

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION

MEDTRONIC SOFAMOR DANEK, INC.,)
)
Plaintiff/)
Counterclaim Defendant)
)
vs.) No. 01-2373 M1V
)
GARY K. MICHELSON, M.D.)
and KARLIN TECHNOLOGY, INC.,)
)
Defendants/)
Counterclaimants,)
)
and)
)
GARY K. MICHELSON, M.D.,)
)
Third-Party Plaintiff,)
)
vs.)
)
SOFAMOR DANEK HOLDINGS, INC.,)
Third-Party Defendant)
)
consolidated with)
)
MEDTRONIC SOFAMOR DANEK, INC.)
and MEDTRONIC, INC.,)
)
Plaintiffs,)
)
vs.) No. 03-2055M1
)
GKM TRUST and GARY KARLIN)
MICHELSON, M.D.,)
)
Defendants.)

ORDER GRANTING IN PART AND DENYING IN PART PLAINTIFFS' MOTION TO
COMPEL PRODUCTION OF DOCUMENTS AND DEPOSITION TESTIMONY
OF BURTON A. MITCHELL, ESQ.

AND
ORDER DENYING PLAINTIFFS' MOTION FOR LEAVE TO FILE UNDER SEAL
ITS SUPPLEMENTAL MEMORANDUM SUPPORTING ITS MOTION TO
COMPEL THE PRODUCTION OF DOCUMENTS AND THE DEPOSITION TESTIMONY
OF BURTON A. MITCHELL, ESQ.

Before the court in these two consolidated cases is the October 31, 2003 motion of the plaintiffs, Medtronic Sofamor Danek, Inc. and Medtronic, Inc., (collectively "Medtronic") to compel the defendant GKM Trust ("the Trust") to produce ten categories of documents concerning the GKM Trust Agreement, its trustees, the business operations of the Trust, and agreements between the Trust and Dr. Michelson which were requested in Medtronic's First Request for Production of Documents¹ and also to compel the deposition

¹ The ten document requests at issue seek:

Request No. 1: All Agreements constituting any Michelson Trust.

Request No. 2: All amendments to any Michelson Trust.

Request No. 4: All documents relating to the designation of any trustee, co-trustee or successor or replacement trustee, the removal or replacement of any trustee or co-trustee, or the resignation of any trustee, of any Michelson Trust.

Request No. 7: All documents comprising instructions to the trustee(s) of any Michelson Trust.

Request No. 11: All documents relating to distributions of income or principal from any Michelson Trust to any charitable organization, including without limitation any organization defined in Section 501 of the Internal Revenue Code.

Request No. 12: All documents relating to tax or financial planning with respect to any Michelson Trust in regard to any money, indebtedness, securities or other property obtained, or

testimony of Burton A. Mitchell, Esq., attorney for the Trust, on similar issues. The Trust objected to the requests for production on the grounds that the documents were not relevant to the issues in this litigation and were privileged and also on the basis that the requests themselves were vague and overbroad. The motion was referred to the United States Magistrate Judge for determination.

to be obtained, directly or indirectly, from Plaintiffs, including without limitation any royalty payments, any subordinated promissory note and any stock of Sofamor Danek Group, Inc. or Medtronic, Inc.

Request No. 13: All documents relating to tax or financial planning with respect to any Michelson Trust in regard to any money, indebtedness, securities or other property obtained, or to be obtained, directly or indirectly as a result of the parties' Agreements.

Request No. 22: All documents relating to any interest of any Michelson Trust in any agreement of Dr. Michelson or KTI with, or any royalties or other revenues derived or to be derived from, any company which sells spinal technology products, including without limitation Johnson & Johnson, Inc.; Depuy, Inc; Depuy ArcoMed, Inc.; Codman & Shurtleff, Inc; Stryker Corp; Tyco, Ltd.; U.S. Surgical Corp; Surgical Dynamics, Inc.; Osteotech, Inc; Spine-Tech, Inc. or any affiliate of any such company.

Request No. 57: Any and all documents that refer or relate to any agreement(s) between or among GKM Trust and Dr. Michelson.

Request No. 62: Any and all documents that support or refute Plaintiff's allegations that Dr. Michelson has breached the Purchase Agreement.

