Dolores Contreras, Esq. SBN 257230
dc@contreraslawfirm.com
Andrew Stilwell, Esq. SBN 229469
as@contreraslawfirm.com
CONTRERAS LAW FIRM
402 West Broadway, Suite 1200
San Diego, CA 92101
Tel (619) 238-0616
Fax: (619) 342-3166

Attorneys for Defendant,
MARTHA THOMPSON, JENNA BULIS, CHELSEA FILER, and BREAKINGCODESILENCE, INC.

CONTRERAS LAW
402 W. Broadway, Ste. 1200
San Diego, California 92101
(619) 238-0616

UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

BREAKING CODE SILENCE, a California Public Benefit Corporation, Plaintiff, vs. CHELSEA PAPCIAK aka FILER, an individual, JENNIFER WALKER, an individual, JENNA BULIS, an individual, MARTHA THOMPSON, an individual, and BREAKINGCODESILENCE, INC., a Florida corporation Defendants.	Case No.: 21-cv-0918-BAS (DEB) **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF DEFENDANT'S MOTION FOR ATTORNEY'S FEES AFTER DISMISSAL** Date: May 16, 2022 Dept.: 4B Judge: Hon. Cynthia A. Bashant **NO ORAL ARGUMENT UNLESS REQUESTED BY THE COURT**

///

CONTRERAS LAW
402 W. Broadway, Ste. 1200
San Diego, California 92101
(619) 238-0616

INTRODUCTION

Plaintiff intentionally, maliciously, and deliberately filed its lawsuit against the Defendants, and each of them, without any factual or legal basis for the claim. Two of the three of these Defendants were listed owners on the trademark application filed by Plaintiff's (now former) CFO prior to the lawsuit being initiated. Yet Plaintiff filed, maintained, and vigorously prosecuted, this trademark infringement case without ever owning the mark.

Compounding the frivolity of this action was the fact, as the Court herein has already recognized, that Plaintiff was not even in existence when their own "first use" was alleged to have occurred. Plaintiff knew that it did not exist at the time of its claimed first use. Plaintiff knew that two out of the three Defendants, herein, were listed owners on the trademark application. The law was clear, and yet Plaintiff still filed this action.

Plaintiff clearly utilized this lawsuit as a means of pressuring Defendants, into keeping away from the mark in any fashion after a schism broke the original founders of the embryonic company. It was a willful and malicious act to perpetrate upon a person. This course of conduct is squarely within the statute's meaning of "extraordinary," as both the Supreme Court and the Ninth Circuit precedents have explained. Therefore, Defendants, and each of them, respectfully ask this honorable Court to award them an award of money to compensate them for the harm and fees that they have had to incur as a result of this very unnecessary and meritless lawsuit.

FACTUAL BASIS

On August 19, 2014, Defendant, PAPCIAK/FILER created the name "Breaking Code Silence," and first used it in commerce on September 19, 2014. *Dkt. No. 36-3, Decl. Papciak, p. 2*. JOSH SCARRPUZZI never owned any rights to the name "Breaking Code Silence." *Dkt. No. 36-4, Decl. Scarpuzzi, p. 2*. On September 3, 2020 and September 24, 2020, KATHERINE MCNAMARA ("MCNAMARA"), the now former CFO of Plaintiff, filed an application for registered trademark to the U.S.P.T.O., listing herself and five other people, including CHELSEA PAPCIAK and JENNA BULIS, as owners of the trademark "Breaking Code Silence," and "BreakingCodeSilence." Dkt. No. 36-5, *RJN*, *Ex. A*.

