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United States District Court  
Northern District of California

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

CACHET FINANCIAL SERVICES,  
Plaintiff,  
v.  
C&J ASSOCIATES, INC., et al.,  
Defendants.

Case No. [5:16-cv-06862-EJD](#)  
**ORDER GRANTING IN PART AND DENYING IN PART CACHET'S MOTION FOR ATTORNEYS' FEES AND COSTS**  
Dkt. No. 258

Plaintiff-in-Interpleader Cachet Financial Services (“Cachet”) seeks reimbursement of its attorneys’ fees and costs. Dkt. No. 258. Specifically, Cachet seeks \$170,455.17 in attorneys’ fees<sup>1</sup> and \$17,493.74 in costs for a total of \$187,948.91. Defendant and counterclaimant Pacific Diversified Insurance Services, Inc. (“Pacific”) filed an opposition. Dkt. No. 261. Pacific contends that (1) Cachet is not a disinterested stakeholder, (2) the amount Cachet seeks is excessive and (3) Cachet has not adequately documented its request. Id. Cachet filed a reply. Dkt. No. 277. By order dated July 15, 2020, the Court directed Cachet to submit its billing records for in camera review. Dkt. No. 280. The Court finds it appropriate to take the matter under submission for decision without oral argument pursuant to Civil Local Rule 7-1(b) and General Order 72-5. For the reasons stated below, the Court will grant in part and deny in part Cachet’s motion.

**I. Background**

Cachet initiated this interpleader action to resolve conflicting claims to \$1,886,546.43 (the “Interpleaded Funds”). Cachet is a third party Automated Clearing House (“ACH”) service

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<sup>1</sup> Cachet does not seek fees incurred in connection with its summary judgment motion.

1 provider that processes payroll and related electronic funds transfers (“EFT”) transactions to the  
 2 payroll industry. The Interpleaded Funds came into Cachet’s possession as a result of its  
 3 contractual relationship with Pinnacle Workforce Solutions (“Pinnacle”). Cachet debited and  
 4 credited funds at Pinnacle’s direction.

5 In late 2016, Cachet determined that there were insufficient funds to complete the payroll  
 6 transfers directed by Pinnacle. When Pinnacle failed to cure the deficiency and ceased all  
 7 communication with Cachet, Cachet froze Pinnacle’s funds and alerted the authorities. Upon  
 8 further investigation, Cachet concluded that Pinnacle had been engaging in fraud.

9 Cachet initiated this suit in November of 2016 naming as defendants Pinnacle and each of  
 10 Pinnacle’s approximately 81 customers with potential claims to the Interpleaded Funds. Many  
 11 potential claimants notified Cachet’s counsel that they did not want to be involved in this action  
 12 and disclaimed any interest in the Interpleaded Funds; those potential claimants have been  
 13 dismissed. With interest, the Interpleaded Funds now total approximately \$1,978,849.86.

## 14 **II. Standards**

15 Title 28 United States Code section 2361 provides that “in any civil action of interpleader,”  
 16 the district court “shall hear and determine the case, and may discharge the plaintiff from further  
 17 liability. . . and make all appropriate orders to enforce its judgment.” 28 U.S.C. § 2361. Under  
 18 this provision, courts have allowed attorneys’ fees to the interpleading plaintiff. *Schirmer*  
 19 *Stevedoring Co., Ltd. v. Seaboard Stevedoring Corp.*, 306 F.2d 188, 193 (9th Cir. 1962). “The  
 20 reasons are that the plaintiff has benefited the claimants by promoting early litigation on  
 21 ownership of the fund, thus preventing dissipation [citation] and that the plaintiff should not have  
 22 to pay attorney fees in order to guard himself against the harassment of multiple litigation.” *Id.*  
 23 Thus, the plaintiff “should be awarded attorney fees for the services of his attorneys  
 24 interpleading.” *Id.* at 194.

25 The test for awarding fees in an interpleader action is “less rigorous” than the test used in  
 26 other contexts. *Fidelity Nat. Title Co. v. U.S. Small Business Admin.*, No. 13-2030 KJM, 2014

