing to admit or deny only if the party states that it has made reasonable inquiry and that the information it knows or can readily obtain is insufficient to enable it to admit or deny.

Fed. R. Civ. P. 36(a)(4) (emphasis added).

By way of background, the Defendants believe (or at least believed at the time) that the Plaintiffs intend to rely upon instances of confusion amongst or reported to Plaintiff's distributors, and further intend to rely upon evidence of lost sales by distributors to the Defendants' Healthier Living Installation System. In

response, the Defendants issued and served subpoenas on numerous distributors of the Plaintiff. Each subpoena was comprised of a number of document requests, including requests for documents that indicated customer complaints or confusion relating to the Defendants, and documents relating to any lost sales.

The requests to admit in dispute were structured along the following lines for each of the Plaintiff's distributors:

- (a) a request to admit that the Defendants served a subpoena upon a given distributor;
- (b) a series of requests to admit the documents requested by the subpoena;
- (c) a request to admit that the respondent to the subpoena produced specific documents in response to the subpoena;
- (d) requests to admit that the documents produced, if any, do not reflect
 - [i] “anything related to Healthier Living Installation[;]”
 - [ii] “any correspondence with [Plaintiff] related to Healthier Living Installation[;]”
 - [iii] any complaints [...] concerning Healthier Living Installation[;]”
 - [iv] “any customer confusion [...] between the Healthier Living Installation and any products offered for sale by [Plaintiff;]” and

[v] “any lost sales [...] because of the Healthier Living Installation offered by Carpet One stores.”

[Def. Second Set of Requests for Admissions Directed to Plaintiff Healthier Choice Flooring, LLC, Request Nos. 109-373]

The Defendants’ decision to serve over two hundred request to admit relating to service of document requests upon third parties, and the contents of third party documents received in response, is somewhat perplexing. Where a request was denied, the Plaintiff’s responses to the requests at issue adequately explain the basis for the Plaintiff’s denials, which often consisted of the fact that the distributor information necessary to address each request substantively is not within the custody or possession of the Plaintiff. Granted, the responses do not literally recite that a “reasonable inquiry” has been made. However, the statements contained in the objections combined with the substance of Plaintiff’s response is tantamount to a statement that a reasonable inquiry has been made under the circumstances. Therefore, I will recommend that the Court deny the motion and will not recommend that the Plaintiff be put to the exercise of amending its voluminous responses and objections to state explicitly that a “reasonable inquiry” has been made.

However, even if this was not the case, the instant motion to deem these requests as admitted by Plaintiff still fails for multiple reasons. First, there is no authority for the relief requested in the Defendants' motion. Nothing in Rule 36 or 37 authorizes the Court to "deem" a request admitted merely because there is a dispute over whether the respondent had adequate grounds to support its denial of the request.

Second, granting the motion at issue would not serve the underlying purpose of narrowing the issues in the case for trial. At the hearing of this matter, Plaintiff's counsel stated that "we have expressly disclosed our confusion evidence, and it doesn't touch on any of the distributors." [Hearing Tran. at 222] Thus, the Plaintiff has conceded that at trial it will not be proffering reliance upon evidence of confusion at the distributor level. And as indicated above, the Plaintiff's written response to the motion to compel deposition testimony by Plaintiff on Topic 45 shows that the Plaintiff is not claiming that any sales have been lost to the Healthier Living Installation System. Thus, the requests to admit are apparently extraneous to the factual issues to be tried.

Finally, even if the requests at issue were relevant to the factual issues to be tried, in the event that the defendant has denied a request for admission and the plaintiff proves the matter in question at trial, Fed. R. Civ. P. 37(c)(2) authorizes the Court to impose attorney's fees against the defendant. Thus, rather than order

any request to be “deemed” admitted by the Plaintiff in this case, Rule 37 provides Defendants with the opportunity to recover their attorneys’ fees as to any matter which is legitimately in dispute, proven at trial, and yet which was denied by Plaintiff prior to trial.

For all of these reasons, the Defendants’ motion that requests to admit be deemed admitted is denied. Furthermore, at trial, Plaintiff is not to attempt to introduce evidence of actual confusion or of lost sales related to the subject matter of any of Request Nos. 109-373.

