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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

CISCO SYSTEMS, INC., ET AL.,

Plaintiffs,

vs.

SHAHID H. SHEIKH, ET AL.,

Defendants.

**ADVANCED DIGITAL SOLUTIONS
INTERNATIONAL, INC.,**

Third- Party Plaintiff,

vs.

NABIA UDDIN,

Third-Party Defendant.

Case No. 4:18-cv-07602-YGR

**ORDER: (1) RE: ORDER TO SHOW CAUSE;
AND (2) GRANTING IN PART MOTION FOR
ATTORNEYS' FEES**

Re: Dkt. Nos. 309, 310

Plaintiffs Cisco Systems, Inc. and Cisco Technology, Inc. (collectively “Cisco”) brought this action against defendants Shahid H. Sheikh, Kamran Sheikh, Farhaad Sheikh,¹ Advanced Digital Solutions International, Inc. (“ADSI”), Purefuturetech, LLC, Jessica Little, K&F Associates, LLC, and Imran Husain² for claims based on trademark infringement, trademark counterfeiting, false designation of origin, violation of California’s Unfair Competition Law

¹ Because multiple defendants have the “Sheikh” surname, the Court utilizes the first names of these defendants when referring to each of these individual defendants.

² The Court defines “ADSI parties” or “ADSI affiliated defendants” to include ADSI, Shahid, Kamran, Farhaad, Prefuturetech, LLC, and K&F Associates, LLC.

1 (“UCL”), and unjust enrichment. Cisco has now voluntarily dismissed its claims against
2 defendants per the parties’ settlement. (*See* Dkt. Nos. 296, 329, 330.) As for the remaining claim,
3 ADSI, as a third-party plaintiff, brings a claim for indemnity against third-party defendants Rahi
4 Systems, Inc., Masood Minhas, Nauman Karamat, Pure Future Technology, Inc. (“PFT”), Nabia
5 Uddin, Karoline Banzon, and Kaelyn Nguyen.

6 Now before the Court are the following matters: (1) an Order to Show Cause (“OSC”) as
7 to why third-party defendant Nabia Uddin should not be dismissed (Dkt. No. 310); and (2) a motion
8 for attorneys’ fees filed by the remaining prevailing third-party defendants, Rahi Systems, Minhas,
9 Karamat, PFT, Banzon, and Nguyen (collectively “PTPD” or “PTPDs”) seeking recovery of
10 \$445,039. (Dkt. No. 309.) The matters were fully briefed by the parties. (*See* Dkt. Nos. 309, 324,
11 325 (motion for attorneys’ fees briefing); 310, 316, 317 (OSC briefing).)

12 Having considered the parties’ briefing, reviewed the docket, and for the reasons stated
13 below, the Court **HEREBY ORDERS** as follows: (1) the indemnity claim as to third-party defendant
14 Nabia Uddin is **DISMISSED**; and (2) the motion for attorneys’ fees is **GRANTED IN PART**.

15 The Court first considers the OSC before addressing the motion for attorneys’ fees.

16 **I. ORDER TO SHOW CAUSE**

17 By way of background, Cisco brought its complaint against the ADSI parties alleging a
18 years-long scheme to import and sell counterfeit Cisco products, asserting claims against them
19 under the Lanham Act and California’s UCL, and pleading alternatively a claim for unjust
20 enrichment. ADSI thereafter filed a third-party action against Uddin and the PTPDs, asserting
21 that Uddin and the PTPDs were responsible for the counterfeiting and should therefore indemnify
22 the ADSI parties.

23 The Court previously ruled that Uddin and the PTPDs share no joint liability with ADSI
24 for Cisco’s claims arising out of the Lanham Act and dismissed ADSI’s indemnity claims based
25 on the Lanham Act. (*See* Dkt. No. 53.) The Court also previously granted summary judgment as
26 to the claims brought against the PTPDs in light of the stark lack of evidence in the record, as well
27 as construing the invocation of the Fifth Amendment against the ADSI parties (*i.e.* adverse
28 inference). (Dkt. No. 246.) The notable exception to the ruling was to Uddin, where genuine

1 disputes of material fact existed as to her involvement in the counterfeiting scheme. (*Id.*) Cisco
2 thereafter dismissed its claims against ADSI arising under the UCL, to which ADSI stipulated.
3 (Dkt. No. 296.) Based on this stipulation, the Court orally issued at a pretrial conference an OSC
4 as to why the Uddin should not be dismissed given that there appeared to be no remaining viable
5 claim against her that could be asserted in light of the dismissal of certain claims and the
6 settlement reached between Cisco and the ADSI parties. (*See* Dkt. Nos. 308, 310.)

