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UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA

INVIRON TECHNOLOGIES, INC.,

Plaintiff,

v.

WESTERN STATES INTERNATIONAL,
INC. et al.,

Defendants.

No. 1:15-cv-01643-DAD-JLT

ORDER DENYING DEFENDANTS’
MOTION FOR RULE 11 SANCTIONS
AGAINST COUNSEL FOR PLAINTIFF

(Doc. No. 40)

This matter comes before the court on defendants Western States International, Inc. (“WSI”) and Ingrid Aliet-Gass’s motion for sanctions against counsel for plaintiff Inviron Technologies, Inc. (“Inviron”) pursuant to Rule 11 of the Federal Rules of Civil Procedure. (Doc. No. 40.) The court has considered the defendants’ arguments, and for the reasons set forth below, denies the motion.

PROCEDURAL BACKGROUND

Plaintiff Inviron commenced this action for declaratory judgment on October 23, 2015. (Doc. No. 1.) On December 21, 2015, defendants WSI and Aliet-Gass filed a motion to dismiss plaintiff’s claims. (Doc. No. 25.) On December 28, 2015, defendants WSI and Aliet-Gass filed a motion for attorney’s fees and costs. (Doc. No. 29.) That motion sought the imposition of sanctions against plaintiff and its counsel, pursuant to both 28 U.S.C. § 1927 and the district

1 court's inherent power to impose sanctions, for allegedly frivolous and bad-faith behavior related
2 to the filing of the complaint in this action. On February 9, 2016, defendants filed the instant
3 motion for sanctions, which seeks the award of sanctions against plaintiff's counsel on
4 substantially similar grounds as advanced in support of defendant's earlier motion for attorney's
5 fees and costs. (Doc. No. 40.) In summary, defendants enumerate the following factual bases for
6 the imposition of sanctions:

- 7 (1) Plaintiff's counsel failed to articulate a reasonable basis for federal subject matter
8 jurisdiction over this action;
- 9 (2) Plaintiff's counsel represented defendant Riverwood Energy, LLC ("Riverwood")
10 in at least one other state court action since filing the complaint in this action;
- 11 (3) Plaintiff served only a small fraction of parties named in the complaint, and
12 improperly named the Bureau of Land Management ("BLM") as a party to this
13 action, in an attempt to invoke subject matter jurisdiction;
- 14 (4) Plaintiff's counsel likely coordinated with other parties to (a) file the instant action
15 five weeks before the scheduled trial in state court for the related *Riverwood* case,
16 and (b) have defendant Jose Miguel Aguilar improperly remove that case from
17 state court (*see Riverwood Energy, LLC v. W. States Int'l, Inc.*, No. 1:15-cv-
18 01736-DAD-JLT);
- 19 (5) The notice of removal in the *Riverwood* case was procedurally and substantively
20 deficient;¹ and
- 21 (6) Plaintiff had no standing to pursue contract claims against defendants WSI and
22 Aliet-Gass because it has no privity of contract with either party.

23 (*See id.* at 2–6.)

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25 ¹ The court notes that the defendants in *Riverwood* did not move for the award of sanctions on
26 the basis that that action was improperly removed. The court expresses no opinion regarding
27 whether sanctions would have been imposed in that case had such a motion been made or whether
28 the state court may award sanctions following the remand of that action. The court states only
that it does not believe the award of sanctions in this action based upon allegations of an improper
removal of a separate action is authorized under Rule 11.

1 On March 7, 2016, the court granted defendants’ motion to dismiss this action for lack of
2 subject matter jurisdiction² and denied defendants’ motion for attorney’s fees and costs. (Doc.
3 No. 45.) In its dismissal order, however, the court specifically retained jurisdiction to address this
4 motion for sanctions. (*Id.* at 4 n.4.)

5 LEGAL STANDARD

6 In relevant part, Rule 11 of the Federal Rules of Civil Procedure provides:

7 **(b) Representations to the Court.** By presenting to the court a
8 pleading, written motion, or other paper—whether by signing,
9 filing, submitting, or later advocating it—an attorney or
10 unrepresented party certifies that to the best of the person’s
11 knowledge, information, and belief, formed after an inquiry
12 reasonable under the circumstances:

11 **(1)** it is not being presented for any improper purpose, such as
12 to harass, cause unnecessary delay, or needlessly increase the
13 cost of litigation;

13 **(2)** the claims, defenses, and other legal contentions are
14 warranted by existing law or by a nonfrivolous argument for
15 extending, modifying, or reversing existing law or for
16 establishing new law;

15 * * *

16 **(c) Sanctions.**

17 **(1) In General.** If, after notice and a reasonable opportunity to
18 respond, the court determines that Rule 11(b) has been violated,
19 the court may impose an appropriate sanction on any attorney,
20 law firm, or party that violated the rule or is responsible for the
21 violation.

