

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

JOSEPH MURRAY,	:	CIVIL ACTION
Plaintiff,	:	
	:	
v.	:	
	:	
GEMPLUS INTERNATIONAL,	:	
SA, et al.,	:	NO. 02-CV-9023
Defendants.		

MEMORANDUM AND ORDER

Schiller, J.

April , 2003

Presently before the Court is a Motion by Defendants Mark Kresloff and Burns, Doane, Swecker & Mathis, LLP for Sanctions for failure to provide or permit discovery in violation of a court order. While still in the early stages, this litigation already ranks among the most acrimonious I have experienced. Defendants have brought to my attention several other examples of dubious conduct by Plaintiff’s counsel, but their motion focuses principally upon two instances of counsel’s failure to produce documents as required by this court order and the rules of discovery.

I. PROCEDURAL HISTORY

By way of background, this case arises out of allegations by Plaintiff Joseph Murray that Defendant Gemplus International, S.A. (“Gemplus”), with the assistance of attorneys, including Mark Kresloff, from the Burns, Doane law firm, engaged in a scheme to misappropriate Mr. Murray’s inventions relating to smart card technology. The scheme allegedly began in 2001 while Mr. Murray was a consultant for Hesta Corporation (“Hesta”), working with Gemplus,

where he subsequently became employed. After leaving Gemplus, Mr. Murray became a principal at Greenbend Technology (“Greenbend”).

On July 1, 2002 and December 18, 2002, the Burns Doane Defendants served requests for production of documents on Plaintiff seeking to discover documents that would support Plaintiff’s claim that he had invented certain smart card technology. Specifically, the second request for production sought, *inter alia*, “[a]ll documents memorializing, evidencing or relating to Smart Card Technology invented or developed by Murray alone or Murray in conjunction with others.” (Defs.’ Second Request for Production ¶1.) The request also sought “all documents memorializing, evidencing or relating to any meeting in which Murray, on the one hand, and Kresloff or any other attorney from Burns Doane, on the other hand, participated.” (*Id.* ¶ 7.) During a scheduling conference on February 11, 2003, defense counsel specifically raised the issue of non-production of documents supporting Murray’s inventorship claim. Both orally at the conference and in the subsequently issued Scheduling Order of February 11, 2003, the Court ordered the parties to respond to all outstanding document requests by February 21, 2003. On February 19, 2003, during oral argument on Defendants’ motion to dismiss, Mari Shaw, counsel for Plaintiff, indicated that Plaintiff had a “notebook” in which he had recorded his claimed inventions. (Feb. 19, 2003 Tr. at 41.) Naturally, the notebook became the subject of great interest to the Defendants.

On February 21, 2003, defense counsel received 19 pages of photocopies of handwritten notes, which they assumed to be the contents of the notebook described by Ms. Shaw. On February 25, 2003, defense counsel sent Plaintiff’s counsel an e-mail requesting an opportunity to view the original notebook. This request was not honored, and the issue was ultimately raised

again in a March 12 letter to the Court by defense counsel. During a telephone conference call with the Court and counsel on March 13, 2003, Plaintiff's counsel indicated that Defense counsel could review the documents the following day. Upon arrival for said review on March 14, 2003, defense counsel made the startling discovery that the 19 pages were drawn from five full notepads containing 247 pages of handwritten notes by the Plaintiff, many of which were highly relevant to the case. The notes detailed Plaintiff's work for Hesta and Gemplus, including relevant meetings during time periods where events important to the litigation occurred. In particular, the notes contain an entry from February 7, 2001 detailing a meeting with Mr. Kresloff relating to smart card technology, patents and other subject matter clearly within the scope of the December 18, 2002 document request. Then, astonishingly, on the eve of Mr. Murray's deposition, a sixth notepad covering crucial dates that fell in between those covered by the other notepads.

Confronted with these facts at oral argument, Plaintiff's counsel, David Picker of the Spector Gadon & Rosen law firm, explained that when Mr. Murray had first presented him with the notebooks on November 8, 2002, he found it difficult to determine what among the contents was relevant. Mr. Picker subsequently asked Mr. Murray to go through the notepads and copy those notes that related to the inventions Mr. Murray claimed were misappropriated. This process resulted in the 19 pages turned over to defense counsel in response to the requests for production. Plaintiff's response indicates that Mr. Picker turned over the copies "believing these were all the relevant documents," and that Mr. Murray retained the original notebooks (Pl.'s Resp. at 10.) When, in March, 2003, Plaintiff's counsel requested to see the originals, Mr. Picker obtained

them from Mr. Murray and thereupon discovered that they contained entries that “might” be responsive to document requests. (*Id.* at 11.)

