

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

H.H. FLUORESCENT PARTS, INC. : CIVIL ACTION  
:   
vs. :   
: NO. 04-CV-1997  
DM TECHNOLOGY & ENERGY, INC. :

MEMORANDUM AND ORDER

JOYNER, J.

November 28, 2005

This Lanham Act case is now before the Court for disposition of the Plaintiff's Motion for Sanctions against Defendant for failure to provide discovery. For the reasons which follow, the motion shall be granted.

History of the Case

Plaintiff and Defendant are both lighting component manufacturers and distributors and also direct competitors in the lighting component market. Among other products, both parties manufacture and sell T-5 miniature bipin lampholders with metal fasteners throughout the world. Plaintiff alleges that Defendant intentionally misrepresented that the T-5 miniature bipin lampholders which it manufactures and sells are approved for 600 volt usage by Underwriter's Laboratory ("UL") and CSA, two nonprofit testing laboratories which operate primarily in the United States and Canada to evaluate and certify that a given product has met certain usage, performance and safety

requirements. UL and CSA approval further give a product a competitive edge in the overall marketplace over products which are not UL and/or CSA certified. Plaintiff contends, in Counts I-III of its complaint, that by making false and misleading representations that its T-5 miniature bipin lampholders have UL and CSA approval for 600 volt use, Defendant tortiously interfered with Plaintiff's business relationships, unfairly competed with it, and violated the Lanham Act, 15 U.S.C.

§1125(a). Additionally, given that the parties entered into a written License Agreement pursuant to which Defendant was to manufacture fluorescent lighting components for Plaintiff bearing Plaintiff's name, Plaintiff seeks a declaratory judgment in Count IV of its complaint that Defendant is in breach of that agreement by virtue of its failure to provide UL-approved product.

In response to Plaintiff's allegations, the Defendant alleges by way of counterclaim that Plaintiff fraudulently induced the Defendant into shipping products Defendant was withholding due to non-payment by the Plaintiff, that Plaintiff was the first to breach the Agreement, and that Plaintiff is also responsible for misrepresenting the products that it sells in violation of the Lanham Act and is thereby likewise guilty of unfair competition.

Plaintiff's complaint was filed on May 7, 2004 and Defendant filed its answer with counterclaim on July 6, 2004. On March 31,

2005, Plaintiff served Defendant with a Notice of Deposition for Defendant's principal, Victor Deng, to take place on April 19, 2005. Plaintiff included with that deposition notice a request that DM produce, *inter alia*, "[a]ll documents evidencing or relating to monthly sales of T-5 miniature bipin lampholder Model No. Y94" to ALP, Alcoa "and any entity or person other than ALP and Alcoa" from July 16, 1999 to the present. (Exhibit "A" to Plaintiff's Motion for Sanctions). Although it objected to the document request, *inter alia*, "to the extent that it requires the production of documents that are not in the possession, custody or control of Defendant," Defendant responded to this notice on May 3, 2005 that "the requested documents will be produced." (Exhibit "B" to Plaintiff's Motion for Sanctions).<sup>1</sup>

On May 17, 2005, Defendant produced some 2,062 pages of documents, Bates Stamped as DM0001 through DM2062. (See ¶8 and Exhibit "C" to Plaintiff's Motion for Sanctions and ¶8 of Defendant's response thereto). Defendant did not produce any purchase orders and only fourteen pages of invoices reflecting sales for the relevant time period. *Id.* Defendant supplemented its document production on June 9, 2005 by supplying an

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<sup>1</sup> Mr. Deng's deposition did not take place on April 19, 2005 and the parties subsequently agreed among themselves that the documents need only be produced within a reasonable time prior to Mr. Deng's eventual deposition. Although Mr. Deng's deposition has been rescheduled several times, most recently for October 18, 2005, it has yet to be taken.

additional 184 pages of documents Bates Stamped DM2063-DM2247, but none of these supplemental documents were invoices or purchase orders. (¶10 to Plaintiff's Motion for Sanctions and ¶10 of Defendant's response thereto).

