

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION**

BLUE SPIKE, LLC,

Plaintiff,

v.

**CATERPILLAR, INC., POLAROID
CORPORATION,**

Defendants.

§
§
§
§
§
§
§
§
§
§

CIVIL ACTION NO. 6:16-CV-01361-RWS

**SUPPLEMENTAL REPORT AND RECOMMENDATION
OF UNITED STATES MAGISTRATE JUDGE**

On April 1, 2017, the undersigned issued a Report and Recommendation (“R&R”), recommending that Defendant Caterpillar, Inc.’s (“CAT”) Motion to Dismiss (“Motion”) be granted and that Blue Spike LLC’s (“Blue Spike”) claims be dismissed with prejudice. (Doc. No. 43.) Therein, the undersigned ordered Blue Spike to show cause why the conduct described has not violated Rule 11(b). (Doc. No. 43, at 11.) Blue Spike filed a response to the show cause order (Doc. No. 46), and CAT filed a reply (Doc. No. 47). Thereafter, Blue Spike filed an Unopposed Motion to Dismiss (Doc. No. 48), and a further response to the R&R requesting that the R&R be withdrawn or mooted in light of the Motion to Dismiss (Doc. No. 49).

On May 8, 2017, Judge Schroeder issued an Order Adopting the R&R, granting CAT’s Motion, dismissing Blue Spike’s claims with prejudice, and denying Blue Spike’s Unopposed Motion to Dismiss. (Doc. No. 71). Judge Schroeder further referred this matter to the undersigned for determination of whether and in what amount fees should be awarded under Rule 11(b)(3). (Doc. No. 71, at 5.)

LEGAL STANDARD

Pursuant to Rule 11, the Court “may impose an appropriate sanction on any attorney, law firm, or party ... that violated [Rule 11(b)]...” Fed.R.Civ.P. 11(c)(1). Rule 11(b) provides that, by signing and filing a pleading, written motion, or other paper, an attorney certifies that:

it is not being presented for any improper purpose, such as to harass, cause unnecessary delay or needlessly increase the cost of litigation; (2) the claims, defenses, and other legal contentions are warranted by existing law or by non-frivolous argument for extending modifying, or reversing existing law or for establishing new law; (3) the factual contentions have evidentiary support or, if specifically so identified, will likely have evidentiary support after a reasonable opportunity for further investigation or discovery; (4) the denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on belief or lack of information.

Fed.R.Civ.P. 11(b). This rule is “aimed at curbing abuses of the judicial system.” *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 397 (1990). “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).

DISCUSSION

Blue Spike contends that the Court should not issue Rule 11 sanctions because (1) Blue Spike demonstrated proper care when it filed suit against CAT; and (2) Blue Spike diligently attempted to resolve CAT’s concerns outside of court. (Doc. No. 46, at 1.) CAT contends that Blue Spike did not do a proper investigation and did nothing to dismiss its suit against CAT. (Doc. No. 47, at 2.) Here, while it is not clear that Blue Spike undertook a proper investigation before filing suit against CAT, Blue Spike’s conduct became objectively unreasonable at the filing of their opposition to CAT’s Motion to Dismiss.

On January 31, 2017, CAT filed a Motion to Dismiss pursuant to Federal Rules of Civil Procedure 12(b)(1)-(3), and 12(b)(6). (Doc. No. 17.) CAT argued that it does not make, sell,

offer to sell, or import any of the accused Cat Phones and attached two declarations in support of that contention. *Id.* The first declaration was from Jamie Skinner, Senior Corporate Counsel at CAT, who attested that “Caterpillar granted a trademark license to Bullitt, to make cellular phones using Caterpillar’s logos and the Cat Phone brand name,” and that “Bullitt is entirely responsible for the design and manufacture of the phones offered under the Cat Phone brand, including selection of software and operating systems, and for the subsequent importation, export and sale of the resulting cellular phones.” Ex. A, Dec. of Jamie Skinner, Docket No. 17-1 at ¶ 4. The second declaration was from Mr. Lawrence Corbett, Chief Operating Officer of the Bullitt Group of companies, who testified that under the trademark license granted to Bullitt by CAT, “Bullitt is entirely responsible for the design and manufacture of the phones offered under the Cat Phone brand, including selection of software and operating systems, and for the subsequent importation, export and sale of the resulting cellular phones,” and that “Bullitt operates the catphones.com websites referred to in paragraph 10 of the Complaint; it is not operated by Caterpillar.” Ex. B, Dec. of Lawrence Corbett, Docket No. 17-2 at ¶¶ 5, 9.

