

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

No. 17-40476

M2 TECHNOLOGY, INCORPORATED, PLAINTIFF-M2
TECHNOLOGY, INCORPORATED,

Plaintiff-Appellee,

v.

M2 SOFTWARE, INCORPORATED,
Defendant

KING LAW GROUP, P.L.L.C.; RICHARD C. KING, JR.;
MARY ELLEN KING,

Appellants

[Filed: August 31, 2018]

OPINION

Before: WEINER, GRAVES, AND Ho, Circuit Judges.

PER CURIUM:*

*1 Richard C. King, Jr., Mary Ellen King, and the King Law Group, PLLC, appeal an imposition of sanctions under Rule 11(b)(2) in the amount of \$39,325.63. We affirm.

* Pursuant to 5th Cir. R. 47.5, the court has determined that this opinion should not be published and is not precedent except under the limited circumstances set forth in 5th Cir. R. 47.5.4.

I.

*2 This appeal is part of a series of three cases between M2 Technology, Inc. (“M2 Technology”) and David Escamilla and his company, M2 Software, Inc. (“M2 Software”). M2 Technology sued M2 Software, seeking a declaratory judgment that M2 Software infringed the “M2” mark. M2 Software did not appear before the deadline to file an answer. As a result of M2 Software’s default, the district court entered a declaratory judgment for M2 Technology. The district court also awarded M2 Technology fees and costs. M2 Software appealed, and we affirmed. *M2 Tech., Inc. v. M2 Software, Inc.*, 589 F. App’x 671, 673 (5th Cir. 2014) (per curiam).

M2 Software moved to set aside the default judgment under Rule 60(b). M2 Technology filed a motion in opposition as well as a motion for sanctions under Federal Rule of Civil Procedure 11. The district court denied M2 Software’s motion. We affirmed. *Escamilla v. M2 Tech., Inc.*, 657 F. App’x 318, 319 (5th Cir. 2016) (per curiam).

In the same order, the district court granted M2 Technology’s motion for sanctions under Rule 11(b)(2), concluding that “M2 Software’s motion to set aside the default judgment lack[ed] merit.” The district court ordered M2 Software’s counsel to pay M2 Technology \$39,325.63.

M2 Software’s counsel appealed, arguing that the district court abused its discretion by imposing Rule 11(b)(2) sanctions after counsel presented plausible legal grounds for its Rule 60(b) motion. In the alternative, appellants argue that the district court abused its discretion when it: (1) failed to assess what fees would have been incurred “but for” the alleged sanctionable conduct; (2) erred by using M2 Technology’s counsel’s Chicago-

based rate to calculate the lodestar; and, (3) failed to provide an individualized analysis describing exactly which conduct of Ms. King was being sanctioned.

*3 We begin with the imposition of Rule 11 sanctions, which we review for abuse of discretion. *See Snow Ingredients, Inc. v. SnoWizard, Inc.*, 833 F.3d 512, 527 (5th Cir. 2016) (citing *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 110 S.Ct. 2447, 110 L.Ed.2d 359 (1990)). Sanctions are appropriate if counsel submits a “legally indefensible” filing. *Id.* at 528 (citing *Whitehead v. Food Max of Miss., Inc.*, 332 F.3d 796, 802 (5th Cir. 2003) (en banc)). A filing is legally indefensible if it is not “warranted by existing law or by a nonfrivolous argument.” *Id.* (citing FED. R. CIV. P. 11(b)(2)). The trial court should “judge an attorney’s compliance with rule 11 by an objective standard of reasonableness under the circumstances.” *Smith v. Our Lady of the Lake Hosp., Inc.*, 960 F.2d 439, 444 (5th Cir. 1992) (citing *Thomas v. Capital Sec. Servs.*, 836 F.2d 866, 873 (5th Cir. 1988) (en banc)).

M2 Software presented multiple interrelated issues in its Rule 60(b) motion: (1) the district court lacked personal jurisdiction after insufficient service of process; (2) M2 Software’s failure to appear was because of a good faith belief that it had no obligation to appear; (3) the district court lacked subject-matter jurisdiction because Escamilla was the actual owner of the federal trademark; (4) the district court’s local rules are unconstitutional; (5) M2 Technology made a fraudulent misrepresentation to the Clerk that M2 Software had been served; (6) M2 Technology’s claims were barred by res judicata based on final decisions by the United States Patent and Trademark Office; and (7) the U.S. Supreme Court’s intervening decision in *B&B Hardware, Inc. v. Hargis Indus., Inc.*, — U.S. —, 135 S.Ct. 1293, 191 L.Ed.2d 222 (2015), gave

preclusive effect to an earlier final judgment of the Trademark Trial and Appeal Board (“TTAB”).