7 ADSI asserts that despite this glaring defect, dismissal of Uddin is inappropriate on the
8 following four grounds: (1) it is improper for the Court to dismiss Uddin where no motion is
9 pending before the Court; (2) ADSI's equitable indemnity claim is triable to a jury, and the Court
10 should not deprive ADSI of its meritorious claims; (3) indemnity survives because Cisco's unjust
11 enrichment claim is a proper basis for an indemnity claim; and (4) California law recognizes a
12 claim for equitable indemnity between concurrent and intentional tortfeasors.

13 ADSI does not persuade. First, in general, a "trial court may act on its own initiative to
14 note the inadequacy of a complaint and dismiss it for failure to state a claim[.]" *Sparling v.*
15 *Hoffman Const. Co., Inc.*, 864 F.2d 635, 638 (9th Cir. 1988) (internal citation omitted). Where it
16 is "obvious" that a plaintiff (or in this case a third-party plaintiff) "cannot possibly win relief," the
17 Court may even dismiss the case without giving the plaintiff notice or an opportunity to respond.
18 *Landucci v. State Farm Ins. Co.*, 65 F. Supp. 3d 694, 711 (N.D. Cal. 2014) (internal citation
19 omitted); *Omar v. Sea-Land Serv., Inc.*, 813 F.2d 986, 991 (9th Cir. 1987) ("Such a dismissal may
20 be made without notice where the claimant cannot possibly win relief."). Furthermore, Federal
21 Rule of Civil Procedure 41(b) provides "[u]nless the dismissal order states otherwise, a dismissal
22 under this subdivision (b) and any dismissal not under this rule [except for dismissals under Rule
23 12(b)(1)-(2) or (7)] operates as an adjudication on the merits." Here, the Court did permit the
24 ADSI parties an opportunity to respond to the OSC, to which they filed a brief. It is otherwise
25 well within the Court's authority to order dismissal for failure to state a claim, and the ADSI
26 parties fail to cite authority holding to the contrary.

27 Second, the ADSI parties' next argument that its indemnity claim is triable to a jury is
28 necessarily premised on the indemnity claim being meritorious. ADSI essentially assumes that it

1 has appropriately stated a claim on which relief can be granted. By definition, there can simply be
2 no deprivation of submitting a claim to a jury given that ADSI has failed to show that there is in
3 fact a valid claim. Thus, the Court rejects ADSI’s circular argument.

4 Third, as referenced, the ADSI parties fail to show that there is a proper underlying claim
5 sufficient to state a claim for indemnification. As correctly stated by Uddin: an equitable
6 indemnity claim is “wholly derivative” of the claims being made against the putative indemnitee.
7 *W. S.S. Lines, Inc. v. San Pedro Peninsula Hosp.*, 8 Cal. 4th 100, 115 (1994) (indemnity liability
8 capped by statutory limit on non-economic damages in medical malpractice cases). Indemnity is
9 premised on joint liability. *Jocer Enters., Inc. v. Price*, 183 Cal. App. 4th 559, 573 (2010)
10 (“[T]here can be no indemnity without liability, that is, the indemnitee and indemnitor must share
11 liability for the injury” to another party) (internal citation omitted). In other words, an alleged
12 indemnitor must share not only some factual fault for underlying injury, but must also some legal
13 fault, as well. *See id.* at 573-574 (there can be no indemnity where the putative indemnitor “has
14 no pertinent duty to the injured third party, . . . is immune from liability, or . . . has been found not
15 to be responsible for the injury”) (internal citations and quotation marks omitted). Here, Cisco’s
16 underlying complaint pleads no theory of restitution under which ADSI can seek indemnity
17 against Uddin because at this juncture the only viable basis for restitution is under the Lanham
18 Act. Even Cisco conceded in its pretrial brief that its claim for unjust enrichment rose and fell
19 with its claim under the Lanham Act. (Dkt. 298 at 2:24-3:5.) Thus, ADSI fails to demonstrate
20 that there is an independent claim for restitution upon which ADSI may seek indemnity from
21 Uddin.

