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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

THE NATIONAL GRANGE OF THE
ORDER OF PATRONS OF
HUSBANDRY,

 Plaintiff,

 v.

CALIFORNIA GUILD, formerly
doing business as "California
State Grange,"

 Defendant.

CIV. NO. 2:14-676 WBS DB

ORDER RE: MOTION TO RE-OPEN POST
JUDGMENT PROCEEDINGS

Presently before the court is The National Grange of the Order of Patrons of Husbandry's ("National Grange") Motion to Re-Open Post-Judgment Proceedings. (Docket No. 226).

I. Factual and Procedural History

On April 20, 2016, this court found that defendant California Guild had willfully violated a prior permanent injunction granted by this court in September 2015. (Apr. 20, 2016 Order (Docket No. 138).) Accordingly, the court ordered

1 defendant to pay plaintiff attorney's fees incurred in
2 enforcement of the injunction. (Id.) On September 12, 2016, the
3 court specifically directed defendant to pay \$144,715.70 to
4 plaintiff. (Sept. 12, 2016 Order (Docket No. 154).)

5 Defendant failed to pay the designated amount at the
6 correct time, and instead filed a declaration signed by Robert
7 McFarland, the president of the California Guild, asserting that
8 defendant was unable to pay the award. (Decl. of Robert
9 McFarland ("McFarland Decl.") (Docket No. 155).) In his
10 declaration, McFarland acknowledged that "the Guild is a
11 nonprofit organization with limited funds and sources of income,
12 most of which are already subject to the preliminary injunction
13 and/or Court orders issued in Sacramento County Superior Court
14 Case No. 34-2012-0013439." ¹ (Id.) McFarland further explained
15 that "[t]he preliminary injunction enjoins the Guild from
16 selling, assigning, transferring, pledging, hypothecating, or
17 encumbering [National] Grange assets possessed or controlled as
18 of April 5, 2013 including certain real property and assets in
19 the [Morgan Stanley] accounts possessed or controlled by
20 Defendants beyond the normal business expenses of the
21 organization." (Id.)

22 Plaintiff then brought a motion in this court, asking
23 that the court assign it the right to collect "all payments due
24 or to become due to defendant" from its local chapters to satisfy
25 the court's fees order. (Pl.'s Mot. for Assignment Order (Docket

26 ¹ On October 20, 2015, Judge David Brown of the
27 Sacramento County Superior Court issued a preliminary injunction
28 to "preclude the defendant Unchartered State Grange from wasting
Grange assets until the case is finally adjudicated."

1 No. 178).) The court granted plaintiff's application for an
2 assignment order on March 9, 2017. (Docket No. 189). On March
3 24, 2017, defendant provided plaintiff with a cashier's check of
4 \$145,466.82, signed by defendant's attorney Mark Ellis ("Ellis")
5 and his law firm, the Ellis Law Group LLP ("Ellis Law Group").

6 On March 17, 2017, plaintiff submitted a memorandum of
7 costs for attorney fees and other expenses incurred in
8 enforcement of the original award. (Docket No. 193.) On May 18,
9 2017, the court recognized defendant's payment of \$145,466.82,
10 and also ordered that defendant pay an additional \$93,707.78 in
11 costs and fees. (Docket No. 218.) On June 9, 2017, attorney
12 Ellis appeared in court with McFarland and presented the court
13 with three checks drawn on his firm's client trust account,
14 payable to plaintiff, amounting to \$93,707.78, in purported
15 satisfaction of all remaining costs and fees claimed by
16 plaintiff. Trusting Ellis' statements regarding the legitimacy
17 of these funds, plaintiff filed an Acknowledgement of Full
18 Satisfaction of Judgment on June 27, 2017. (Docket No. 224.)

19 II. Vacate Satisfaction of Judgment

20 Plaintiff alleges that defendant's attorney used
21 a client trust account to conceal the source of funds used
22 for the payment of attorney fees owed to plaintiff, and
23 argues that the court should therefore vacate the
24 Satisfaction of Judgment. Although plaintiff primarily
25 argues that the Satisfaction of Judgment should be vacated
26 because of fraud, plaintiff also argues that such relief is
27 warranted, with or without evidence of fraud, on the ground
28

1 that the attorney fee award has not actually been paid and
2 thus the Satisfaction of Judgment was entered by mistake.

3 Pursuant to California law, "a satisfaction of judgment
4 which has been filed and entered may be set aside by appropriate
5 proceedings and for proper cause." Remillard Brick Co. v.
6 Dandini, 98 Cal. App. 2d 617, 622, (1st Dist. 1950). "Fraud,
7 undue influence and mistake are the generally recognized grounds
8 for vacating a satisfaction of judgment." (Id.) Additionally,
9 "[i]t is settled that where a satisfaction of judgment has been
10 erroneously entered, it may be cancelled . . . upon motion made
11 in the original action." Kinnison v. Guar. Liquidating Corp., 18
12 Cal. 2d 256, 265 (1941). Specifically, the Ninth Circuit has
13 concluded that a satisfaction of judgment may be vacated if the
14 defendant has not in fact paid the full amount of the fee award.
15 Jimenez v. Franklin, 680 F.3d 1096 (9th Cir. 2012) (reversing
16 district court order that granted satisfactions after defendants
17 paid less than full amount of fee award).