(Mem. in Supp. of Pls.' Mot. to Compel, Ex. C.)

For the reasons that follow, the motion is granted in part and denied in part.

Also before the court is the Plaintiffs' Motion for Leave to File under Seal Its Supplemental Memorandum Supporting Its Motion to Compel the Production of Documents and the Deposition Testimony of Burton A. Mitchell, Esq. filed November 10, 2003. This motion was also referred to the United States Magistrate Judge for determination. For the reasons that follow, this motion is denied.

The Trust is a defendant in the declaratory judgment action brought by Medtronic in January of 2003 which was consolidated with this case on April 30, 2003. (Case No. 03-2055M1.) The Trust case arises out of Michelson and the Trust's attempts to collect on a non-negotiable subordinated convertible note issued by Danek to Dr. Gary K. Michelson in January of 1994 as partial consideration for Dr. Michelson's sale of technology to Danek under the January 11, 1994 Purchase Agreement. The Note provided that Dr. Michelson would be paid the principal amount of 4.5 million dollars on January 11, 2004, in the form of an automatic conversion of the note into shares of Danek common stock. At the request of Dr. Michelson, the note was amended later to make the Trust the holder of the note. After Medtronic acquired Sofamor Danek, the note was reissued by Medtronic along with a Guaranty of Conversion by Medtronic. On October 25, 2002, attorneys for the Trust gave Medtronic the requisite ninety-day notice of its intention to convert the note. Medtronic refused to convert the note claiming that Michelson had breached the Purchase Agreement by failing to transfer to Danek the technology to which Danek was entitled under

the Purchase Agreement. Medtronic brought this action in January 2003 seeking a declaration of its rights under the note and guaranty agreements. By order of the court dated April 30, 2003, the Trust case, (No. 03-2055), was consolidated with the previously filed declaratory judgment action brought by Medtronic against Dr. Michelson and Karlin Technology Inc, (01-2373MlV). In the order consolidating the two cases and denying the plaintiff's motion to stay, Judge McCalla stated:

The court concludes that a determination of whether Dr. Michelson breached the Purchase Agreement is indeed central to a resolution of both actions. . . . [A] resolution of whether Medtronic must convert the Note to common stock entails a conclusion of whether there was a breach of the Purchase Agreement by Dr. Michelson. If so, the court concluded that Danek is not obligated to perform under Section 3.5 of the Note, and accordingly, Medtronic's obligations under the Guaranty are excused.

Order Den. Pls.' Mot. to Stay this Action Pending Resolution of Civil Action No. 01-2372; Order Consolidating These Actions for Disc. and Trial, *Medtronic Sofamor Danek, Inc. v. GKM Trust*, Civil Case No. 03-2055-Ml (W.D. Tenn., April 30, 2003).

The central issue in the Trust case is whether Michelson's alleged breach of the Purchase Agreement relieves Medtronic from its obligations to the Trust under the Note and Guaranty Agreement. The Trust maintains that its rights under the Note are independent of any alleged breach of the Purchase Agreement by Michelson. In its motion, Medtronic argues that the Trust is "the alter ego of Dr. Michelson and a vehicle through which he conducts his patent assignment and licensing business." (Mem. in Supp. of Pls.' Mot. to Compel at 5.) Medtronic contends that the documents and information

sought are all relevant to whether Michelson exercises control or authority over the Trust, a factor in determining if the Trust is the alter ego of Dr Michelson.

In the complaint in the Trust lawsuit, Medtronic alleges that Michelson created the Trust, is a beneficiary of the Trust, and has the right to receive money from the Trust. (Comp. at ¶ 5.) The complaint further alleges that Michelson has the power to designate beneficiaries, determine distribution amounts, and appoint powers over some or all of the assets of the trust, and that the trust is a vehicle through which he conducts business. (*Id.*)

Medtronic claims that the Trust has put at issue the information and documents it now seeks by allegations in the counterclaim and by statements in its arguments in support of partial summary judgment. Medtronic points specifically to the Trust's statement of undisputed fact in support of summary judgment that "Michelson created the Trust principally to provide for his family and to support charitable causes." (Mem. in Supp. of Pls.' Mot. to Compel at 7.) Without specifying any basis for their belief, Medtronic contends this fact is false. (*Id.* at 7-8.) Medtronic also takes the position that the Trust's allegation in its counterclaim that "Danek agreed to and accepted Dr. Michelson's assignment of the 1994 Note to the GKM Trust" coupled with the court's consolidation order makes Michelson's control of the Trust relevant to its breach of contract claim. (*Id.* at 9 (citing Def.'s Counterclaim at ¶ 10).) Finally, Medtronic points to the fact that the Trust's demand for conversion was made by a law firm that represents both Michelson and the Trust as putting at issue

Michelson's control over the Trust.