VII. PAYMENT OF EXPERT WITNESS FEES AND EXPENSES

(MOTION 7)

Rule 26(b) provides in relevant part:

(4)(A) Deposition of an Expert Who May Testify. A party may depose any person who has been identified as an expert whose opinions may be presented at trial. If Rule 26(a)(2)(B) requires a report from the expert, the deposition may be conducted only after the report is provided.

...

(4)(E) Payment. Unless manifest injustice would result, the court must require that the party seeking discovery:

- (i) pay the expert a reasonable fee for time spent in responding to discovery under Rule 26(b)(4)(A) or (D); and
- (ii) for discovery under (D), also pay the other party a fair portion of the fees and expenses it reasonably incurred in obtaining the expert's facts and opinions.

Fed. R. Civ. P. 26(b) (emphasis added).

Where, as here, “the plaintiffs have handpicked the expert, and the defense has neither options nor bargaining power if it desires to obtain the pretrial discovery which the rule permits[,] [u]nless the courts patrol the battlefield to insure fairness, the circumstances invite extortionate fee-setting.” *Anthony v. Abbott Laboratories*, 106 F.R.D. 461, 465 (D. R.I. 1985) (reducing expert’s hourly rate). The following decisions illustrate how the courts have patrolled the battlefield in a number of similar disputes.

In *Advanced TeleMedia, L.L.C. v. Charter Communications, Inc.*, a request for expert fees was made pertaining to: (1) responding to discovery requests; (2) testifying at a deposition; and (3) associate time expended in the process. Civil Action No. 1:05-CV-2662-RLV, 2006 WL 3422669, *13-15 (N.D. Ga. Nov. 27, 2006) (Vining, J.). As to expert time responding to the subpoena duces tecum, Judge Vining held that “the time Ms. Fortune spent responding to Charter’s discovery requests and preparing for her deposition may be charged according to her usual fee.” 2006 WL 3422669, *14. However, associate time was excluded: “Again looking to the plain language of Rule 26, the court concludes that there is nothing to indicate that the rule contemplates fees for administrative help by an expert’s associates.” *Id.* Notably, the Court concluded that the associate’s work was not work traditionally performed by an accountant (e.g. it consisted of

navigating databases, reviewing documentation, matching records, and producing documents). The Court did not permit the time spent conferring with ATM's counsel to be charged as part of her time spent at the deposition.

In *Putnal v. Guardian Life Insurance Company of America*, the Court noted that “[w]hat constitutes a “reasonable” fee for the purpose of Rule 26(b)(4)(c) [current Rule 26(b)(4)(E)] is within the discretion of the district court to decide.” Civil Action No. 5:04-CV-130-4, 2005 WL 3532381, *2 (M.D. Ga. Dec. 22, 2005) (Lawson, J.).¹²

With respect to preparation time, the Court held:

The Court finds Holliday is entitled to compensation for the time he spent preparing for the deposition, as it is reasonable Holliday would need to review his files to ready himself. The Court determines that \$500.00 per hour, the same amount the Court would have awarded Holliday, had he been forced to review his files during the deposition itself, is a reasonable fee for this preparation time. Accordingly, for the two hours Holliday spent in preparation, he is entitled to \$1000.00.

2005 WL 3532381, *3 (emphasis added).

In determining a “reasonable” fee, the Court indicated a number of pertinent considerations:

- (1) the witness' area of expertise;

¹² See, e.g., *Mendez v. Unum Provident Corp.*, No. C04-1312JWHRL, 2005 WL 1774323, *1 (N.D. Cal. July 26, 2005); *Edin v. The Paul Revere Life Ins. Co.*, 188 F.R.D. 543, 545 (D. Ariz. 1999) (citing 8 Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure*, Civil 2d, § 2034 at 469–70 (2d ed.1994)).

- (2) the education and training that is required to provide the expert insight which is sought;
- (3) the prevailing rates of other comparably respected available experts;
- (4) the nature, quality and complexity of the discovery responses provided;
- (5) the fee actually being charged to the party who retained the expert;
- (6) fees traditionally charged by the expert on related matters; and
- (7) any other factor likely to be of assistance to the court in balancing the interests implicated by Rule 26.