First, when counsel re-litigates its previous losses under the guise of Rule 60(b), that counsel presents arguments that are not warranted by existing law or by nonfrivolous arguments. *See, e.g., Moore v. Exxon Mobil Oil Corp.*, *4 108 F. App’x 177, 178–79 (5th Cir. 2004) (per curiam) (affirming Rule 11 sanctions for a Rule 60 motion that “rest[ed] on the same foundation” as claims that district court and this Court previously had rejected). If an issue has been decided on appeal, it “may not be reexamined either by the district court on remand or by the appellate court on a subsequent appeal.” *Fuhrman v. Dretke*, 442 F.3d 893, 896 (5th Cir. 2006) (quoting *United States v. Becerra*, 155 F.3d 740, 752 (5th Cir. 1998)). *See also DeWeerth v. Baldinger*, 38 F.3d 1266, 1270 (2d Cir. 1994) (holding that “a district court does not have jurisdiction to alter an appellate ruling where the appellate court has already considered and rejected the basis for the movant’s Rule 60(b) motion”) (describing *Eutectic Corp. v. Metco, Inc.*, 597 F.2d 32 (2d Cir. 1979) (per curiam)). After M2 Software appealed the district court’s denial of its Rule 60(b) motion, we found that “M2 Software present[ed] no new arguments in its motion to set aside that have not already been considered and rejected by this court.” *Escamilla*, 657 F. App’x at 319. The issues concerning personal jurisdiction, good faith delay, subject matter jurisdiction, unconstitutional local rules, insufficient service of process, and res judicata were addressed in this Court’s decision affirming the default judgment. *M2 Tech.*, 589 F. App’x at 676–77.

Second, M2 Software’s invocation of the Supreme Court’s *B&B Hardware* decision is also legally indefensible. We have previously found that “the district

court correctly interpreted *B&B Hardware* . . . not to constitute intervening case law, as the present case is a default judgment against M2 Software and the substantive issues were never reached, while *B&B Hardware* decided substantive issues.” *Escamilla*, 657 F. App’x at 319. The judgment against M2 Software was based on a procedural matter rather than a substantive one, and *B&B Hardware* is therefore irrelevant.

Because appellants’ Rule 60(b) arguments were previously addressed by the district court as well as this court, and because *B&B Hardware* does not *5 act as an intervening case, we conclude that the district court did not abuse its discretion by imposing sanctions under Rule 11(b)(2).

II.

We now turn to the district court’s calculation of the Rule 11 sanctions. District courts have considerable discretion to determine the appropriate sanction for litigants who violate Rule 11. *See Worrell v. Houston Can! Academy*, 287 F. App’x 320, 326 (5th Cir. 2008) (per curiam) (citing *Thomas*, 836 F.2d at 876–77). We review the district court’s calculation of attorney’s fees and expenses for clear error. *See Skidmore Energy, Inc. v. KPMG*, 455 F.3d 564, 566 (5th Cir. 2006). We conclude there is none here.

First, appellants contend that the district court was required to find a causal connection between the sanctionable conduct and the awarded attorney’s fees, arguing that such a connection is required by *Goodyear Tire & Rubber Co. v. Haeger*, — U.S. —, 137 S.Ct. 1178, 197 L.Ed.2d 585 (2017). In *Goodyear*, the Supreme Court held that the party seeking sanctions “may recover ‘only the portion of his fees that he would not have paid but for’

the misconduct.” *Id.* at 1187 (emphasis added) (quoting *Fox v. Vice*, 563 U.S. 826, 836, 131 S.Ct. 2205, 180 L.Ed.2d 45 (2011)). The district court concluded that the entire Rule 60(b) motion was meritless. Therefore, the district court did not abuse its discretion when it limited the fee award to those incurred for preparing the Rule 11 motion, reply in support of the Rule 11 motion, and the opposition to M2 Software’s Rule 60(b) motion.

Second, appellants argue that the district court used the wrong lodestar rate. The district court explained that it previously used the Chicago-based rate to calculate reasonable attorney’s fees granting a default judgment against M2 Software. On appeal of the default judgment, M2 Software asserted that the rate may not be more than the prevailing local lodestar rate. See Appellants’ Br. at 29–30, *M2 Tech., Inc. v. M2 Software, Inc.*, 589 F. App’x 671 (5th Cir. 2014), (Nos. 13-41060, 14-40192), 2014 WL 7642904 at *30. We affirmed the district court’s award of attorney’s fees, concluding that “there [was] no basis for finding that the fee award was an abuse of discretion.” *M2 Tech.*, 589 F. App’x at 677. Therefore, the district court did not commit clear error in using the Chicago-based rate.

Finally, appellants claim that the district court failed to conduct an “individualized analysis” for Mary Ellen King’s sanctions. M2 Software failed to raise this issue in the district court, and the argument is thus not preserved for this Court’s review. See *Celanese Corp. v. Martin K. Eby Constr. Co.*, 620 F.3d 529, 531 (5th Cir. 2010) (“The general rule of this court is that arguments not raised before the district court are waived and will not be considered on appeal.”) (citing *AG Acceptance Corp. v. Veigel*, 564 F.3d 695, 700 (5th Cir. 2009)).

Accordingly, the judgment of the district court is AFFIRMED.

APPENDIX B

**UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT**

No. 17-40476

M2 TECHNOLOGY, INCORPORATED,
Plaintiff-Appellee,

v.

M2 SOFTWARE, INCORPORATED,
Defendant

KING LAW GROUP, P.L.L.C.; RICHARD C. KING, JR.;
MARY ELLEN KING,

Appellants

[October 12, 2018]

ORDER

Before: WEINER, GRAVES, AND Ho, Circuit Judges.