Furthermore, Medtronic contends that it is entitled to depose the Trust's attorney, Burton A. Mitchell, concerning his knowledge about the Trust, including its formation and structure. Medtronic claims that it is entitled to such information because Mitchell stated in his declaration in support of the Trust's Opposition to Plaintiff's Motion to Stay this Action that "Dr. Michelson does not have any control or authority over the Trust or its assets during his lifetime."² (Mem. in Supp. of Pls.' Mot. to Compel at 5.)

Medtronic served the Trust with its sixty-four document requests on July 1, 2003. The Trust responded to the majority of the requests on August 4, 2003 and supplemented its responses on September 8, 2003 and September 17, 2003. The Trust objected to document Requests Nos. 1-2, 4, 7, 11-13, 22, 57, and 62 on the grounds of relevancy, privilege, vagueness, overbreadth, and/or burdensomeness. (*Id.*, Ex. C at 1-5.) Medtronic attempted to depose Mitchell on October 29, 2003; however, counsel for the Trust instructed Mitchell not to answer any questions regarding the Trust or the statements made in his declaration on the grounds that information sought was not properly discoverable and privileged. (See *id.*, Ex. E at 86-89.)

In response, Medtronic filed the present motion to compel. On November 3, 2003, after the motion to compel was filed, the Trust

² In Mitchell's declaration, he also stated that the law firm of Jeffer, Mangels, Butler & Marmaro was retained by Dr. Michelson in connection with the Trust, that he was personally involved in reviewing the drafting of the Trust, that the Trust is irrevocable, and that Dr. Michelson is not a trustee of the Trust. (Mem. in Supp. of Pls.' Mot. to Compel, Ex. B at 2.)

offered to make Mitchell available again for deposition on the statements made in his declaration and offered to add to Medtronic's remaining deposition time with Mitchell the actual amount of time Medtronic spent asking earlier questions about his declaration. (Def.'s Opposition to Pls.' Mot. to Compel Produc. of Docs. and Dep. Test. of Mitchell at 4.) The Trust also requested Medtronic to withdraw its motion to compel in light of its offer. (*Id.* at 5.) Medtronic declined to withdraw and characterized the Trust's offer as "too little, too late." (*Id.* at 5 n.3.)

ANALYSIS

During the course of this litigation, this court has stated the scope and limits of discovery under the Federal Rules numerous times. Nevertheless, it bears repeating that information is discoverable if it is "relevant to the claim or defense of any party," "appears reasonably calculated to lead to the discovery of admissible evidence," and is not privileged. FED. R. CIV. P. 26(b)(1); *Lewis v. ACB Bus. Servs., Inc.*, 135 F.3d 389, 402 (6th Cir. 1998). Once an objection to the relevance of information sought is raised, the burden shifts to the party seeking the information to demonstrate that the requests are relevant to the subject matter involved in the pending action. Although the scope of discovery is broad under the Federal Rules, the trial court has the "sound discretion" to limit its scope. *Coleman v. Am. Red Cross*, 23 F.3d 1091, 1096 (6th Cir. 1994) (quoting *United States v. Guy*, 978 F.2d 934, 938 (6th Cir. 1992)); see also *Lewis*, 135 F.3d at 402.

In the order dated November 6, 2003, the court previously

determined that the pivotal issue in this contractual interpretation case is "whether Medtronic's obligation to pay the convertible note is excused by an alleged breach of the Purchase Agreement by Michelson." Order Denying Pl.'s Mot. to Compel Dep. Test. at 5, *Medtronic Sofamor Danek, Inc. v. Michelson*, Civil Case No. 01-2373-MIV (W.D. Tenn., Nov. 6, 2003). Accordingly, Medtronic bears the burden of demonstrating to the court that the documents and deposition testimony that it seeks are relevant to that narrow issue.