Id. *2 (citing *Dominguez v. Syntex Labs., Inc.*, 149 F.R.D. 166, 167 (S.D. Ind. 1993) and *Edin v. The Paul Revere Life Ins. Co.*, 188 F.R.D. 543, 546 (D. Ariz. 1999)).

In *Ratliff v. Baan Company, N.V.*, a party refused to put its expert up for deposition until an advance \$6,300 fee was paid for “preparation and deposition time.” Civil Action No. 1:99-CV-2455-W, 2003 WL 25774909 (N.D. Ga. Nov. 5, 2003) (Hunt, J.). Judge Hunt held the expert “may submit a bill detailing the time he spent preparing for, and testifying at, the deposition. Assuming that his request is reasonable, Plaintiffs must promptly remit payment.” *Id.* *1.

Of note, the Court opined:

As for the issue of compensation for expert preparation time, there is no controlling Eleventh Circuit authority, but the Court is guided by Rule 26(b)(4), which addresses discovery issues in the context of

testifying experts. . . . Having reviewed the cases cited by the parties, the Court concludes that Mr. Ophof should be compensated for a reasonable amount of preparation time. *See e.g. Ellis v. United Airlines*, 73 F.3d 999, 1011 (10th Cir.1996) (denying fees as unreasonable, but noting that fees for preparation time are generally recoverable under Rule 26(b)).¹³ Thus, Mr. Baan is ordered to make available his expert witness for a telephonic deposition. After the deposition. Mr. Ophof may submit a bill detailing the time he spent preparing for, and testifying at, the deposition. Assuming that his request is reasonable, Plaintiffs must promptly remit payment.

Id. (emphasis added).

In *Starwood Hotels & Resorts Worldwide, Inc. v. American HVAC, Inc.*, Civil Action No. 1:08-cv-03124-JOF, slip op. (N.D. Ga. Nov. 16, 2010) (Forrester, J.), a party sought fees for the deposition of two experts, preparation of files responsive to discovery requests, work by assistants, and supervisory review of files by expert's company prior to production.

The fees of expert's supervisors were excluded: "Exponent's decision to seek and maintain ISO status is not something opposing litigants should be required to support or maintain." Slip Opinion, at 6. Associate time was also

¹³ Unfortunately, *Ellis v. United Airlines*, 73 F.3d 999 (10th Cir. 1996) is not particularly helpful to this discussion. There, Plaintiff sought to recover the fees for preparation and review associated with an expert deposition. The district court denied Plaintiffs' motion on the grounds that: (1) it was untimely; (2) the court lacked jurisdiction over the issue because the action was appealed before Plaintiff filed its motion; and (3) Plaintiffs' request was not for "reasonable" fees, as required under Fed.R.Civ.P. 26(b)(4)(C), even if fees for review, preparation and travel time are recoverable generally. 73 F.3d at 1011. The Tenth Circuit affirmed on the grounds that the motion was untimely, and did not reach the other issues, including whether such fees were reasonable. *Id.* The District Court opinion is not published.

excluded. *Id.* The Court allowed two hours for each expert to review files and prepare for deposition (under the guise of “respond to discovery requests”), disallowing the four additional hours of deposition preparation time requested. *Id.* at 6-7.

In *High Five Investments, LLC v. Floyd County, Georgia*, Judge Murphy addressed a motion seeking imposition of fees for: (1) identifying documents subpoenaed from expert by opposing party; (2) travel time; and (3) 6 hours for preparing for and participating in a deposition. Civil Action No. 4:06-cv-0190-HLM, slip op. (N.D. Ga. March 18, 2008) (Murphy, J.). The Court permitted fees for responding to discovery requests, preparing for deposition, and traveling to and from the deposition site. The only reduction was for the rate for travel time, which the Court reduced to half the normal hourly rate.

Judge Murphy’s Order agreed with the sentiment expressed in *Anthony* that “the ultimate goal must be to calibrate the balance so that a plaintiff will not be unduly hampered in his/her efforts to attract competent experts, while at the same time, an inquiring defendant will not be unfairly burdened by excessive ransoms which produce windfalls for the plaintiff’s experts.” *Id.* at 18-19 (citing *Anthony*, 106 F.R.D. at 465).