As admitted in Blue Spike’s response to the Court’s order to show cause, the “quandary” it faced when filing suit was that it was not clear to Blue Spike whether Bullitt or CAT was responsible for the alleged infringement. (Doc. No. 46, at 3.) Indeed, Blue Spike admits there were references to Bullitt as “a licensee of Caterpillar, Inc.” and as holding “the global license for phones and accessories for Caterpillar, Inc.” *Id.* While Blue Spike admits the question of liability was unclear at the time of filing, this relationship became abundantly clear at the filing of CAT’s Motion to Dismiss with supporting declarations. At this time, Blue Spike did not reach out to CAT for any clarification of the declarations or agree to dismiss the suit. Rather, Blue Spike filed a response that failed to raise any evidentiary support for the claim that Blue Spike

had a legally sufficient basis to maintain its suit against CAT. *See* Doc. No. 43, at 6–10. Blue Spike also did not contend that it would have evidentiary support for its claim upon further investigation and continued to pursue its claims with no legal basis through the filing of a sur-reply. (Doc. No. 41.) Tellingly, Blue Spike decided shortly after the filing of its response to file suit against Bullit on March 1, 2017, but did not dismiss its claims against CAT. *See* Case No. 6:17-cv-131, Doc. No. 1.

Blue Spike contends that because CAT had answered and sat in silence while Blue Spike amended its complaint, CAT precluded Blue Spike from voluntarily dismissing the case. (Doc. No. 46, at 4.) This contention fails to appreciate the application of the Federal Rules of Civil Procedure. At any time, and certainly appropriately at the time of receipt and review of CAT’s Motion, Blue Spike could have reached out to CAT and filed a voluntary stipulation of dismissal signed by both parties pursuant to Rule 41(a)(1)(A)(ii). Blue Spike did not reach out or file a stipulation of dismissal upon receipt and review of CAT’s Motion and only attempted to file such a dismissal after it knew the Court was considering sanctions. (Doc. No. 48.) As explained in Judge Schroeder’s Order Adopting, at the time this stipulation was filed, it was not compliant with the Rules and ineffective. *See* Doc. No. 71, at 2 (“Blue Spike’s Motion to Dismiss Caterpillar, while unopposed, is not signed by Caterpillar... [t]he dismissal is therefore ineffective, and neither the Report nor the underlying Motion to Dismiss is moot.”). Moreover, this filing by Blue Spike was simply too late to absolve Blue Spike of its unreasonable conduct in pursuing opposition to CAT’s Motion. Further, even if CAT would not have agreed to stipulate to dismissal—which is unlikely given that CAT had a pending motion to dismiss and requested dismissal via email on February 15, 2017 (Doc. No. 46-2, at 2.)—Blue Spike could have simply requested the Court dismiss the case pursuant to Rule 41(a)(2) under the

circumstances. *See* Fed.R.Civ.P. 41(a)(2). Blue Spike also did not do this. Instead, Blue Spike continued to pursue its claims at the expense of the Court and the parties. The Court finds that this conduct warrants sanctions under Rule 11.

Because Blue Spike signed onto its response with no reasonable belief that its contentions had evidentiary support or would likely have evidentiary support upon further investigation, the Court finds that sanctions pursuant to Rule 11(b)(3) are appropriate here. *See* Fed.R.Civ.P. 11(b)(3). Specifically, the Court finds that the conduct in question here warrants payment of CAT's costs as well as CAT's attorneys' fees from the time of the filing of its Motion to Dismiss (Doc. No. 17). Within **7 days** of the issuance of this supplemental report and recommendation, CAT shall submit to the Court an accounting of its costs and attorneys' fees for review.

CONCLUSION

For the reasons set forth herein, the Court **RECOMMENDS** that Court assess sanctions against Blue Spike and its counsel (to be shared equally) in the amount of CAT's costs associated with this action as well as CAT's attorneys' fees associated with and from the time of filing of its Motion to Dismiss (Doc. No. 17). CAT shall submit to the Court an accounting of its costs and fees within **7 days**.

So ORDERED and SIGNED this 10th day of May, 2017.


JOHN D. LOVE
UNITED STATES MAGISTRATE JUDGE