20 Fed. R. Civ. P. 11.

21 “Rule 11 is an extraordinary remedy, one to be exercised with extreme caution.” *In re*
22 *Keegan Management Co., Securities Litigation*, 78 F.3d 431, 437 (9th Cir. 1996) (*quoting*
23 *Operating Engineers Pension Trust v. A-C Co.*, 859 F.2d 1336, 1345 (9th Cir. 1988)). “[T]he
24 central purpose of Rule 11 is to deter baseless filings in district court and . . . streamline the
25 administration and procedure of the federal courts.” *Cooter & Gell v. Hartmarx Corp.*, 496 U.S.

26
27 ² On the same day, the court granted a motion to remand the *Riverwood* case to state court on
28 substantially similar grounds. *See Riverwood*, No. 1:15-cv-01736-DAD-JLT, Doc No. 21 (E.D.
Cal. Mar. 7, 2016).

1 384, 393 (1990). When a court examines a complaint for frivolousness under Rule 11, it must
2 determine both (1) whether the complaint is legally or factually baseless from an objective
3 perspective, and (2) whether the attorney conducted a reasonable and competent inquiry before
4 signing it. *Holgate v. Baldwin*, 425 F.3d 671, 676 (9th Cir. 2005). A nonfrivolous complaint
5 cannot be filed for an improper purpose. *Townsend v. Holman Consulting Corp.*, 929 F.2d 1358,
6 1362 (9th Cir. 1990) (citing *Zaldivar v. City of Los Angeles*, 780 F.2d 823, 832 (9th Cir. 1986),
7 *abrogated on other grounds by Cooter & Gell*, 496 U.S. at 399–405).

8 DISCUSSION

9 Defendants move for the imposition of sanctions on grounds that plaintiff’s complaint
10 fails to comply with Rules 11(b)(1) and (2). (Doc. No. 40 at 7.) In particular, defendants argue
11 that “all of the relief requested in Plaintiff’s Complaint is predicated on . . . an order against the
12 federal government agency the BLM.” (*Id.* at 8.) As an initial matter, while the complaint filed
13 by plaintiff in this action appears to seek mandamus relief from a federal agency, not all requested
14 relief depends thereon. For example, the complaint on several occasions seeks declaratory relief
15 as to the parties’ rights under state contract law. Such judgments would not require mandamus
16 relief against the BLM. Furthermore, neither plaintiff’s purported failure to serve its complaint
17 on the BLM nor its request for relief against the agency rises to the level of a Rule 11 violation.
18 The court does not find (as defendants do not present adequate evidence) that the issue of
19 sovereign immunity here is so clear that plaintiff’s inclusion of a federal agency in its complaint
20 amounts to sanctionable conduct. To the extent relief against a federal agency would have been
21 legally precluded, the court declines to find that plaintiff’s complaint is baseless—and therefore
22 frivolous—under an objective standard.

23 Moreover, insofar as defendants contend that their arguments in a motion to dismiss form
24 the basis of a Rule 11 violation (*see id.* at 7), the court similarly declines to impose sanctions.
25 While the court agreed that plaintiff’s complaint failed to confer subject matter jurisdiction, it did
26 so after noting and considering plaintiff’s good-faith—albeit unpersuasive—legal arguments.
27 The court also finds that the alleged claims in general are not legally or factually baseless from an
28 objective perspective.

1 Finally, because the complaint is nonfrivolous, the court declines to find that it was filed
2 for an improper purpose under Rule 11. Defendants allege a laundry list of questionable conduct,
3 by plaintiff's counsel and several other parties to this action. While concerning if true, such
4 extrinsic misconduct is not considered for the purposes of sanctions under Rule 11. *See Christian*
5 *v. Mattel, Inc.*, 286 F.3d 1118, 1131 (9th Cir. 2002) ("Rule 11 sanctions are limited to papers
6 signed in violation of the rule.") (internal quotations omitted). Accordingly, defendants' motion
7 for sanctions is denied.³

8 ORDER

9 For the reasons set forth above,

- 10 1. Defendants' motion for Rule 11 sanctions (Doc. No. 40) is denied; and
11 2. In light of the court's order granting defendants' motion to dismiss (Doc. No. 45), the
12 court directs the Clerk of the Court to enter judgment and close this action.

13 IT IS SO ORDERED.

14 Dated: April 4, 2016

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17 UNITED STATES DISTRICT JUDGE

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25 ³ The denial of this motion for imposition of sanctions should in no way be interpreted as this
26 court approving of the conduct of plaintiff's counsel in this action. Plaintiff's counsel filed no
27 opposition whatsoever to this motion. Similarly, plaintiff's counsel filed an untimely, and plainly
28 inadequate, opposition to defendants' motion to dismiss and for award of attorney's fees and
costs. (*See* Doc. No. 45 at 1, n.1.) However, the quality of counsel's performance is not what is
placed at issue by this motion. Rather, the question is whether the filing of the complaint was
frivolous, and this court cannot say that it was.