Although Mr. Picker was aware of the notebooks since at least November, 2002, and Ms. Shaw represented that Mr. Murray recorded his inventions in a “notebook,” counsel never informed defense counsel of their existence prior to making them available for review on March 14, 2003. Indeed, during the March 13, 2003 telephone conference call, Mr. Picker merely explained that there were “reasons” that he could not accommodate defense counsel’s request to see the originals of the 19 pages, but that he would not “bore the Court with them,” unless the Court was interested. (March 13, 2003 Tr. at 27.) The Court, like defense counsel, was not aware of the five notebooks and thus did not require further explanation.

The second issue relates to patent applications filed by Ms. Shaw and Mr. Murray and the Greenbend venture. Defendants’ December 18, 2002 request for production sought “all documents relating or referring to Smart Card Technology that is currently or has in the past been utilized, marketed, conceived of, developed, invented and or owned by Greenbend.” (Defs.’ Second Request for Production ¶ 15.) As noted, on February 11, 2003, the Court ordered the parties to respond to all outstanding document requests by February 21, 2003. On February 20, 2003, defense counsel issued subpoenas for Ms. Shaw and Greenbend Technology for documents relating to their work with Mr. Murray and involvement in smart card products and technology. During a March 5, 2003 conference call, Ms. Shaw told the Court that Greenbend is “just another company that Murray now has and in fact is not really active at this moment . . . [s]o, it has nothing to do with this litigation.” (March 5, 2003 Tr. at 42.) Ms. Shaw also told the Court, “there are no relevant Greenbend documents,” (*Id.* at 43) and, in the alternative, that whatever

documents she had related to interactions she had with Mr. Murray as his lawyer and were thus privileged (*Id.* at 48). Plaintiff's counsel, Paul Rosen, told the Court that he "did not even know the name 'Greenbend'" until he received the February 20 subpoena. (*Id.* at 41.) defense counsel brought to the Court's attention that both the Greenbend web site and a Dunn and Bradstreet report indicated that Ms. Shaw was a principal in Greenbend. The Court ordered a "full response" to the Greenbend subpoena. (*Id.* at 43.) On the basis of Ms. Shaw's representations, however, the Court refused to permit defense counsel to subpoena what it regarded as Ms. Shaw's "lawyer's files," until defense counsel had further shown that Ms. Shaw acted in some other capacity with Mr. Murray. (*Id.* at 48-50.) It is also worth noting that one of the grounds for Plaintiff's objection to the Greenbend subpoena was attorney-client privilege.

In advance of the March 5, 2003 conference, defense counsel had succinctly laid out their concerns with the lack of production relating to Mr. Murray's post-Gemplus commercialization of his inventions. In particular, defense counsel noted that it had obtained an e-mail in which Mr. Murray had taken credit for drafting multiple patent applications, but they had not yet been produced. (March 5, 2003 Wolfsohn Letter at 2.) When defense counsel raised this issue during the March 5, 2003 conference, Ms. Shaw stated, "Joe Murray has one patent application pending in which he is a joint inventor with me that has to do with Smartcard technology, I am the primary inventor and he is also and inventor on that patent." (March 5, 2003 Tr. at 51.) The Court instructed Ms. Shaw to produce the application. (*Id.*) Plaintiff's counsel subsequently sent Defendants a PCT application, which, as Ms. Shaw subsequently explained, was the only pending application at the time. During a March 13, 2003, conference, at Mr. Wolfsohn's behest,

the Court ordered Plaintiff's counsel to produce the provisional patent application that had preceded the PCT application (March 13, 2003 Tr. at 38-39.)

When no application was forthcoming, Plaintiff's counsel sent a letter to the Court, dated March 25, 2003, again raising the issue of non-compliance with the Court's instructions relating to the patent application. Shortly thereafter, Defendants received *three* patent applications that had been filed with the Commissioner of Patents on October 26, 2001, November 14, 2001, and December 28, 2001, respectively. Each application listed Ms. Shaw and Mr. Murray as co-inventors. Each application related to smart card technology.

Ms. Shaw's explanation at oral argument of the blatant shortcomings in the production of this vital material was uninspiring. Ms. Shaw asserted that when she told the Court that only one application had been filed, she was under the impression that all three of the patent applications had been produced to Defendants. She could not explain why they had not been produced, and stated that she was not responsible for any of the document production by Plaintiff. Plaintiff's counsel's memorandum argues that Ms. Shaw's statement to the Court that there was only one pending application was, in fact, accurate. Be that as it may, in the context of what defense counsel had requested and the conversation as a whole, Ms. Shaw's response must be regarded as misleading. Not only did the late production of three patent applications contravene the Court's repeated Orders to respond to the discovery requests and subpoenas, but it also deeply undercuts Ms. Shaw's representation that her only role with respect to Mr. Murray was as his counsel. That representation, of course formed the basis of the Court's preliminary refusal to allow defense counsel to obtain documents from her and also formed the basis of counsel's objections to the Greenbend subpoena.