PER CURIUM:

Treating the Petition for Rehearing En Banc as a Petition for Panel Rehearing, the Petition for Panel Rehearing is DENIED. No member of the panel nor judge in regular active service of the court having requested that the court be polled on Rehearing En Banc (FED. R. APP. P. and 5TH CIR. R. 35), the Petition for Rehearing En Banc is DENIED.

ENTERED FOR THE COURT:

/s/ James C. Ho

UNITED STATES CIRCUIT JUDGE

APPENDIX C

UNITED STATES DISTRICT COURT OF THE
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

Case No. 4:12-CV-458

M2 TECHNOLOGY, INCORPORATED,

Plaintiff,

v.

M2 SOFTWARE, INCORPORATED,

Defendant

[Filed: March 30, 2017]

ORDER

RICHARD A. SCHELL, United States District Judge.

*1 The following are pending before the court:

1. Plaintiff's petition for fees and costs (docket entry #69);
2. Defendant's traverse of Plaintiff's itemized statement of costs (docket entry #73); and
3. Plaintiff's reply in support of its petition for fees and costs (docket entry #75). Having considered the Plaintiff's petition for fees and costs and the responsive briefing thereto, the court finds that the Plaintiff's petition for fees and costs should be granted.

BACKGROUND

On March 4, 2016, the court denied the Defendant's "Motion to Set Aside Default and Default Judgment and to Dismiss for Untimely Service Under Rule 4(m) and Alternatively to Dismiss for Mootness." *See* Dkt. #68. In the same order, the court granted the Plaintiff's "Motion for Sanctions Under Rule 11, FED. R. CIV. P." and ordered the Plaintiff to file with the court an itemized list of fees and costs that the Plaintiff incurred in preparing the following filings:

1. Plaintiff's motion for sanctions under Rule 11, FED. R. CIV. P. (docket entry #64);
2. Plaintiff's reply in support of its motion for sanctions under Rule 11, FED. R. CIV. P. (docket entry #66); and
3. Plaintiff's response in opposition to Defendant's motion to set aside default and default judgment and to dismiss for untimely service under Rule 4(m) and alternatively to dismiss for mootness (docket entry # 62).

DISCUSSION AND ANALYSIS

The computation of a reasonable attorneys' fee award is a two-step process. *Rutherford v. Harris County, Texas*, 197 F.3d 173, 192 (5th Cir. 1999) (citation omitted). First, the court must utilize the "lodestar" analysis to calculate a "reasonable" amount of attorneys' fees. *Id.* The "lodestar" is equal to the number of hours reasonably expended multiplied by the prevailing hourly rate in the community for similar work. *Id.* Second, in assessing the "lodestar" amount, the court considers the twelve *Johnson* factors before final fees can be calculated. *Id.*

The *Johnson* factors are:

(1) time and labor required; (2) novelty and difficulty of issues; (3) skill required; (4) loss of other employment in taking the case; (5) customary fee; (6) whether the fee is fixed or contingent; (7) time limitations *2 imposed by client or circumstances; (8) amount involved and results obtained; (9) counsel's experience, reputation, and ability; (10) case undesirability; (11) nature and length of relationship with the client; and (12) awards in similar cases.

Id. at 192 n. 23, citing *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-19 (5th Cir. 1974).

On March 16, 2016, the Plaintiff complied with the order of the court by filing its petition for fees and costs. In its petition (and subsequent reply brief), the Plaintiff notes that it is seeking an award of \$39,325.63. An itemization of those fees and costs are as follows:

1. John F. Bufe (local counsel) – \$450/hour x 1.90 hours = \$855.00;
2. Vickie R. Taylor (legal assistant to Mr. Bufe) – \$150/hour x .9 hours = \$135.00;
3. Expenses for copying and telephone (local counsel) = \$41.63;
4. John T. Gabrielides (lead counsel while at former firm of Brinks Gilson & Lione) – \$670/hour x 44 hours = \$29,480.00;
5. Lisa Reyes (paralegal at Mr. Gabrielides's former firm) – \$225/hour x 1 hour = \$225.00;
6. Michelle Terril (legal assistant at Mr. Gabrielides's former firm) – \$125/hour x 1 hour = \$125.00;

7. Arturo Ishbak Gonzalez (law clerk at Mr. Gabrielides's former firm) – \$160/hour x 6 hours = \$960.00;
8. John T. Gabrielides (lead counsel's work for preparing the instant fee petition) – \$670/hour x 6.7 hours = \$4,489.00; and
9. John T. Gabrielides (lead counsel's work for preparing the reply in support of the instant fee petition) – \$670/hour x 4.5 hours = \$3,015.00.

In its traverse, the Defendant objected to the Plaintiff's fee petition on several grounds. First, the Defendant contests Mr. Bufe's and Mr. Gabrielides's respective hourly rates. However, in a prior order concerning an award of attorney's fees (docket entry #46), the court approved Mr. Bufe's hourly rate of \$450.00. Additionally, the court approved Mr. Gabrielides's hourly rate of \$635.00. Given that the court's prior order was signed on January 22, 2014, it is plausible that Mr. Gabrielides's hourly rate increased to \$670.00 in 2015. Accordingly, the court finds that the Defendant's objections to Mr. Bufe's and Mr. Gabrielides's respective hourly rates lack merit and should be denied.