27 Case No.: [5:16-cv-06862-EJD](#)

28 ORDER GRANTING IN PART AND DENYING IN PART CACHET’S MOTION FOR  
 ATTORNEYS’ FEES AND COSTS

1 WL 6390275, at \*4 (E.D. Cal. Nov. 13, 2014). An award of attorneys’ fees is usually appropriate  
 2 when: (1) the party seeking the fees is a disinterested stakeholder, (2) who has conceded liability,  
 3 (3) has deposited the disputed funds into court, and (4) has sought discharge from liability. *Id.*  
 4 “[I]f there is a contest between plaintiff and the interpleaded parties, either as to the correctness of  
 5 the amount deposited or as to any interest of plaintiff in the fund, the court may not, in the absence  
 6 of special circumstances, award attorney fees for the services of his attorneys in connection with  
 7 such contest.” *Schirmer*, 306 F.2d at 194. The amount of fees to be awarded to a plaintiff in  
 8 interpleader is “committed to the sound discretion of the district court.” *Trustees of Directors*  
 9 *Guild of Am.-Producer Pension Benefits Plans v. Tise*, 234 F.3d 415, 426 as amended on denial of  
 10 *reh’g*, 255 F.3d 661 (9th Cir. 2000) (citing *Schirmer*, 306 F.2d at 194). “Examples of  
 11 compensable fees include for preparation of a complaint, for service of process on the claimants,  
 12 and for preparing an order for discharge and dismissal.” *Fidelity Nat. Title Co*, 2014 WL  
 13 6390275, at \*4 (citing *Tise* at 426-27).

### 14 **III. Discussion**

15 As the plaintiff in this interpleader action, Cachet is entitled to an award of attorneys’ fees.  
 16 *Schirmer*, 306 F.2d at 194. The test for awarding fees to Cachet is also satisfied, notwithstanding  
 17 Pacific’s arguments to the contrary: Cachet initiated suit as a disinterested stakeholder as to  
 18 \$1,050,761.60, conceded it has no claim to this amount and deposited additional funds in  
 19 accordance with the Court’s order. Furthermore, soon after initiating the lawsuit Cachet  
 20 researched, located and nominated Hon. Richard Flier as Special Master, and he was appointed by  
 21 this Court to oversee distribution of the Interpleaded Funds. Cachet’s initiative in securing the  
 22 services of the Special Master benefited the claimants. On July 1, 2020, the Court discharged  
 23 Cachet from liability as to the Interpleaded Funds. Dkt. No. 265.

24 Although Cachet is entitled to attorneys’ fees, the Court finds that the requested amount is  
 25 excessive for two reasons. First, the fee request is excessive in that it includes fees expended in  
 26 connection with Cachet’s bankruptcy. Dkt. No. 258-2, ¶ 13. An award of fees in an interpleader

27 Case No.: [5:16-cv-06862-EJD](#)

28 ORDER GRANTING IN PART AND DENYING IN PART CACHET’S MOTION FOR  
 ATTORNEYS’ FEES AND COSTS

1 action “are ‘properly limited’ to those ‘incurred in filing the action and pursuing the  
2 [stakeholder’s] release from liability.’” Fidelity Nat. Title Co., 2014 WL 6390275, at \*4 (quoting  
3 Tise, 234 F.3d at 426). The bankruptcy fees (\$9,598.50) and costs (\$1,891.95) will therefore be  
4 deducted from Cachet’s request.

5 Second, as Pacific points out, at the outset of the case, Cachet asserted it was entitled to an  
6 offset to recover its losses caused by Pinnacle’s fraud. Pacific and others objected and the Court  
7 directed Cachet to deposit the amount Cachet had withheld as an offset, \$835,748.83. Dkt. No.  
8 181. Cachet is not entitled to recover any attorneys’ fees incurred in connection with the contested  
9 offset issue. See Fidelity Nat. Title Co., 2014 WL 6390275, at \*4 (citing Hoover, Inc. v.  
10 McCullough Indus., Inc., 351 F. Supp. 1023, 1031 (D. Ala. 1972) (limiting the fee award in light  
11 of a contest between the interpleader plaintiff and the claimants over the correctness of the amount  
12 deposited in an interpleader action)). The Court, however, rejects Pacific’s argument that Cachet  
13 is not entitled to any fees whatsoever. Cachet made the initial deposit of \$1,050,761.60 as a  
14 disinterested stakeholder, and Cachet had a reasonable basis for asserting the offset for  
15 \$835,748.83 because it had been victimized by Pinnacle along with all of Pinnacle’s customers.


16 To account for the fees incurred in connection with the contested offset issue, the Court  
17 will reduce Cachet’s non-bankruptcy fee request by 20%, i.e. \$32,171.33. (The fee request of  
18 \$170,455.17 minus the bankruptcy fees of \$9,598.50 equals \$160,856.67, and this amount  
19 multiplied by .20 equals \$32,171.33).

#### 20 **IV. Conclusion**

21 For the reasons set forth above, Cachet’s motion is granted in part and denied in part.  
22 Cachet is awarded \$128,685.34 in attorneys’ fees and \$15,601.79 in costs.

23 **IT IS SO ORDERED.**

24 Dated: August 4, 2020

25   
26 EDWARD J. DAVILA  
United States District Judge

27 Case No.: [5:16-cv-06862-EJD](#)

28 ORDER GRANTING IN PART AND DENYING IN PART CACHET’S MOTION FOR  
ATTORNEYS’ FEES AND COSTS