With this backdrop in mind, there are two major points of disagreement between the parties relating to expert compensation:

- (1) Plaintiff's expert firm for calculation of damages in this case, Acuitas, has submitted invoices for two depositions and "preparation time" of Plaintiff's testifying expert Charles M. Phillips and an accountant assisting him named Lisa G. Miller. The parties cannot agree on what the proper amount of reimbursement for time spent "responding to discovery" is under Rule 26(b).
- (2) Defendants' experts seek reimbursement of \$2,701.25 for time spent gathering documents in response to Plaintiff's document subpoena. Plaintiff objects that since Rule 26(b) applies only to deposition discovery, these amounts are not subject to reimbursement.

Each of these issues will be addressed in turn.

A. Remaining Fees Due to Plaintiff's Expert.

Mr. Phillips has been deposed two times in this case. The Plaintiff expert firm, Acuitas, sent two invoices that are in dispute in this case, each of which relates at least in part to one of the depositions and associated preparation work. The first invoice is dated August 2012 and is for \$22,743.75 in fees and \$568.00 in

out-of-pocket expenses¹⁴, for a total of \$23,311.75. The fees in the first invoice are calculated based upon 27.25 hours of work by Mr. Phillips and 18.25 hours by Ms. Miller. These invoices reflect an hourly rate for Mr. Phillips of \$550.00. Ms. Miller was billed to the Plaintiff at a rate of \$425.00 per hour.

The Defendants have paid \$7,700.00 of this invoice, representing seven of the hours Mr. Phillips spent preparing for the first deposition and seven of the hours he spent testifying at the deposition. The Defendants have refused to pay for the remaining 13.25 hours he expended reviewing newly-produced financial documents of the Defendants, claiming the time expended is excessive. The Defendants likewise object to Ms. Miller's time since she acted as a non-testifying consultant assisting Mr. Phillips in his review of the documents.

The second invoice at issue is dated December 2012 and is for \$9,831.25 in fees and expenses of \$246.00¹⁵, for a total of \$10,077.25. Mr. Phillips billed three hours for the second deposition. He billed the remaining 12.75 hours of his time reflected on this invoice for deposition preparation, including document review, review of his original report and conferring with Plaintiff's counsel. Ms. Miller spent 2.75 hours assisting Mr. Phillips in preparing for the deposition, according to the second invoice.

¹⁴ This amount has not been explained and should not be allowed.

¹⁵ This amount has not been explained and should not be allowed.

The Defendants have refused to pay any of the second invoice.

(1) Ms. Miller's Time.

The parties submitted a number of authorities in support of their respective positions on the recovery of expert fees in general. The Special Master's review of these authorities leads him to conclude that it is unreasonable to permit recovery of the portion of these invoices relating to Ms. Miller's time. Ms. Miller is not a testifying expert and it is not at all clear from a plain reading of Rule 26(b) that anyone other than the testifying expert is permitted to recover for time expended responding to a deposition notice or subpoena. Although Ms. Miller is an accountant, much of the work she expended was expended reviewing documents and preparing Mr. Phillips for deposition. It is not at all clear that this is the work of a practicing accountant.

The best discussion in the cases on this topic is in *Advanced Telemedia*, where Judge Vining disallowed the charges of the expert Ms. Fortune relating to her associates' time. There, the itemized invoice from Ms. Fortune and her supporting affidavit made it clear that the work performed by her associates was not work traditionally performed by an accountant. Instead, her associates' time was spent navigating databases, reviewing documentation, matching records, and producing documents.

The Plaintiff seizes on the “not traditionally performed by an accountant” language chosen by the Court in that case and points out that in the case at bar, Ms. Miller is an accountant. While this is the case, that does not mean that the work that she performed is work traditionally performed by an accountant. There is no evidence in the record to support such a claim. And no court that I am aware of has actually awarded fees to a non-testifying expert under Rule 26(b) because of his or her status as an accountant.

At the same time, the itemized billing entries of Ms. Miller reflect considerable review of documentation and time spent preparing Mr. Phillips to testify. Neither of these functions are “traditional accounting functions” under *Advanced Telemedia*.