Next, the Defendant essentially objects to the number of hours expended in relation to the number of pages filed with respect to docket entry numbers 62, 64, and 66. Having reviewed the Defendant's arguments, the court finds that Plaintiff's counsel and their respective staff members expended a reasonable number of hours researching and preparing the above-referenced documents.

Finally, the Defendant requests that the court reduce the sanction award by 50% "given the small size of the firm target of the sanction, and the closeness of the legal issues in the pleading for which a sanction is being assessed."

DEF. TRAVERSE, p. 7. As noted in the court's "Memorandum Opinion and Order Denying Defendant's Motion to Set Aside Default and Default Judgment and to Dismiss for Untimely Service Under Rule 4(m) and Alternatively to Dismiss for Mootness and Order Granting Plaintiff's Motion for Sanctions" (docket entry #68), the issues were not "close."

M2 Software, however, failed to present any new arguments that were not already considered and rejected by this court, the Fifth Circuit and the Supreme Court. Rather, M2 Software is now asking this court to essentially second guess the wisdom of the Fifth Circuit and the Supreme Court under the guise of Rule 60(b) of the Federal Rules of Civil Procedure. Absent the assertion of a new argument, however, there is no basis for granting M2 Software relief from judgment under Rule 60(b). *Kinard v. Booker*, 2013 WL 4482869, *5 (E.D. Mich. 2013). There being no new argument, M2 Software's motion lacks merit.

M2 Software further argues that it is entitled to relief from judgment due to relevant, intervening case law. M2 Software suggests that the default judgment should be set aside because the Supreme Court, in *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015), clarified substantive issues applicable to the instant action. *B&B Hardware*, however, was not an intervening action. The Supreme Court issued its decision in *B&B Hardware* on March 24, 2015. The Supreme Court denied M2 Software's petition for writ of certiorari on April 27, 2015. Certainly, the Supreme Court was aware of its

recently *3 issued opinion in *B&B Hardware* when it considered and denied M2 Software's petition for writ of certiorari. Further, given that a default judgment was entered against M2 Software, the court never reached the substantive issues in the instant action. As such, this court's prior decision is not affected by the substantive issues decided in *B&B Hardware*. *See generally Route 26 Land Development Ass'n v. United States*, 182 F. Supp. 2d 382, 383-84 (D. Del. 2002).

Based on the foregoing, and finding that the Defendant's motion lacks merit, Defendant's motion to set aside default and default judgment and to dismiss for untimely service under Rule 4(m) and alternatively to dismiss for mootness (docket entry #s 58 & 59) is hereby **DENIED**.

See Dkt. #68, pp. 5-6.¹ Further, the Defendant's request that the sanction be reduced by 50% due to the small size of the law firm involved is arbitrary and lacks merit.

¹ On November 11, 2016, the United States Court of Appeals for the Fifth Circuit affirmed the judgment of this court and stated the following:

2. M2 Software presents no new arguments in its motion to set aside that have not already been considered and rejected by this court. Further, the district court correctly interpreted *B&B Hardware, Inc. v. Hargis Indus., Inc.*, — U.S. —, 135 S. Ct. 1293, 191 L.Ed. 2d 222 (2015) not to constitute intervening case law, as the present case is a default judgment against M2 Software and the substantive issues were never reached, while *B&B Hardware* decided substantive issues. As a result, the district court did not abuse its discretion by dismissing the motion.

Escamilla v. M2 Tech., Inc., 657 Fed.Appx. 318, 319 (5th Cir. 2016).

CONCLUSION

Based on the foregoing, the Plaintiff's petition for fees and costs (docket entry #69) is hereby GRANTED. Richard C. King, Jr. and Mary Ellen King of the King Law Group PLLC, as well as the King Law Group PLLC, are hereby ORDERED to pay to the Plaintiff the sum of \$39,325.63 within thirty (30) days from the date this order is entered.

IT IS SO ORDERED.

SIGNED this the 30th day of March, 2017

/s/ Richard A. Schell

RICHARD A. SCHELL

UNITED STATES DISTRICT JUDGE

APPENDIX D

UNITED STATES DISTRICT COURT OF THE
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

Case No. 4:12-CV-458

M2 TECHNOLOGY, INCORPORATED,

Plaintiff,

v.

M2 SOFTWARE, INCORPORATED,

Defendant

[Filed: March 4, 2016]

ORDER

RICHARD A. SCHELL, United States District Judge.

**A. DEFENDANT'S MOTION TO SET ASIDE DEFAULT AND
DEFAULT JUDGMENT AND TO DISMISS FOR UNTIMELY
SERVICE UNDER RULE 4(m) AND ALTERNATIVELY TO
DISMISS FOR MOOTNESS**

The following are pending before the court:

1. Defendant's motion to set aside default and default judgment and to dismiss for untimely service under Rule 4(m) and alternatively to dismiss for mootness (docket entry #s 58 & 59); and
2. Plaintiff's response in opposition to Defendant's motion to set aside default and default judgment and to dismiss for untimely service under Rule 4(m) and alternatively to dismiss for mootness (docket entry # 62).

Having considered the Defendant's motion and the Plaintiff's response, the court finds that the motion should be denied.