Because the only materials produced by Defendant that were potentially responsive to the request for monthly sales data were "two sketchy summary charts setting forth very general annual sales numbers for Alkco and an unnamed customer," via letter dated June 10, 2005 Plaintiff's counsel asked that Defendant's counsel identify by Bates number which of the documents provided concerned monthly sales data. Plaintiff's counsel clarified that it was seeking the production of "all invoices and purchase orders relating to sales by DM Technology for each model T-5 miniature bipin lampholder with metal brackets which is part of the Y94 series for the period January 1, 1999 to the present." (¶11 and Exhibit "F" to Plaintiff's Motion for Sanctions, ¶11 of Defendant's Response thereto). Apparently no further materials were produced by DM, and on August 30, 2005, Plaintiff's counsel again wrote to defense counsel in follow-up to their telephone discussions requesting the information regarding DM's monthly sales of the Y-94 series of T-5 miniature bipin lampholders. (Exhibit "H" to Plaintiff's Motion for Sanctions). Plaintiff's counsel also wrote to the Court that same day requesting that a conference regarding the parties' outstanding discovery disputes

be scheduled. (Exhibit "I").

On September 6, 2005, following a telephone conference call with the parties in which Defendant's counsel acknowledged that his client's document production appeared to be incomplete, the Court issued an Order which provided at paragraph 2:

Defendant shall produce all invoices and/or purchase orders for its sales of T-5 miniature bi-pins and shall certify that all such invoices and/or purchase orders have been produced within fifteen (15) days of the entry date of this Order or suffer such sanctions as this Court shall deem appropriate including the sanction of being precluded from defending against the plaintiff's damages claim at the trial of this matter.

Under cover letter from its attorney dated September 26, 2005, DM produced additional documents Bates Stamped DM2322 through DM2387 and authorized its attorney to certify "that to the best of its knowledge and belief it has produced all invoices and purchase orders that relate to the Y-94 mini bi-pin with metal fasteners." (Exhibit "K" to Plaintiff's Motion for Sanctions).

Because it had received via subpoena to 28 potential DM customers some purchase orders and invoices which far exceeded the quantity thus far produced by DM, counsel for Plaintiff called defense counsel and was at that time advised for *the first time* that the reason why DM had failed to produce the requisite invoices and purchase orders was because Defendant had a three-year document retention policy and that all invoices and purchase orders dated prior to three years from service of the lawsuit on the defendant had been destroyed. Plaintiff then filed the

instant motion for sanctions on October 12, 2005 seeking as sanctions for Defendant's repeated failures to produce and as a remedy to Plaintiff's inability to calculate its damages, (1) a finding by the Court that the defendant's sales of T-5 miniature bipin lampholders during the relevant time period (*i.e.*, July, 1999 to the present) are those set forth in the summary chart produced by Defendant, Bates Numbered DM0133; (2) an order precluding Defendant from pursuing any damages claims pursuant to its counterclaim, and precluding Defendant from presenting any testimony or evidence in contravention of the plaintiff's claims for damages.

#### Discussion

Plaintiff's sanctions motion invokes Fed.R.Civ.P. 37 which provides for sanctions in the event of failure to make disclosure or cooperate in discovery. Under subsection (b)(2) of that Rule,

"[i]f a party or an officer, director, or managing agent of a party or a person designated under Rule 30(b)(6) or 31(a) to testify on behalf of a party fails to obey an order to provide or permit discovery...or if a party fails to obey an order entered under Rule 26(f), the court in which such action is pending may make such orders in regard to the failure as are just, and among others the following:

(A) An order that the matters regarding which the order was made or any other designated facts shall be taken to be established for the purposes of the action in accordance with the claim of the party obtaining the order;

(B) An order refusing to allow the disobedient party to support or oppose designated claims or defenses, or prohibiting that party from introducing designated matters in evidence;

(C) An order striking out pleadings or parts thereof, or staying further proceedings until the order is obeyed, or dismissing the action or proceeding or any part thereof, or rendering a judgment by default against the disobedient party;

(D) In lieu of any of the foregoing orders or in addition thereto, an order treating as a contempt of court the failure to obey any orders except an order to submit to a physical or mental examination;

...