18 Here, the uncontroverted evidence indicates that
19 defendant's partial payment of plaintiff's attorney fee award in
20 the amount of \$93,707.78 came from funds that defendant had been
21 enjoined from accessing. On December 27, 2017, plaintiff
22 discovered, through discovery in a related case, that the three
23 checks for \$93,707.78 written on Ellis Law Group's client trust
24 account were identical to payments paid to the Ellis Law Group
25 from a restricted Morgan Stanley account belonging to defendant.
26 Relatedly, on March 21, 2018, the Sacramento County Superior
27 Court ruled that defendant had "willfully violated this Court's
28 injunction order, which specifically precluded the Guild from

1 expending funds in an account at Morgan Stanley.” (Pl.’s Req.
2 for Judicial Notice, Ex. 1 (Judge Brown Mar. 21, 2018 Order)
3 (Docket No. 228-1).) The Superior Court Order further explained
4 that “the Guild has expended tens of thousands of dollars on
5 attorneys’ fees in favor of a CSG affiliate in an unrelated
6 case.” (Id.) The court recognizes that these “tens of thousands
7 of dollars” refer precisely to the \$93,707.78 at issue here.

8 Therefore, with regard to the \$93,707.78 payment, it
9 clearly appears that plaintiff entered its Satisfaction of
10 Judgment by mistake. Defendant convinced plaintiff that the
11 funds it used to pay plaintiff came from defendant, when in
12 reality the money came from a fund that defendant had been
13 enjoined from accessing pursuant to the state court injunction.
14 Had plaintiff known the true source of the money, it would not
15 have entered an Acknowledgement of Full Satisfaction of Judgment.
16 (Docket No. 224.) Thus, the Satisfaction of Judgment was clearly
17 entered in error.

18 It also appears that the remaining \$145,466.82 may
19 have been paid using money that defendant should not have
20 accessed as well. However, the record before this court is not
21 sufficiently clear to make that determination. This seems to be
22 a matter best resolved in another case before a different court.
23 Therefore, unless and until determined otherwise, this court will
24 consider the \$145,466.82 a partial satisfaction of the judgment.
25 See, e.g., Jhaveri v. Teitelbaum, 176 Cal. App. 4th 740, 749 (2d
26 Dist. 2009) (explaining that trial court has discretion to “apply
27 a credit in partial satisfaction of the judgment”).

28 III. Sanctions

1 Plaintiff requests imposition of sanctions against
2 defendant for its attempt to satisfy this court's judgment with
3 funds fraudulently obtained in violation of a state court
4 injunction. Courts have inherent authority to sanction a broad
5 range of improper conduct, even conduct that occurred outside of
6 the courtroom. See Knupfer v. Lindblade, 322 F.3d 1178, 1196
7 (9th Cir. 2003); Chambers v. NASCO, 501 U.S. 32, 57 (1991).

8 The court agrees with plaintiff and concludes that
9 defendant attempted to deceive plaintiff by paying the judgment
10 using misappropriated funds. Defendant offers no plausible
11 explanation for why it used those funds from the Morgan Stanley
12 account. At the hearing on April 16, 2018, defendant's attorney
13 attempted to argue that Judge Brown's Order discussing "tens of
14 thousands of dollars on attorneys' fees" referred to a different
15 payment. However, upon inspection of the Order, this explanation
16 was disproven.

17 The evidence indicates that the \$93,707.78 was,
18 indisputably, removed from a restricted Morgan Stanley account,
19 with no credible reason for doing so. Accordingly, the court
20 concludes that plaintiff is entitled to sanctions in the amount
21 of \$9,000, which less than 10% of the amount of money which
22 defendant attempted to cheat plaintiff out of. These sanctions
23 are imposed in part to indemnify plaintiff for its attorney fees
24 in making this Motion.

25 IT IS THEREFORE ORDERED that plaintiff's Motion to Re-
26 Open Post-Judgment Proceedings (Docket No. 226) be, and the same
27 hereby is, GRANTED. The Satisfaction of Judgment is hereby
28 partially vacated to the extent of \$93,707.78 upon the condition

1 that plaintiff take the necessary steps to return the \$93,707.78
2 to the account from which it should not have been taken.
3 Defendant has thirty days from the date this Order is signed to
4 pay plaintiff the additional sanctions in the amount of \$9,000
5 imposed in this Order.

6 Dated: April 17, 2018



7 WILLIAM B. SHUBB
8 UNITED STATES DISTRICT JUDGE
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