This case is the second in a trilogy of related cases. Since this case has already been appealed to the United States Court of Appeals for the Fifth Circuit and the Supreme Court of the *2 United States, this court is comfortable relying on the Fifth Circuit's summary of the factual and procedural history of this case.

These appeals are part of a series of cases between and among Escamilla, M2 Software, and M2 Technology. Escamilla and M2 Software provide information technology management services. For many years, they have used the M2 mark in connection with their business, and in 1995, M2 Software registered the mark with the U.S. Patent and Trademark Office ("PTO"). M2 Technology, which is not affiliated with Escamilla or M2 Software, distributes information-technology equipment.

In 2010, Escamilla became aware that M2 Technology had filed two applications containing the M2 mark with the PTO. Escamilla opposed those applications, and M2 Technology withdrew them but continued to use the M2 mark in connection with its business.

In 2011, Escamilla sued M2 Technology, alleging trademark infringement and several other claims ("the first case"). The listed plaintiff was initially M2 Intellectual Property Assets ("M2 IPA"). The court notified Escamilla that, as a nonnatural person, M2 IPA could not appear *pro se*. Escamilla responded that M2 IPA was merely his "doing business as"

designation, and the court allowed him to appear *pro se* on the condition that he amend his filings to reflect the “doing business as” designation.

M2 Technology then moved to dismiss for failure to join a necessary party, M2 Software, which owned and had registered the M2 mark. The court ordered Escamilla to join M2 Software. Escamilla, concerned about the expense of hiring counsel to represent M2 Software, refused to join M2 Software for four months following the order, so the court dismissed the case without prejudice. Escamilla appealed, and we affirmed.

In July 2012, M2 Technology sued M2 Software for a declaratory judgment (“the second case”). M2 Technology did not name Escamilla as a defendant. In September 2012, a few days before the deadline to file an answer, Escamilla filed a motion to intervene and a motion to dismiss, but M2 Software did not appear before the deadline. In October 2012, Escamilla again sued M2 Technology (“the third case”), raising the same claims as in the first case. He alleges that he assigned the rights to the M2 mark from M2 Software to himself immediately following the dismissal of the first case, thereby gaining standing to sue again.

In July 2013, the magistrate judge (“MJ”) entered his report and recommendation in the second case. In August 2013, M2 Software, now represented by counsel, finally appeared. In its notice of appearance of counsel, M2 Software objected to being *3 named as a party,

purported to incorporate by reference Escamilla's earlier filings, and asked the court to dismiss for failure to state a claim and failure to join Escamilla as a necessary party.

Later that month, the court ruled on several issues in the second case. First, it denied Escamilla's motion to intervene, adopting the MJ's findings and conclusions, which reasoned that Escamilla could not satisfy the requirements for intervention as of right because M2 Software adequately represented his interests in the M2 mark. The MJ recommended against permissive intervention because Escamilla could have protected his rights in the first suit by obtaining counsel for M2 Software and because M2 Software adequately represented his interests in the M2 mark. Having denied his motion to intervene, the court declined to consider Escamilla's other arguments.

Second, the court granted M2 Technology's request for a declaratory judgment against M2 Software based on M2 Software's default. The court noted that M2 Software had failed to file any answer or motion to dismiss, and it found that the notice of appearance of counsel, which was filed almost a year after service, did not constitute a defensive pleading. The court therefore issued a declaratory judgment that M2 Technology's use of the M2 mark does not violate M2 Software's rights under the Lanham Act or several other statutes. Third, the court awarded M2 Technology attorneys' fees and costs related to the second case but declined to award attorneys' fees and costs for the other

cases. It based the award on “the exceptional nature of M2 Software’s conduct.”

Escamilla and M2 Software appealed. Case No. 13-41060 is Escamilla’s appeal. Escamilla argues that the court erred in denying his motion to intervene, that the court should have dismissed for lack of subject-matter jurisdiction, and that Local Rule CV-3, concerning page limits, is unconstitutional as a violation of his due process rights. Case No. 14-40192 is M2 Software’s appeal. M2 Software purports to incorporate by reference the contentions that Escamilla raises in his appeal, and it also urges that the court should have dismissed for lack of personal jurisdiction because of improper service, that the court erred in entering a default judgment, and that the fee award was an abuse of discretion.

M2 Tech., Inc. v. M2 Software, Inc., 589 F. App’x 671, 673-74 (5th Cir. 2014) (footnote omitted), *cert. denied sub nom. Escamilla v. M2 Tech., Inc.*, 135 S. Ct. 1895, 191 L. Ed. 2d 763 (2015), *reh’g denied*, 135 S. Ct. 2854, 192 L. Ed. 2d 890 (2015).