In lieu of any of the foregoing orders or in addition thereto, the court shall require the party failing to obey the order or the attorney advising that party or both to pay the reasonable expenses including attorney's fees, caused by the failure unless the court finds that the failure was substantially justified or that other circumstances make an award of expenses unjust.

Defendant submits that because the sanctions requested by Plaintiff are so extreme, Plaintiff's sanctions request should be analyzed using the factors first set forth in Poulis v. State Farm Fire and Casualty Co., 747 F.2d 863 (3d Cir. 1984).

Although Poulis involved dismissal of the plaintiffs' cause of action for failure to comply with court-imposed deadlines and provide discovery, we would agree that consideration of the Poulis factors would be appropriate in this case. Those factors are as follows:

(1) the extent of the *party's personal responsibility*; (2) the *prejudice* to the adversary caused by the failure to meet scheduling orders and respond to discovery; (3) a *history* of dilatoriness; (4) whether the conduct of the party or the attorney was *willful* or in *bad faith*; (5) the effectiveness of sanctions other than dismissal, which entails an analysis of *alternative sanctions*; and (6) the *meritoriousness* of the claim or defense.

Poulis, 747 F.2d at 868 (emphasis in original). Not all of these factors need be met for a district court to impose the sanction of dismissal. Clarke v. Nicholson, 2005 U.S. App. LEXIS 22340 at \* 10 (3d Cir. Oct. 17, 2005); Hicks v. Feeney, 850 F.2d 152, 156 (3d Cir. 1988). As Poulis commands, we now examine each factor *seriatim*, considering first the extent to which DM itself, as opposed to its attorney, is responsible for the failure to provide copies of the purchase orders and invoices to the plaintiff despite its counsel's repeated representations that the documents would be produced and despite this Court's Order of September 6, 2005. We concurrently consider also the extent to which this failure was willful or in bad faith.

In support of its response to the plaintiff's motion for sanctions, DM has attached the Declaration of Jian H. Ma who owns DM with Victor Deng, her husband. Ms. Ma's declaration indicates that she is also the Secretary and Treasurer of the corporation, that she has primary responsibility for the financial affairs of the business and that she was the individual most involved with locating documents in response to HH Fluorescent's discovery requests. In acknowledging that DM's document production was incomplete, Ms. Ma gives several excuses for why the defendant has produced only a smattering of invoices and purchase orders reflecting sales between July 16, 1999 and the present time, and why they contain different information from those received via

subpoena.

First, Ms. Ma explains that the reason why the documents which DM produced look different from those which Plaintiff received in response to its subpoenas is because May Zhu, its employee responsible for shipping goods to customers, uses a different computer system to generate shipping invoices from the one which Ms. Ma herself uses to create DM's own internal financial invoices. While the information reflected on the internal invoices is substantially the same as that contained on the shipping invoice, it is not always identical and thus DM did not intentionally alter or "adulterate" the materials which it produced to Plaintiff, as HH alleges. Second, Ms. Ma attests that "[b]ased on advice provided by our outside accountant, DM retains copies of sales documents, such as invoices and purchase orders, for a period of three years. After three years have passed," DM "routinely" disposes of a year's worth of sales documents. Third, Ms. Ma states that in late 2001, a computer virus wiped out the sales data which she had stored in her computer and that, although she spent weeks manually re-entering data into the system from hard copies, she only entered the data she needed at that time; hence she did not enter any data for sales transactions that had been completed and paid for.

Finally, Ms. Ma asserts that when she first began collecting documents to produce to HH, she only looked for sales documents

relating to the Y94 model and not for any other type of T-5 miniature bipin lampholder with metal brackets.