A. Requests Nos. 1-2, 4, 7, 11-13, 22, 57, and 62 of Medtronic's First Set of Document Requests

Requests Nos. 1-2, 4, 7, 11-13, 22, 57, and 62 seek documents and information regarding the Trust Agreement, its trustees, the business operations of the Trust, and agreements between the Trust and Dr. Michelson. In response to the Trust's relevancy objections, Medtronic advances several arguments in support of relevancy. First, Medtronic asserts that the information it seeks is relevant to Medtronic's claim that the Trust is the alter ego of Dr. Michelson "through which he conducts his patent assignment and licensing business." (Mem. in Supp. of Pls.' Mot. to Compel at 8.) In support of its argument, Medtronic states that discovery concerning Dr. Michelson's control over the trust is directly related to Medtronic's allegations in its complaint that Dr. Michelson created the Trust, that he is a beneficiary of the Trust, that he has a right to receive money from the Trust, that he derives a benefit from the Trust, and that he has power over the Trust to designate beneficiaries, determine distribution amounts, and appoint powers over the Trust's assets. Medtronic also argues

that the Trust voluntarily raised issues regarding Dr. Michelson's control of the Trust in its counterclaim by alleging that Danek "agreed to and accepted Dr. Michelson's assignment of the 1994 Note to the GKM Trust." (*Id.* at 9 (citing Counterclaim ¶ 10).) Medtronic further argues that the Trust put Dr. Michelson's control of the Trust in issue because Dr. Michelson and the Trust are represented by the same attorneys. Finally, Medtronic asserts that Dr. Michelson's control of the trust is relevant to whether he precipitated the Trust's wrongful demand of conversion of the Note to Medtronic stock.

Medtronic's alter-ego theory is in essence the same argument previously made by Medtronic in its motion to compel the deposition testimony of Dr. Michelson regarding the identity of the parties funding the current litigation and information related to any fee agreements, and it was rejected by the court. See Order Den. Pl.'s Mot. to Compel Dep. Test. at 3-4, *Medtronic Sofamor Danek, Inc. v. Michelson*, Civil Case No. 01-2373-MlV (W.D. Tenn., Nov. 6, 2003). In that motion, Medtronic tried to persuade the court that Michelson's exercise of control or authority over the Trust was an issue in its action seeking declaratory judgment against the Trust. The court, however, held that Medtronic had "failed to carry its burden to satisfy the court that control over the Trust is an issue in the Trust lawsuit." *Id.* at 5.

Medtronic's argument of relevancy to its alter-ego claim is equally meritless in the present motion. Although Medtronic argues in its motion that the discovery is related to its alter-ego claim, Medtronic does not actually allege an alter-ego claim or defense in

its complaint; it only mentions Dr. Michelson's alleged control over the Trust in the complaint as a basis for personal jurisdiction over the Trust and Michelson, and jurisdiction has not been disputed. In addition, although Medtronic argues in its motion that control of the Trust is relevant to the issue of whether Dr. Michelson precipitated the Trust's wrongful demand of conversion of the Note to Medtronic common stock, Medtronic fails to indicate what claim in its complaint is based on such a wrongful demand or what relief it seeks as a result of such action. Moreover, the fact that the Trust and Dr. Michelson are represented by the same law firm has no bearing on whether Medtronic's obligation to pay the Note was excused by Michelson's conduct. Therefore, the court finds that the information Medtronic seeks in order to establish Dr. Michelson's control over the Trust is not relevant to the Trust lawsuit.

Medtronic's remaining relevancy arguments are also meritless. Medtronic claims that the Trust voluntarily placed its charitable nature in issue by including the following sentence, supported by a declaration from Burton A. Mitchell, in its statement of undisputed facts in support of its motion for summary judgment: "The GKM Trust is an irrevocable trust that Dr. Michelson created in October 1995, principally to provide for his family and to support charitable causes." (Mem. in Supp. of Pls.' Mot. to Compel at 7; *id.*, Ex. D at 2.) The Trust claims that the sentence was included only as a measure to provide basic background information to the court. Medtronic claims, without specifying any basis for its belief, that this fact is false and argues that the Trust cannot rely on information to support an argument and then object to the

disclosure of the same information on relevance or privilege grounds. (*Id.* at 7 (citing *Rivera v. Kmart Corp.*, 190 F.R.D. 298, 303-04 (D.P.R. 2000).)