The Fifth Circuit reviewed M2 Software and Escamilla’s contentions on appeal, rejected them, and affirmed the findings of the district court. The United States Supreme Court denied M2 *⁴ Software and Escamilla’s petition for writ of certiorari on April 27, 2015 as well as their petition for rehearing on June 15, 2015. *See id.*

Thereafter, on July 2, 2015, M2 Software filed the instant motion. In its motion, M2 Software asserted the following issues:

1. Whether M2 Software was properly served within the time limits of Rule 4(m) and, if not, whether the default judgment is void for lack of personal jurisdiction (Rule 60(b)(4)) and the case must be dismissed for failure to effect timely service (Rule 4(m));
2. Whether the default judgment should be set aside under Rule 60(b)(6) where M2 Software's delay was based on a good faith belief the Court did not yet have personal jurisdiction, that the federal trademark owner was properly defending, and that the mediation ordered by this Court would obviate the need for a new answer where the trademark owner already responded;
3. Whether the default judgment is void for lack of subject matter jurisdiction (Rule 60(b)(4)) as brought against a non-owner of the federal trademark with no legally-cognizable interest, and whether, with no Article III controversy, the action must be dismissed as moot;
4. Whether the default judgment is void and must be set aside on Constitutional due process grounds where a clerk failed to file documents presented for filing (Rule 60(b)(4));
5. Whether the default judgment is void for M2 Technology, Inc.'s (MTI) fraud in misrepresenting to the Clerk, to obtain an entry of default, that the defendant had been "served" when the process server's declaration did not reflect that any of the valid service options had been accomplished; [and]
6. Whether the default judgment is barred by collateral estoppel and the courts' interest in

avoiding incongruous judgments, and should be set aside under Rule 60(b)(5) and 60(b)(6) based on seven final, unappealed decisions by the United States Patent and Trademark Office (“USPTO”) against MTI and the Supreme Court’s intervening clarification on March 24, 2015 that preclusion applies to a Trademark Trial and Appeal Board (“TTAB”) final judgment that, as here, involved materially the same usages as before the district court. *B&B Hardware, supra*, at 1310.¹ See also *[i]d.* at 1307 (“likelihood of *5 confusion for purposes of registration is the same standard as likelihood of confusion for purposes of infringement”).

DEF. MTN. TO SET ASIDE DEFAULT, pp. 2-3.

M2 Software, however, failed to present any new arguments that were not already considered and rejected by this court, the Fifth Circuit and the Supreme Court. Rather, M2 Software is now asking this court to essentially second guess the wisdom of the Fifth Circuit and the Supreme Court under the guise of Rule 60(b) of the Federal Rules of Civil Procedure. Absent the assertion of a new argument, however, there is no basis for granting M2 Software relief from judgment under Rule 60(b). *Kinard v. Booker*, 2013 WL 4482869, *5 (E.D. Mich. 2013). There being no new argument, M2 Software’s motion lacks merit.

M2 Software further argues that it is entitled to relief from judgment due to relevant, intervening case law. M2 Software suggests that the default judgment should be set

¹ *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015).

aside because the Supreme Court, in *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015), clarified substantive issues applicable to the instant action. *B&B Hardware*, however, was not an intervening action. The Supreme Court issued its decision in *B&B Hardware* on March 24, 2015. The Supreme Court denied M2 Software's petition for writ of certiorari on April 27, 2015. Certainly, the Supreme Court was aware of its recently issued opinion in *B&B Hardware* when it considered and denied M2 Software's petition for writ of certiorari. Further, given that a default judgment was entered against M2 Software, the court never reached the substantive issues in the instant action. As such, this court's prior decision is not affected by the substantive issues decided in *B&B Hardware*. See generally *Route 26 Land Development Ass'n v. United States*, 182 F. Supp. 2d 382, 383-84 (D. Del. 2002).

Based on the foregoing, and finding that the Defendant's motion lacks merit, Defendant's *6 motion to set aside default and default judgment and to dismiss for untimely service under Rule 4(m) and alternatively to dismiss for mootness (docket entry #s 58 & 59) is hereby **DENIED**.

B. PLAINTIFF'S MOTION FOR SANCTIONS UNDER FED. R. CIV. P. 11

The following are pending before the court:

1. Plaintiff's motion for sanctions under Rule 11, FED. R. CIV. P. (docket entry #64);
2. Defendant's response to Plaintiff's motion for sanctions under Rule 11 (docket entry #65);
3. Plaintiff's reply in support of its motion for sanctions under Rule 11, FED. R. CIV. P. (docket entry #66); and

4. Defendant's sur-reply to Plaintiff's motion for sanctions under Rule 11 (docket entry #67).

Having considered the Plaintiff's motion for sanctions and the responsive briefing thereto, the court finds that the motion should be granted.

The Plaintiff moves for FED. R. CIV. P. 11 sanctions against M2 Software and its counsel because M2 Software's "Motion to Set Aside Default and Default Judgment and to Dismiss for Untimely Service Under Rule 4(m) and Alternatively to Dismiss for Mootness" (docket entry #s 58 & 59) was presented for an improper purpose and not supported by law. "Sanctions under Rule 11 may be appropriate if: (1) a document has been presented for an improper purpose (Rule 11(b)(1)), [or] (2) the claims or defenses of the signer are not supported by existing law or by a good-faith requirement for an extension or change in existing law (Rule 11(b)(2)), . . ." *Bynum v. Am. Airlines, Inc.*, 166 F. App'x 730, 732 (5th Cir. 2006).² For violations of Rule 11(b)(2), the court can impose *7 monetary sanctions against the attorney but not the client. *See id.* at 733; FED. R. CIV. P. 11(c)(5)(A).