22 Finally, even assuming there was an independent unjust enrichment claim as pled by
23 Cisco, ADSI fails to show that it can seek indemnity in such circumstances. For unjust
24 enrichment and restitution claims, “[t]he emphasis is on the wrongdoer’s enrichment, not the
25 victim’s loss.” *Am. Master Lease LLC v. Idanta Partners, Ltd.*, 225 Cal. App. 4th 1451, 1482
26 (2014). This is because one of the “cornerstones of the law of restitution and unjust enrichment”
27 is the principle that the object of restitution is to “eliminate [the] profit” received by the conscious
28 wrongdoer or defaulting fiduciary. *Id.* at 1486 (finding that defendant’s disgorgement liability

1 should be measured by the profits received by the defendant and not by the profit received those
 2 the defendant was alleged to have aided and abetted) (internal citations omitted). Here, any
 3 disgorgement required of ADSI, would necessarily be limited to whatever enrichment ADSI
 4 individually received in the form of profits from the sale of counterfeit Cisco products. In other
 5 words, even assuming Uddin separately profited from the counterfeiting scheme, her alleged
 6 individual profits would necessarily be excluded from the order of disgorgement against ADSI.
 7 Thus, there would be nothing for Uddin to indemnify as disgorgement would be solely limited to
 8 ADSI's wrongdoing—apart and separate from any alleged wrongdoing from Uddin.

9 In sum, in light of the present posture of this action, where Cisco and the ADSI parties
 10 have reached a settlement and dismissal of claims, there is no longer a basis for the remaining
 11 indemnity claim against Uddin. Accordingly, the Court **DISMISSES** Uddin from this action.

12 **II. MOTION FOR ATTORNEYS' FEES**

13 The PTPDs bring a motion for attorneys' fees against ADSI pursuant to California Code of
 14 Civil Procedure section 1038, which allows defendants who have been granted summary judgment
 15 in indemnity actions to recover all reasonable and necessary defense fees incurred by opposing the
 16 proceeding. Cal. Civ. P. Code § 1038(a). The parties do not dispute the standard that the Court
 17 may award reasonable and necessary defense fees if the proceeding was not brought in good faith
 18 and with reasonable cause. *Id.* The Court begins by reviewing this legal standard.

19 First, “[g]ood faith, or its absence, involves a factual inquiry into the plaintiff’s subjective
 20 state of mind.” *Nuveen Mun. High Income Opportunity Fund v. City of Alameda, Cal.*, 730 F.3d
 21 1111, 1128 (9th Cir. 2013) (internal citation omitted). “Black’s Law Dictionary states that ‘bad
 22 faith’ is the opposite of ‘good faith’ and that bad faith conduct is ‘not prompted by an honest
 23 mistake as to one’s rights or duties, but by some interested or sinister motive.’” *Smith v. Selma*
 24 *Cnty. Hosp.*, 188 Cal. App. 4th 1, 34, *as modified on denial of reh’g* (2010) (citing Black’s Law
 25 Dict., p. 127.) Black’s Law Dictionary also states “‘bad faith’ is not simply bad judgment or
 26 negligence, but rather it implies the conscious doing of a wrong because of dishonest purpose or
 27 moral obliquity; it is different from the negative idea of negligence in that it contemplates a state
 28 of mind affirmatively operating with furtive design or ill will.” *Id.* “The focus of the good faith

1 inquiry for defense costs is a party's honest belief in the viability of the claims[.]" *Nuveen*, 730
 2 F.3d at 1128. However, as a party's "subjective state of mind will rarely be susceptible of direct
 3 proof[,] usually the trial court will be required to infer it from circumstantial evidence." *Knight v.*
 4 *City of Capitola*, 4 Cal. App. 4th 918, 932 (1992), *disapproved on other grounds*, *Reid v. Google,*
 5 *Inc.*, 50 Cal. 4th 512 (2010).

6 Second, the "reasonable cause" element poses "whether any reasonable attorney would
 7 have thought the claim tenable." *Kobzoff v. Los Angeles Cty. Harbor/UCLA Med. Ctr.*, 19 Cal.4th
 8 851, 857 (1998) (citations omitted). "*Reasonable cause* is to be determined objectively, as a matter
 9 of law, on the basis of the facts known to the plaintiff when he or she filed or maintained the
 10 action." *Id.* (emphasis in original). Courts addressing the reasonable cause element look to
 11 whether "the plaintiff (and thus his or her attorney) can be shown to have been aware that an
 12 element of the cause of action was missing." *Knight*, 4 Cal. App. 4th at 933. Other courts have
 13 asked whether "[a]t the minimum," the "plaintiffs' attorney ha[d] some articulable fact or facts to
 14 conclude that a particular person or entity should be *initially* included in the lawsuit as a party-
 15 defendant." *Kobzoff*, 19 Cal.4th at 859 (emphasis in original); *see also Carroll v. State of*
 16 *California*, 217 Cal. App. 3d 134, 142 (1990) (same). A plaintiff "cannot simply name every
 17 conceivable defendant and rely on what future discovery may turn up." *Id.*, 19 Cal. 4th at 858
 18 (citing *Knight*, 4 Cal. App. 4th at 933-34).