Regardless of relevancy, the Trust has offered to disclose the information it relied on in support of its motion for summary judgment. After Medtronic filed its motion to compel, the Trust offered to make Mitchell available for a deposition concerning his declaration. Additionally, Medtronic had an opportunity to ask Dr. Michelson questions about the charitable nature of the trust during his deposition on November 4, 2003. As this court has noted before, the court need not compel discovery if it determines that the request is "unreasonably cumulative . . . [or] obtainable from some other source that is more convenient, less burdensome, or less expensive . . . [or] the party seeking discovery has had ample opportunity by discovery in the action to obtain the information . . . [or] the burden or expense of the proposed discovery outweighs its likely benefit." (Order Granting in Part and Den. in Part Pl.'s Renewed Mot. to Compel, *Medtronic Sofamor Danek, Inc. v. Michelson*, Civil Case No. 01-2373-MLV, 3 (W.D. Tenn. October 24, 2002) (quoting FED. R. CIV. P. 26(b)(2)(i)-(iii)). Accordingly, Medtronic's motion to compel documents relating to the charitable nature of the Trust is denied as moot because the defendants are willing to provide the information through the deposition testimony of Dr. Michelson and Mitchell.

Even if the documents sought were relevant to the contractual issues in this case, the court agrees with the defendants that the requests are overbroad. The requests as written seek discovery of

every document ever created in regard to the Trust, or any other Michelson trust for that matter, without limitation as to time or relationship to the 1999 Note or Guaranty. Medtronic asserts that the Trust's objections are simply improper "boilerplate overbreadth and vagueness objections" and insists that the objecting party has the duty to state its objections with particularity as to each objectionable request.

After careful review of the Trust's objections, the court finds that the Trust did state its objections to the requests with particularity. In response to Request No. 7, which asks for "[a]ll documents comprising instructions to the trustee(s) of any Michelson Trust," the Trust specifically objected to the term "comprising instructions to the trustee(s)" as being vague, ambiguous, and overly broad. (Def.'s Opposition to Pls.' Mot. to Compel Produc. of Docs. and Dep. Test. of Mitchell, Ex. 3 at 2.) The Trust did likewise with Requests Nos. 12 and 62. In response to Request No. 12, the Trust specifically objected to the request's vague use of the words "tax or financial planning." (*Id.* at 3.) As for Request No. 62, which asks the Trust to produce any documents that "support or refute Plaintiff's allegations that Dr. Michelson breached the Purchase Agreement," the Trust stated that it objected to the request on the ground that the term "support or refute Plaintiff's allegations" is vague and ambiguous. (*Id.* at 6.) Moreover, the court finds that Request No. 62 is overly broad on its face because the Trust is not a party to the main action and has no ability to guess which documents might support or refute Medtronic's allegations concerning a breach of the Purchase Agreement.

Accordingly, Medtronic's motion to compel the Trust to produce documents responsive to Medtronic's Requests 1-2, 4, 7, 11-13, 22, 57, and 62 is denied on the basis that the information sought is irrelevant to the narrow issue involved in this contract interpretation case and as being overbroad, vague, and/or ambiguous.

B. The Deposition Testimony of Burton A. Mitchell

Medtronic also seeks the deposition testimony of Burton A. Mitchell, an attorney for the Trust. The Trust opposes the motion on the basis that Medtronic failed to meet and confer as required by Local Rule 7.2. The Trust also asserts that the motion is moot because it has offered to make Mitchell available again for Medtronic to depose him concerning his declaration. The court agrees with the Trust on both counts.

Local Rule 7.2 requires that "[a]ll motions . . . shall be accompanied by a certificate of counsel . . . affirming that, after consultation between the parties to the controversy, they are unable to reach an accord as to all issues or that all other parties are in agreement with the action requested by the motion." Local Rule 7.2(a)(1)(B). Failure to file a Rule 7.2 certificate "may be deemed good grounds for denying the motion." *Id.*

In the present case, Medtronic did file a certificate of consultation with its motion to compel. That certificate, however, did not state that Medtronic attempted to contact the Trust to confer about its intention to file a motion to compel Mitchell's deposition testimony. In fact, the Trust claims that it did not meet and confer with Medtronic regarding Mitchell's deposition testimony until three days after Medtronic filed its motion to

compel. (See Def.'s Opposition to Pls.' Mot. to Compel Produc. of Docs. and Dep. Test. of Mitchell at 2.) Accordingly, the court finds that Medtronic failed to comply with Local Rule 7.2.