Rule 11 provides for sanctions against "any attorney, law firm, or party that violated the rule or is responsible for the violation." FED. R. CIV. P. 11(c)(1). This rule is "aimed at curbing abuses of the judicial system," *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 397, 110 S. Ct. 2447, 110 L. Ed. 2d 359 (1990), and is designed

² Sanctions under Rule 11 may also be appropriate if "the allegations and other factual contentions lack evidentiary support or are unlikely to do so after a reasonable opportunity for investigation (Rule 11(b)(3))." *Bynum, supra*. The Plaintiff, however, is not seeking Rule 11 sanctions under this subsection.

“to reduce the reluctance of courts to impose sanctions by emphasizing the responsibilities of attorneys and reinforcing those obligations through the imposition of sanctions,” *Thomas [v. Capital Sec. Servs., Inc.]*, 836 F.2d [866,] 870 [(5th Cir. 1988) (en banc)]. Along those lines, attorneys are required to sign “[e]very pleading, written motion, and other paper” and must certify to the best of their knowledge—formed after an inquiry reasonable under the circumstances—that allegations and other factual contentions submitted to the court have evidentiary support. *See* FED. R. CIV. P. 11(a), (b)(3); *Jenkins v. Methodist Hosps. of Dallas, Inc.*, 478 F.3d 255, 263–64 (5th Cir.), cert. denied, 552 U.S. 825, 128 S. Ct. 181, 169 L. Ed. 2d 35 (2007); *see also Skidmore [Energy, Inc. v. KPMG]*, 455 F.3d [564,] 567 [(5th Cir.), cert. denied, 549 U.S. 996, 127 S. Ct. 524, 166 L. Ed. 2d 371 (2006)] (stating that an attorney has a duty “to conduct a reasonable inquiry into the facts or law before filing the lawsuit” (internal quotations omitted)). These obligations are “personal [and] nondelegable,” *Pavelic & LeFlore v. Marvel Entm’t Group*, 493 U.S. 120, 126, 110 S. Ct. 456, 107 L. Ed. 2d 438 (1989), and they “must be satisfied; [a] violation ... justifies sanctions.” *Whitehead [v. Food Max of Miss., Inc.]*, 332 F.3d [796,] 802 [(5th Cir. 2003)]. In determining compliance with Rule 11, “the standard under which an attorney is measured is an objective, not subjective, standard of reasonableness under the circumstances.” *Id.* (internal quotations omitted). “The reasonableness of the conduct involved is to be viewed at the time counsel ... signed the

document alleged to be the basis for the Rule 11 violation." *Jennings v. Joshua Indep. Sch. Dist.*, 948 F.2d 194, 197 (5th Cir.1991).

Worrell v. Houston Can! Acad., 287 F. App'x 320, 325 (5th Cir. 2008).

The Plaintiff argues that M2 Software should be sanctioned pursuant to FED. R. CIV. P. 11(b)(1) because M2 Software's motion to set aside the default judgment was part of M2 Software's scheme to increase the costs of litigation and to delay the proceedings in a related case. Without evidence of more, the court is not inclined to award sanctions based on supposition.

The Plaintiff further argues that M2 Software should be sanctioned pursuant to FED. R. CIV. P. 11(b)(2) because M2 Software's motion to set aside the default judgment lacks merit. As noted *8 above, and for the reasons stated more fully above, the court agrees. An award of sanctions under FED. R. CIV. P. 11(b)(2) is, therefore, appropriate. Since the court is imposing sanctions under FED. R. CIV. P. 11(b)(2), the court may only impose monetary sanctions against M2 Software's attorneys. *See* FED. R. CIV. P. 11(c)(5)(A). Richard C. King, Jr. and Mary Ellen King of the King Law Group PLLC filed M2 Software's "Motion to Set Aside Default and Default Judgment and to Dismiss for Untimely Service Under Rule 4(m) and Alternatively to Dismiss for Mootness" (docket entry #s 58 & 59). Accordingly, Richard C. King, Jr. and Mary Ellen King of the King Law Group PLLC, as well as the King Law Group PLLC, *see* FED. R. CIV. P. 11(c)(1), shall pay the fees and costs the Plaintiff incurred in preparing the following:

1. Plaintiff's motion for sanctions under Rule 11, FED. R. CIV. P. (docket entry #64);

2. Plaintiff's reply in support of its motion for sanctions under Rule 11, FED. R. CIV. P. (docket entry #66); and
3. Plaintiff's response in opposition to Defendant's motion to set aside default and default judgment and to dismiss for untimely service under Rule 4(m) and alternatively to dismiss for mootness (docket entry # 62).

Within 14 days from the date of the entry of this order, the Plaintiff shall file with the court an itemized list of fees and costs that the Plaintiff incurred in preparing the above-referenced filings.

The parties shall meet and confer prior to the Plaintiff filing its itemization to resolve any disputes concerning the fees and costs. The Plaintiff shall advise the court if any disputes remain. The parties shall follow the local rules of the court for any additional briefing on this issue.

CONCLUSION

Based on the foregoing, Defendant's motion to set aside default and default judgment and to dismiss for untimely service under Rule 4(m) and alternatively to dismiss for mootness (docket entry #s 58 & 59) is hereby **DENIED**. Plaintiff's motion for sanctions under Rule 11, FED. R. CIV. *9 P. (docket entry #64) is **GRANTED**.