19 Further, both the "good faith" and "reasonable cause" requirements apply not only to the
 20 initiation of the action, but also its "continued maintenance." *Id.*, 19 Cal. 4th at 853, n.1 (citing
 21 *Curtis v. County of Los Angeles*, 172 Cal. App. 3d 1243 (1985)). "Of the two requirements to
 22 avoid an order for defense costs, reasonable cause is obviously the more stringent." *Knight*, 4 Cal.
 23 App. 4th at 932. Thus:

24 To avoid paying defense costs under section 1038, plaintiff must
 25 show he or she filed and pursued the action with reasonable cause *and*
 26 in the good faith belief that there was a justifiable controversy under
 27 the facts and law which warranted the filing of the complaint[.] The
 moving defendant must negate either good faith or reasonable cause
 in order to prevail.

28 *Hall v. Regents of Univ. of Cal.*, 43 Cal. App. 4th 1580, 1585-86 (1996) (emphasis in original;

1 internal citations and quotation marks omitted); *see also Nuveen*, 730 F.3d at 1127 (“Under
2 California law, applicable defendants may recover defendant costs[,] if the trial court finds the
3 plaintiffs lacked *either* reasonable cause or good faith in filing or maintaining the lawsuit.” (citing
4 *Kobzoff*, 19 Cal. 4th at 853 (emphasis in original; internal quotation marks omitted))).

5 At the outset, the Court notes that it rarely, if ever, grants motions for attorneys’ fees in
6 such circumstances given the high bar for which the requesting party must prevail. That said,
7 having reviewed the totality of the record in this action as well as the parties’ briefing, the Court
8 concludes that the PTPDs have rebutted ADSI’s good faith and reasonable cause showings at the
9 motion for summary judgment stage and beyond.

10 The Court notes that whether ADSI had reasonable cause to file, or good faith for the
11 initial filing of this action against the PTPDs is a close question. On the one hand, one of the
12 third-party defendants, Uddin, ultimately admitted her own role and involvement in the
13 counterfeiting scheme. Moreover, there is some evidence showing that the PTPDs were intimately
14 involved in the sales of products at ADSI and had some degree of autonomy while employed at
15 ADSI. Additionally, while not directly related to the counterfeiting charge, the PTPDs appeared
16 to be diverting business away from ADSI to a competitor, Rahi Systems, suggesting that the
17 PTPDs were potentially colluding for *some* illicit purposes. On the other hand, as the Court
18 recognized in the order granting summary judgment, there was evidence some of the ADSI
19 affiliated parties knew of and participated in the counterfeiting scheme itself, especially where the
20 counterfeiting scheme continued beyond the termination and departure of the third-party
21 defendants from ADSI. The latter might suggest that the ADSI affiliated parties would know who
22 was involved in the counterfeiting scheme.

23 Here, at least at the initial filing stage, the Court will not fault ADSI by finding a lack of
24 reasonable cause or good faith for broadly sweeping in potentially more individuals as third-party
25 defendants than were meritorious. At the initial filing of the third-party complaint, ADSI may not
26 have known the extent and far reach of any counterfeiting scheme involving Cisco products and
27 sought to preserve any right of action against any potential wrongdoers. This is especially so
28 where the PTPDs were potentially engaged in some activity that was harmful to ADSI. Thus, the

1 Court cannot conclude that the claims were untenable or filed in bad faith at the onset of the case.

2 All the foregoing said, however, the Court concludes that the calculus changes with respect
3 to both good faith and reasonable cause when this action reached the motion for summary
4 judgment stage, that is, after the close of discovery. As the Court found at the summary judgment
5 stage, ADSI had a woeful lack of *any* evidence as to any of the PTPDs. This utter lack of
6 evidence is especially galling as to two PTPDs: Nguyen and Banzon. With respect to these two
7 individuals, ADSI failed to show even a scintilla of evidence, and even failed to *mention* either of
8 these two individuals in the opposition briefing.