During the January 3 call, all counsel stated they were unaware of any case where a court had permitted recovery of fees expended by a non-testifying expert in the context of Rule 26(b). This Court should decline to become the first to do so, as the Court should deny the Plaintiff’s request that fees for Ms. Miller’s time be paid by the Defendants.

(2) Mr. Phillips’ Time for His Second Deposition

The Defendants agreed to reimburse Mr. Phillips for his first deposition and for an equivalent number of hours spent preparing for the first deposition. As

such, I find that the Defendants have tacitly conceded that it was reasonable for Mr. Phillips to expend seven hours in preparation for what he no doubt anticipated would be a thorough examination by counsel for the Defendants.

However, the Defendants have not reimbursed Mr. Phillips for any of his time expended in connection with his second deposition because they claim that Mr. Phillips' second report corrected errors from his first report. This issue is relatively clear cut under Rule 26(b). If the Defendants did not want to pay, they should not have taken his deposition. When a party requests a deposition of another party's expert, it does so with knowledge of the rule. Thus, barring an advanced agreement to the contrary, the Defendants should pay for three hours of deposition time for Mr. Phillips. And consistent with Mr. Phillips' first deposition, where the Defendants agreed to reimburse him for an hour of preparation work for each hour of time in deposition, I further recommend that the Defendants be ordered to pay for three hours of preparation time. This amounts to an additional six hours at \$550 per hour, or \$3,300.00.

Mr. Phillips Remaining Deposition Preparation Time

At the outset, it is worth noting that no court in this district has ever awarded anywhere near a ratio of three hours of preparation time for every hour of time in deposition. The Plaintiff claims that of the remaining 23 hours of Mr. Phillips

which are at issue, 11 hours were billed by Mr. Phillips on August 7 and 8, 2012, and necessitated by a production of documents by Defendant CCA Global just days before the first deposition. [Dckt. No. 179-3] The newly-produced documents apparently included six native spreadsheets totaling over 10,000 lines. [Dckt. No. 179 at 6] Mr. Phillips testified on August 9, 2012.

The Court should credit Mr. Phillips testimony that it was “entirely necessary” to review the newly-produced materials in advance of the deposition. [Dckt. No. 179-10 at 8 (Phillips Deposition at 76:7-11)] It is something of a choice between Scylla and Charybdis for the expert confronted with substantial new information just days before deposition. The Defendants controlled the timing of the production of their own documents, and have provided not convincing explanation as to why Mr. Phillips should have ignored the documents in question in advance of his first deposition. Phrased another way, it appears “reasonable” for Mr. Phillips to have reviewed the newly-produced materials as part of the process of “responding” to deposition discovery.

Defendants reply that an “expert might spend a great deal of time reviewing documents, or formulating opinions, but the Rule does not require the opponent pay for that.” *Rogers v. Penland*, 232 F.R.D. 581, 582 (E.D. Tex. 2005).

Presumably, the Defendants took into consideration the circumstances of their document production when they agreed to compensate Mr. Phillips for seven hours

of deposition preparation time. Consistent with the foregoing authorities, seven hours of preparation time for a single deposition – which has already been paid by Defendants in this case -- appears to be on the “high side” of reasonableness under normal circumstances for a single deposition.

In the end, regardless of the reasonableness of the fee, it would be manifestly unjust for Defendants to have to pay for an additional 11 hours of document review given the amount of compensation they have already paid. Instead, in the exercise of reasonable discretion to patrol the battlefield against the risks of extortionate fee-setting, the Defendants should be ordered to pay an additional 4 hours of Mr. Phillips time (\$2,200.00).

The remaining 12 hours of Mr. Phillips deposition preparation time should not be taxed against the Defendants. In addition to questioning the reasonableness of the sum total of these hours, these hours, if awarded, would result in an award of expert fees so grossly disproportionate to the amount of deposition time itself, and so out of line with the hours awarded in previous cases as to result in manifest injustice to the Defendants within the meaning of Rule 26(b)(4)(E).