IT IS SO ORDERED.

SIGNED this the 4th day of March, 2016

/s/ Richard A. Schell

RICHARD A. SCHELL

UNITED STATES DISTRICT JUDGE

APPENDIX E

**UNITED STATES PATENT AND TRADEMARK
OFFICE**

Reg. No. 4,128,151

Reg. No. 1,931,682

Electronic Database Records of Status And Title of
Registered Trademarks (excerpt)
(available at <http://tsdr.uspto.gov>) [ROA.568-69]

1. United States Registration No. 4,128,151

Mark: M2

US Serial Number: 85/341,646

US Registration Number: 4,128,151

Filed as TEAS Plus: Yes

Register: Principal

Mark Type: Service Mark

Application Filing Date: Jun. 08, 2011

Registration Date: Apr. 17, 2012

Currently TEAS Plus: Yes

Status: Registered.

* * *

Status Date: Apr. 17, 2012

Publication Date: Oct. 25, 2011

Goods and Services

For: Development, updating and maintenance of software and data bases; Technical support services, namely, troubleshooting of computer software problems

International Class(es): 042 – Primary Class

U.S. Class(es): 100, 101

Class Status: ACTIVE

Basis: 1(a)

First Use: Oct. 23, 1991

Use in Commerce: Jan. 10, 1992

Current Owner(s) Information

Owner Name: ESCAMILLA, DAVID

DBA, AKA, Formerly: AKA M2 INTELLECTUAL
PROPERTY ASSETS

Owner Address: 500 N. MICHIGAN AVE.,
SUITE 600
CHICAGO, ILLINOIS
60611

Legal Entity Type: INDIVIDUAL

Citizenship: UNITED STATES

2. United States Registration No. 1,931,182

Mark: M2

US Serial Number: 74/567,603

US Registration Number: 1,931,182

Register: Principal

Mark Type: Trademark

Application Filing Date: Aug. 30, 1994

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Registration Date: Oct. 31, 1995

Status: The registration has been
renewed.

Status Date: Feb. 22, 2005

Publication Date: Aug. 08, 1995

Goods and Services

For: computer software featuring business management applications for the film and music industries; and interactive multimedia applications for entertainment, education and information, in the nature of artists' performances and biographical information from the film and music industries; and instructions and information for playing musical instruments

International Class(es): 009 – Primary Class

U.S. Class(es): 021, 023, 026, 036, 038

Class Status: ACTIVE

Basis: 1(a)

First Use: Oct. 23, 1991

Use in Commerce: Jan. 10, 1992

Current Owner(s) Information

Owner Name: ESCAMILLA, DAVID

DBA, AKA, Formerly: AKA M2 INTELLECTUAL
PROPERTY ASSETS

Owner Address: 500 N. MICHIGAN AVE.,
SUITE 600
CHICAGO, ILLINOIS
60611

Legal Entity Type: INDIVIDUAL

Citizenship: UNITED STATES

APPENDIX F

**UNITED STATES PATENT AND TRADEMARK
OFFICE**

Electronic Database Records of Assignment
Trademark Reel: 004879 Frame: 0638-43 (excerpt)
(available at <http://tsdr.uspto.gov>) [ROA.570-75]

Submission Type: New Assignment

Nature of Conveyance: Assigns the Entire Interest
and the Goodwill

Conveying Party Data

Name: M2 Software, Inc.

Execution Date: 7/12/2012

Entity Type: Corporation: Delaware

Receiving Party Data

Name: ESCAMILLA, DAVID

Also Known As: M2 INTELLECTUAL
PROPERTY ASSETS

Street Address: 500 N. MICHIGAN AVE.,
SUITE 300

City: CHICAGO

State/Country: ILLINOIS

Postal Code: 60611

Entity Type: INDIVIDUAL: UNITED STATES

Property Numbers

Total: 2

Property Type: Registration Number

Number: 1,931,182

Word Mark: M2

Property Type: Registration Number

Number: 4,128,151

Word Mark: M2

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Trademark Assignment Agreement

This Trademark Assignment Agreement (“Agreement”) is made as of July 12, 2012, by and between M2 Software, Inc., a Delaware corporation (“Assignor”), and David Escamilla (“Assignee”), an individual who is the founder of Assignor and creator of the trademark properties identified herein.

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ARTICLE I – ASSIGNMENT

1.1 Assignor does hereby assign, sell and transfer to Assignee, its successors and assigns, any and all rights, title and interest to any extent not already owned by Assignee, in and to: (i) the Trademarks, whether owned, licensed or otherwise held, including all applications and registrations thereof and the Certificates of Registration duly and legally issued therefore, and any and all renewals thereof for the Trademarks, together with all goodwill pertaining thereto; (ii) all rights and benefits associated with the foregoing, including all rights to sue or recover for past, present and future infringement, misappropriation, dilution, unauthorized use or other impairment or violation of any of the foregoing and all

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income, royalties, damages and payments now or hereafter due or payable with respect to any of the Trademarks; (iii) all causes of action (in law or equity) and rights to sue, counterclaim and/or recover for past, present, or future infringement thereof; and (iv) all rights corresponding to the foregoing throughout the world.

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