9 The evidence and arguments as to the remaining PTPDs was either (i) irrelevant to the
10 counterfeiting scheme,³ and/or (ii) failed to show that these PTPDs were involved in any
11 counterfeiting scheme involving Cisco products.⁴ Instead, ADSI relied entirely on speculation and
12 conjecture in arguing that the PTPDs were involved in the counterfeiting scheme. At this stage
13 and given the state of the evidentiary record, including evidence that the counterfeiting scheme
14 continued beyond the departure of the third-party defendants, no reasonable attorney would
15 conclude that the claims brought by ADSI against the PTPDs were tenable or brought with
16 reasonable cause. Moreover, given the state of the record, the Court can infer that the continued
17 pursuit of this action, despite the lack of any evidentiary support as to the claims, reflects a lack of
18 good faith. This is specially so where ADSI's continued pursuit of these claims appears to be a
19 transparent attempt to strategically leverage the state court action and the claims therein against
20 the PTPDs in federal court. This is the essence of bad faith.

21 ADSI's arguments that it should not be punished for the Court's later evidentiary ruling as
22 to the Fifth Amendment do not persuade. ADSI's decision to invoke the Fifth Amendment as a
23 sword and shield was entirely within its control. As the Court stated in its prior Order, ADSI
24

25 ³ The Court recognizes that these adduced documents are potentially relevant to the
26 ongoing state court case involving misappropriation of trade secrets and the diversion of business
from ADSI to Rahi Systems.

27 ⁴ Indeed, the proffered documents merely reflected appropriate transactions with clients
28 (*e.g.* the gray market sale).

1 could not rely on its invocation of the Fifth Amendment to show a genuine dispute of material
2 fact, especially where it bore the ultimate burden on the indemnity claims against the third-party
3 defendants. (*See generally* Dkt. No. 246.) Moreover, nothing in the record, even in the materials
4 stricken by the Court, are evidence of any of the PTPDs involvement in the counterfeiting scheme.
5 At best, these stricken materials show denials of personal involvement by the ADSI affiliated
6 parties—but are not otherwise evidence of any individual involvement of the PTPDs in the
7 counterfeiting scheme.

8 Because the Court has concluded that the PTPDs have failed to rebut ADSI’s showing of
9 reasonable cause and good faith at the commencement of this action, but that the continued
10 maintenance of this action beyond the discovery stage lacked reasonable cause and good faith, the
11 Court will limit an award of attorneys’ fees to the costs incurred after the close of discovery.
12 Thus, the Court **GRANTS IN PART** the motion for attorneys’ fees. Having reviewed *in camera* the
13 PTPDs’ billing records for time spent on the motion for summary judgment, the Court finds the
14 total hours and billable costs claimed appropriate. Thus, the Court finds that the PTPDs are
15 appropriately award only \$73,510,29 of the \$445,039 sought.⁵

16 ADSI’s remaining disputed grounds, that the PTPDs failed to meet and confer as well as
17 failed to support their fee request, do not persuade. The PTPDs’ attached correspondence shows
18 an effort to meet and confer on the attorneys’ fees request. Moreover, given the Court’s *in camera*
19 review of the billing records, the Court finds that the PTPDs have adequately supported their
20 attorneys’ fees request and finds the amount awarded appropriate under the circumstances of this
21 action.

22 Accordingly, the Court **GRANTS IN PART** the motion for attorneys’ fees. The PTPDs are
23 entitled to an award of \$73,510.29 for attorneys’ fees.

24
25 _____
26 ⁵ This amount includes a reduction to account for work attributed to Uddin, including both
27 a reduction of 1/7 of the cost for the motion for summary judgment briefing, as well as work
28 performed for Uddin after the briefing. Further, with respect to the informal request to review the
actual billings, the request is denied given (i) the potential for disclosure of attorney client
communications, (ii) the overlay with the pending state court action, and (iii) the Court’s limited
recovery.

United States District Court
Northern District of California

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III. CONCLUSION

For the foregoing reasons, the Court **HEREBY ORDERS** as follows:


- The remaining claims for indemnity against third-party defendant Nabia Uddin are **DISMISSED WITH PREJUDICE**;
- The motion for attorneys’ fees is **GRANTED IN PART**; and
- The PTPDs are entitled to an award of \$73,510,29 for attorneys’ fees.

The remaining parties are **ORDERED** to submit a proposed form of judgment agreed as to form that is consistent with the Court’s orders within five (5) business days from the day of this decision.

This Order terminates Docket Number 309.⁶

IT IS SO ORDERED.

Dated: July 23, 2021



YVONNE GONZALEZ ROGERS
UNITED STATES DISTRICT JUDGE

⁶ To the extent that there are any remaining pending items on the docket, those actions are administratively terminated in light of the impending closing of this action.