In evaluating the foregoing, we first find plausible and credible Defendant's explanation as to the different appearances of the invoices/purchase orders. Given that we have no reason to doubt its veracity, we accept it as true. As to Defendant's other excuses, however, we note several deficiencies.<sup>2</sup> For one, Defendant proffers no explanation as to why it waited until now to inform Plaintiff and the Court of the computer virus that purportedly wiped out its data in late 2001. Second, we find defense counsel's assertion that "there was no reason to affirmatively disclose a document retention policy when HH had not asked about such a policy and DM had already stated that it was not producing documents that were no longer within its possession, custody or control," to be grossly evasive. (See, Defendant's Answer to Plaintiff's Motion for Sanctions, ¶8). To be sure, there is nothing in the record to suggest that DM had a document retention policy nor would there be any point in inquiring into such a policy if Plaintiff already knew that DM had one in place. Of course, for Rule 37 purposes, "an evasive

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<sup>2</sup> The Third Circuit has noted that the "absence of reasonable excuses may suggest that the conduct was willful or in bad faith" and that "[i]n the face of court-imposed deadlines and total failure to pursue a claim beyond the pleadings may constitute willful conduct." Roman v. City of Reading, 121 Fed. Appx. 955, 960, 2005 U.S. App. LEXIS 2358 at \*15 (3d Cir. Feb. 11, 2005).

or incomplete disclosure, answer or response is to be treated as a failure to disclose, answer or respond." Fed.R.Civ.P. 37(a)(3).

Third, we find somewhat disingenuous Ms. Ma's attestation that she did not learn that the scope of documents to be produced was not limited to only the Y94 model until a few days before the Court-ordered deadline of September 23, 2005. Indeed, the plaintiff's complaint makes clear that the items in dispute in this matter are T-5 miniature bipin lampholders with metal fasteners/brackets for 600 volt usage. Via letter dated June 10, 2005, Plaintiff's attorney clarified that he was seeking the production of "all invoices and purchase orders relating to sales by DM Technology for each model T-5 miniature bipin lampholder with metal brackets which is part of the Y94 series..." In paragraph 11 of its answer to the plaintiff's sanctions motion, defendant admits that it received this letter. By Ms. Ma's own admission, DM manufactures numerous T-5 miniature bipin lampholders which have as the beginning of their model numbers the designation "Y94." Ms. Ma further acknowledges that not all of the T-5 miniature bipin lampholders which DM manufactures under the "Y94" designation have metal brackets. Thus, even giving Defendant the benefit of the doubt that it may have been somewhat confused as to precisely which products Plaintiff was seeking information about, it is the defendant who presumably has

the most knowledge of its own product line and thus we do not think it unreasonable to expect the defendant to have asked the plaintiff to further clarify which products' purchase orders and invoices were being sought. "Willfulness involves intentional or self-serving behavior." Dilliard v. County of Northampton, Civ. A. No. 05-CV-141, 2005 U.S. Dist. LEXIS 17622 at \*14 (E.D.Pa. Aug. 22, 2005), quoting Adams v. Trustees of the N.J. Brewery Employees' Pension Trust Fund, 29 F.3d 863, 874 (3d Cir. 1994). Against this background, we find that the defendant itself bore some personal responsibility for the failure to produce and that while there was undoubtedly some inadvertence, there is also evidence that Defendant's failure to produce was intentional. We thus conclude that these two factors weigh in favor of the imposition of sanctions.

Considering next the defendant's history of dilatoriness, we note that Defendant had nearly six months to obtain the requested documents and that it failed to produce them despite having been so ordered on September 6, 2005. Although we believe that Defendant has had ample time to provide the materials in issue, we do not find it to be unduly lengthy.<sup>3</sup> Consequently, we find that this factor weighs against sanctions.

Turning to the issue of prejudice, Plaintiff argues and

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<sup>3</sup> "Extensive or repeated delay or delinquency constitutes a history of dilatoriness..." Adams, 29 F.3d at 874.