II. LEGAL ANALYSIS

Federal Rule of Civil Procedure 37(b)(2) permits a court to sanction a party for failure to comply with a court order. Such action is appropriate where “gross professional negligence” has been found — that is, “where counsel clearly should have understood his duty to the court.” *Cine Forty-Second St. Theatre Corp. v. Allied*, 602 F.2d 1062, 1066 (2d Cir. 1979). In addition, 28 U.S.C. § 1927 provides, “any attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys’ fees reasonably incurred because of such conduct.” However, sanctions may not be imposed under § 1927 absent a finding that counsel’s conduct resulted from bad faith. *LaSalle Nat. Bank v. First Connecticut Holding*, 287 F.3d 279, 289 (3d Cir. 2002). A court also has inherent power to impose appropriate monetary or alternative sanctions where necessary to deter or punish egregious conduct of a party or lawyer. *Shammouh v. Karp* 1997 WL 727494, at *2 (E.D.Pa.1997) (citing *Chambers v. NASCO*, 501 U.S. 32, 49 (1991)). A prerequisite for the exercise of the district court’s inherent power to sanction is a finding of bad faith conduct. *Landon v. Hunt*, 938 F.2d 450, 454 (3d Cir. 1991)

Mr. Picker’s explanation of counsel’s failure to produce the notepads was insufficient. First, Mr. Picker relied on his client to make a legal determination as to relevance, purportedly because he could not read or understand Mr. Murray’s notes. Yet even a cursory review of the notes makes clear that they are legible, and indeed Mr. Picker’s own subsequent review of the notes enabled him to determine that they contained substantial material that was responsive to Defendants’ second request for production. Moreover, when he turned over the 19 pages on

February 21, 2003, Mr. Picker knew that he had only asked Mr. Murray to copy pages relating to his inventions. Yet he also should have known that a) the December 18, 2002 document request to which he was responding captured a broader field than merely Murray's inventions and b) he was under a Court order to respond to that particular document request.

It is already settled that failure to produce documents or parts of documents to which no objection applies is regarded as sufficient ground for imposition of sanctions. *Martin v. Brown*, 151 F.R.D. 580, 594 (W.D.Pa. 1993). Plaintiff's counsel did not object to the production of the notebooks and offered only excuses to explain their non-compliance with the Court's order.

In both episodes discussed above, Plaintiff's counsel have demonstrated bad faith and a reckless disregard for the rules of discovery. By Ms. Shaw's own admission at oral argument, when she described Plaintiff's counsel's firm as "disorganized and chaotic" and indicated that she had told Mr. Picker that he could not manage all the necessary discovery work, Plaintiff's counsel have exhibited gross professional negligence with regard to their duty to the Court under the February 11, 2002 Order. Likewise, Ms. Shaw's statements to the Court with respect to the patent applications and her role as Mr. Murray's attorney both misled the Court and frustrated the discovery process. On the whole, Plaintiff's counsel's conduct with respect to the notebooks and patent applications evidences a pattern of deception and dilatory tactics that could have no other function than to frustrate proper discovery of material that Plaintiffs had to have known was of great value in the case. Such conduct constitutes bad faith.

Among the sanctions available under Rule 37, the "mildest" is an order to reimburse the opposing party for expenses caused by the failure to cooperate. *Cine*, 602 F.2d at 1066. I conclude that such sanctions are warranted in the instant case. An appropriate Order follows.

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GEMPLUS INTERNATIONAL,	:	
SA, et al.,	:	NO. 02-CV-9023
Defendants.	:	

ORDER

AND NOW, this day of **April, 2003**, upon consideration of the Motion for Sanctions by Defendants Mark Kresloff and Burns, Doane, Swecker & Mathis, LLP, the responses thereto, and following oral argument on April 22, 2003, it is hereby **ORDERED** that:

1. Defendants' Motion for Sanctions (document no. 37) is **GRANTED**.

2. Defendants Mark Kresloff and Burns, Doane are hereby awarded all reasonable costs and fees incurred in connection with their motion for sanctions and the hearing thereon and in connection with the preparation for and attendance of the various discovery conferences discussed in their motion. Defendants shall accordingly, by May 5, 2003, submit a bill of costs and fees incurred in connection with the foregoing and Plaintiff's counsel shall have ten (10) days in which to submit any responses thereto.

3. All Defendants are granted leave to take Joseph Murray's deposition for two (2) additional days. Counsel for the parties shall set dates for these additional deposition days by April 25, 2003.

BY THE COURT:

Berle M. Schiller, J.