On March 14, 2021, during a pre-incorporation meeting, KATHERINE McNAMARA exploited unauthorized access to our servers, disabled and revoked access to our emails, google drives, website, social media accounts, and downloaded and deleted sensitive data from our servers. Despite multiple requests to return our property and settle this matter amicably, KATHERINE McNAMARA and VANESSA HUGHES repeatedly refused. *Dkt. Nos. 36-3, Decl. Papciak, pp. 6-7*

On March 22, 2021, MCNAMARA incorporated Plaintiff, without the knowledge or permission of PAPCIAK/FILER or BULIS, which resulted in a schism between the originators of the Breaking Code Silence project that was in its embryonic pre-organization stages. *Dkt. Nos. 36-3, Decl. Papciak, pp. 6-7; 36-5, RJN, Ex. B*. As a result of this schism, Defendants, and each of them, left the group. THOMPSON was completely done with the project, instead intending on attending medical school, while BULIS and PAPCIAK/FILER were intending on continuing the work they had started with Breaking Code Silence.

MCNAMARA saw as a threat to her new corporation, and on May 13, 2021, and with the help and advice of Plaintiff's counsel at PROCOPIO, filed the present complaint. *Dkt. No. 1*. In the initial complaint, Plaintiff stated that it had been using the mark since October 2010. *Compl., p. 4, ¶ 14; FAC, p. 4, ¶ 14*. This was later to be refuted by SCARPUZZI, who executed a declaration under penalty of perjury directly controverting the claim that he had any right to the mark or that he had intentionally transferred the mark to Plaintiff. Dkt. No. 36-4, *Decl. Scarpuzzi, p. 2*.

Defendants' counsel, and JENNIFER WALKER's counsel, MICHAEL JACOBS, immediately wrote several meet and confer emails to Plaintiff's counsel

CONTRERAS LAW
402 W. BROADWAY, STE. 1200
SAN DIEGO, CALIFORNIA 92101
(619) 238-0616

demanding Plaintiff dismiss the action. *Decl. Stilwell, pp. 3-4*. Plaintiff refused, and continued on, filing a second amended complaint and an opposition to the motion to dismiss that had been filed. *Dkt. Nos. 19, 25*. In an additional act of bad faith, Plaintiff filed for default against Defendants, even though there was a motion to dismiss on the docket. *Dkt. Nos. 27, 29, 30, 31*.

The amended complaint did not cure the issue, as it still contained allegations of first use in October2010. *SAC, p. 4, ¶ 14*. Defendants' counsel and Mr. Jacobs reinstituted the meet and confer process with Plaintiff demanding dismissal. Plaintiff refused, and Defendants were required to file another motion to dismiss. *Dkt No. 36*. Plaintiff refused to dismiss the case, and instead filed an opposition to Defendants' motion, and a frivolous objection without basis. *Dkt Nos. 39, 41*.

During the process, the parties had to do the ENE and discovery conference, wherein again, Defendants' demanded dismissal, but Plaintiff would not budge. *Dkt. Nos. 44-45*. Defendants' counsel and Mr. Jacobs, continued the meet and confer process with Plaintiff's counsel throughout this case, writing over 300 emails between them to Plaintiff's counsel insisting on dismissal. *Decl. Stilwell, p. 5*.

It was only after the litigation and successful ruling in Defendants' favor, did Plaintiff finally begin to relent. *Dkt. No. 47*. Plaintiff failed to file another amended complaint, and only in the light of facing an order to show cause why, did Plaintiff finally file a voluntary dismissal, of only these Defendants. *Dkt. Nos. 50, 52*.

LAW & ARGUMENT

A. Law of Attorney's Fees in Trademark Cases

"The court in exceptional cases may award reasonable attorney fees to the prevailing party." *15 U.S.C. § 1117, subd. (a)*. Therefore, in order for a prevailing party to be granted an award of attorney's fees (1) the case must be "exceptional," and (2) the fees must be "reasonable."

///

CONTRERAS LAW
402 W. Broadway, Ste. 1200
San Diego, California 92101
(619) 238-0616

CONTRERAS LAW
402 W. BROADWAY, STE. 1200
SAN DIEGO, CALIFORNIA 92101
(619) 238-0616

B. This Case is "Exceptional" Under the Lathem Act

District courts analyzing a request for fees under the Lanham Act should examine the "totality of the circumstances" to determine if the case was exceptional, exercising equitable discretion in light of the nonexclusive factors identified in *Octane Fitness* and *Fogerty*, and using a preponderance of the evidence standard. *SunEarth, Inc. v. Sun Earth Solar Power Co., Ltd.*, 839 F.3d 1179, 1181 (2016), citing *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 553-554, 134 S.Ct. 1749, 1756, 188 L.Ed.2d 816 (2014), and *Fogerty v. Fantasy, Inc*., 510 U.S. 517, 534, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994). The Ninth Circuit also defined an exceptional case as one that simply "stands out from others with respect to the substantive strength of a party's litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated." *Id*. at 1180 (citation omitted).