Defendant does not dispute, that it requires the sought-after documents to calculate the measure of its damages on its Lanham Act claim and its claims for tortious interference with business and unfair competition. To satisfy this Poulis factor, "prejudice" does not mean "irremediable harm," but instead, the burden imposed by impeding a party's ability to prepare effectively a full and complete trial strategy. Roman v. City of Reading, 121 Fed. Appx. at 959, quoting Ware v. Rodale Press, Inc., 322 F.3d 218, 222 (3d Cir. 2003). Prejudice also encompasses unnecessary financial burdens imposed because of a party's misconduct. Dilliard v. Northampton, 2005 U.S. Dist. LEXIS at \*11, quoting Adams, 29 F.3d at 874. Evidence of prejudice to an opposing party bears "substantial weight in support of a dismissal or default judgment." Id., quoting Scarborough v. Eubanks, 747 F.2d 871, 876 (3d Cir. 1984).

Defendant here does not contest that Plaintiff is prejudiced by its failure/inability to produce the materials requested. Rather, Defendant argues only that it would be grossly unfair for the Court to preclude it from offering evidence in defense of Plaintiff's damages claims or in support of its own damages claims on its counterclaim or to enter a finding that the defendant's sales of T-5 miniature bipin lampholders during the relevant time period (*i.e.*, July, 1999 to the present) are those set forth in the summary chart produced by Defendant, Bates

Numbered DM0133, as that chart reflects DM's total sales of *all* lampholders, of which the ones at issue represent, by Ms. Ma's estimation, less than 1% of the total. Other than the Ma declaration, however, Defendant has presented no evidence to verify that the sales of the product at issue are no more than 1% of DM's total sales. For this reason and as prejudice is undisputed, we find that this factor weighs strongly in favor of the imposition of appropriate sanctions.

We next consider alternative remedies. As noted, Plaintiff asks that the Court enter an Order (1) precluding Defendant from offering evidence in defense of Plaintiff's damages claims or in support of its own damages claims on its counterclaim and (2) establishing that the defendant's sales of T-5 miniature bipin lampholders from July, 1999 to the present are those set forth in the summary chart produced by Defendant at Bates Number DM0133. In as much as the harm which needs to be remedied in this case is the plaintiff's inability to determine its losses and given that the summary chart was one of the few documents produced by DM which addresses the issue of its sales, we believe that a finding that DM's 600 volt T-5 miniature bipin lampholder sales are as set forth on DM0133 would be an appropriate remedy. In thus carefully considering the sanctions requested in light of the harm to be alleviated and, as Defendant itself proffers no

alternative solutions to the plaintiff's dilemma<sup>4</sup>, we find that Plaintiff's request to preclude the defendant from defending against the plaintiff's damages claims and from offering evidence in support of its own claims at trial is unnecessarily harsh given that the plaintiff's counter-claim certainly appears viable. Accordingly, as a sanction for Defendant's failure to produce the documents at issue, we shall decree that DM's 600 volt T-5 miniature bipin lampholder sales are as set forth on DM0133.

An order follows.

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<sup>4</sup> Conceivably, the only other alternative sanction to Defendant's document production is to order Defendant to release its complete customer list to Plaintiff and to pay the costs of subpoenaing the purchase orders and invoices directly from those customers. Such an alternative would, however, require re-opening discovery and further delaying the final resolution of this case to the prejudice of Plaintiff. Defendant, in turn, would also suffer prejudice by having to disclose what it undoubtedly considers proprietary information, *i.e.*, the identities of *all* of its customers.

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**ORDER**

AND NOW, this 28th day of November, 2005, upon consideration of Plaintiff's Motion for Sanctions Against Defendant, DM Technology & Energy, Inc. and Defendant's Answer thereto and following telephone conference call with the parties, it is hereby ORDERED that the Motion is GRANTED and DM's 600 volt T-5 miniature bipin lampholder sales are as set forth on DM0133 as a sanction for Defendant's failure to produce documents.

BY THE COURT:

s/J. Curtis Joyner  
J. CURTIS JOYNER, J.