In sum, the total sum of \$13,200.00 is a reasonable fee for the time expended by Mr. Phillips in preparing for and testifying in his depositions. To award anything more than that would be so much higher than amounts awarded in other

cases that the resulting fees would be manifestly unjust. Recognizing that the Defendants have already paid \$7,700.00 to Acuitas, the Defendants should now be ordered to pay the remaining balance of \$5,500.00 within thirty (30) days.

B. Defendants' Experts Are Not Entitled to Fees Expended Gathering Documents.

Rule 26(b)(4)(E) states that "... the court must require that the party seeking discovery ... pay the expert a reasonable fee for time spent in responding to discovery under Rule 26(b)(4)(A). Rule 26(b)(4)(A) refers solely to deposition discovery. It is undisputed that the Defendants experts were not deposed in connection with the subpoenas which they claim compelled them to gather and produce documents. For this reason, the Plaintiff need not pay for the time expended by the Defendant's experts.

Rule 45 does prohibit a subpoena from causing an undue burden to a third party. However, in this instance, no showing of "undue" burden has been made. Quite the contrary, it is reasonable for an expert to expect to receive a document request by subpoena once he or she issues a report. Here, the scope of the documents requested was not unreasonable and did not put anyone to undue burden.

VIII. IMPOSITION OF EXPENSES UNDER RULE 37.

“The court contemplates that any expenses due under Federal Rule of Civil Procedure 37 will be imposed by order of the Special Master.” [Dckt. No. 158 at 2] A court “must” impose attorney's fees and expenses when compelling discovery, unless (a) the party was substantially justified in resisting discovery, or (b) other circumstances make an award of expenses unjust. Fed. R. Civ. P. 37(a)(5)(A)(ii). “Substantially justified means that reasonable people could differ as to the appropriateness of the contested action.” *Maddow v. Procter & Gamble Co., Inc.*, 107 F.3d 846, 853 (11th Cir. 1997).

Because the Special Master has determined that the Defendant’s motion to compel the Plaintiff’s deposition is granted at least in part, the Special Master will consider an award to Defendants of expenses under Rule 37 relating to some expenses incurred in connection with the motion and/or the forthcoming deposition of the Plaintiff. As indicated above, and consistent with the Court’s prior admonitions, the courts must be vigilant in policing an attorney’s power to instruct a witness not to answer in a deposition because it has such a propensity to disrupt the proceedings. Here, although many of the objections and instructions were well-founded, others were not. The objections which were not well-founded give rise to the need for a further deposition of the Plaintiff, and add to the Defendant’s expenses of litigation.

Having said that, the parties should be advised that the Special Master will consider arguments relating to the propriety of an award of expenses, and relating to apportionment and other issues affecting the amount of expenses to be awarded.

Presently, the record and briefs in this case are underdeveloped as it relates to the imposition of expenses under Rule 37 because neither the evidence nor the briefs could have taken into consideration the specific contents of this Report and Recommendation. Moreover, the record cannot be developed adequately until after the Plaintiff's deposition is concluded due to the need for the Defendants to calculate the additional expenses incurred in connection with the deposition.

The Special Master therefore recommends an order compelling the Defendants to file any motion seeking the imposition of expenses, including attorney's fees and/or costs, within thirty (30) days of the completion of the Plaintiff's deposition. Plaintiff shall have the normal time afforded by local rule in which to file any opposition brief. There shall be no reply brief. Once the Special Master has the additional briefs and evidence, a subsequent report and recommendation will be forthcoming addressing any potential sanctions, and the amounts of such sanctions, if any.

IX. SCHEDULING

Discovery is continuing consistent with this Order and the agreement of the parties to keep discovery open for limited purposes. The Special Master will conduct a status conference with all counsel in the next ten days to determine an acceptable schedule relating to these issues. In the event that an acceptable schedule cannot be agreed to, the Special Master will recommend a schedule to the Court that will include a discovery cutoff date, a deadline for submission of dispositive motions, and a date for any *Daubert* motions.

X. CONCLUSION

The Special Master respectfully requests that the Court enter an Order adopting the report and recommendations expressed herein.

Respectfully submitted,

s/Steven G. Hill

Special Master

Certificate of Service

I have served all counsel of record by filing this foregoing Report and Recommendation with the Court's electronic filing system, which automatically forwards a copy to all counsel.

s/Steven G. Hill _____

Special Master