Even if Medtronic had complied with Local Rule 7.2, the court would not be inclined to compel Mitchell's deposition testimony. Originally, when Medtronic first deposed Mitchell, the Trust objected on privilege and relevance grounds to every question Medtronic's attorney posed regarding the Trust, including specific questions concerning Mitchell's four sentence declaration filed in support of the Trust's Opposition to Plaintiff's Motion to Stay this Action. Medtronic argues that "relevancy and privilege objections should not 'be used as a "sword and shield" where affirmative relief is voluntarily sought by a party.'" (*Id.* (citing *Fidelity Nat'l Title Ins. Co. v. Nat'l Title Res. Corp.*, 980 F. Supp. 1022, 1024-25 (D. Minn. 1997).) Medtronic asserts that the Trust should not be permitted to use "sword and shield" discovery tactics by relying on Mitchell's declaration in support of its argument and then objecting to the disclosure of that same information on privilege and relevance grounds. (Mem. in Supp. of Pls.' Mot. to Compel at 7-8.)

In general, the court agrees with Medtronic's "sword and shield" legal argument and analysis. In the present case, however, Medtronic's "sword and shield" argument is moot. At the parties' first consultation after Mitchell's first deposition, the Trust offered to make Mitchell available for a second deposition to testify regarding his declaration and offered to give Medtronic additional time to depose Mitchell by adding back the time Medtronic spent questioning Mitchell on his declaration during his October 9,

2003 deposition. Medtronic refused the Trust's offer and refused to withdraw its motion to compel. Moreover, after Medtronic filed its motion to compel, it had an opportunity to ask Dr. Michelson questions concerning the Trust and Mitchell's statement that "The GKM Trust is an irrevocable trust that Dr. Michelson created in October 1995, principally to provide for his family and to support charitable causes." (See Def.'s Opposition to Pls.' Mot. to Compel Produc. of Docs. and Dep. Test. of Mitchell, Ex. 11 at 833-841.) In light of these events, any concerns that Medtronic has that the Trust has unfairly used Mitchell's declaration as a "sword" are moot in light of the events that have occurred subsequent to the filing of this motion. The Trust has effectively dropped its "shield" by allowing discovery on the statements contained in Mitchell's declaration. Accordingly, Medtronic's request for Mitchell's testimony is granted only to the extent that the court will allow Medtronic to depose Mitchell on the statements made in his declaration and any other question relevant to the narrow issue of whether Medtronic's obligation to pay the convertible note is excused by an alleged breach of the Purchase Agreement by Dr. Michelson.

CONCLUSION

For the foregoing reasons, Medtronic's motion to compel the production of documents in response to Requests Nos. 1-2, 4, 7, 11-13, 22, 57, and 62 of Medtronic's First Set of Requests is denied. Medtronic's motion to compel Mitchell's deposition testimony is granted but shall be limited, in the court's sound discretion, to the statements Mitchell made in his declaration and any other

question relevant to the narrow issue of whether Dr. Michelson's alleged breach of the Purchase Agreement relieves Medtronic from its obligations to the Trust under the Note and Guaranty Agreement. Medtronic shall not question Mitchell on any other topics regarding the Trust, including Dr. Michelson's control over the Trust, the Trust's financial planning and tax information or any other topics regarding the Trust not implicated by the statements made in Mitchell's declaration. The parties are ordered to agree upon a mutually convenient date for Mitchell's deposition, but the deposition shall occur no later than fourteen (14) days from the entry of this order.

Because the court has ruled on this motion, the court declines to consider Medtronic's supplemental memorandum and therefore denies Medtronic's motion to file the supplemental memorandum under seal.

IT IS SO ORDERED this 2nd day of December, 2003.

DIANE K. VESCOVO
UNITED STATES MAGISTRATE JUDGE