Courts are therefore to consider "frivolousness, motivation, objective unreasonableness, and the need in particular circumstances to advance considerations of compensation and deterrence," in their determination of "bad faith" or "baselessness." *Octane Fitness, at p. 554,* citing *Fogerty, at p.* 534. The conduct neither has to be egregious, nor in bad faith to be exceptional. *Fifty-Six Hope Road Music, Ltd., supra*, 778 F.3d at p. 1078. Nor does the conduct have to rise to the level of sanctionable. *Octane Fitness*, at p. 554.

1. Plaintiff's Claim was Frivolous

A claim is frivolous when it is "clearly baseless" and involves "fantastic or delusional scenarios." *Perfect 10, Inc. v. Visa Int'l Serv. Ass'n, No. C 04-00371 JW*, 2005 WL 2007932, at p. 4 (N.D. Cal. 2005) (quoting *Neitzke v. Williams*, 490 U.S. 324, 327–28 (1989)). The lawsuit clearly did not make any sense at its inception. First, Plaintiff never was a registered owner of the mark. Second, Plaintiff was suing two owners of the mark for violating their own mark. Lastly, Plaintiff did not exist at the time it claimed common law rights to the mark. From the very beginning this case was fanciful, and obviously baseless.

2. Plaintiff's Actions Were Objectively Unreasonable

The law in the trademark infringement area asserted by Plaintiff was clear. There was no confusion in the circuits as to what constitutes the type of trademark infringement asserted by Plaintiff. First, there needs to be a registered trademark. *See 15 U.S.C. §§ 1114, 1116-1117*. Plaintiff was not an owner of any registered trademark at the time, and did not own a registered trademark to "Breaking Code Silence." The fact that Plaintiff's CEO had listed PAPCIAK/FILER and BULIS on the USPTO application prior to the lawsuit further proves objective unreasonableness.

Secondly, Plaintiff did not exist when it claimed first usage in commerce rights under common law trademark. Plaintiff is a distinct entity from any alleged individual who might have such a claim. See *Communist Party v. 522 Valencia, Inc.*, 35 Cal. App. 4th 980, 993 (1995); see also *City of Bakersfield v. W. Park Homeowners Assn. & Friends*, 4 Cal. App. 5th 1199, 1211 (2016). This Court recognized this in the order granting the motion to dismiss. *Dkt. No. 47, Order, p. 8*. Plaintiff knew it's common law claim was meritless, yet still filed an amended complaint without revision to the allegations. This is objectively unreasonable conduct.

3. <u>Plaintiff's Motivation Was Inequitable</u>

The existence of bad faith or an improper motive in bringing or pursuing an action weighs in favor of an award of fees to a prevailing party. *Fogerty*, 94 F.3d at p. 558. "A finding of bad faith can be based on actions that led to the lawsuit, as well as on the conduct of the litigation." *Hall v. Cole*, 412 U.S. 1, 15, 93 S.Ct. 1943, 36 L.Ed.2d 702 (1973). Courts have held a plaintiff demonstrates bad faith when alleging a claim to secure benefits other than merely addressing grievances. See

CONTRERAS LAW
402 W. BROADWAY, STE. 1200
SAN DIEGO, CALIFORNIA 92101
(619) 238-0616

Maljack Prod., Inc. v. GoodTimes Home Video Corp., 81 F.3d 881, 889 (9th Cir. 1996) (i.e. to secure competitive advantage in the market).

When the schism opened between original six members of Breaking Code Silence, in its embryonic pre-organization form, MCNAMARA, as CEO of Plaintiff, wanted to gain a competitive advantage over the non-conforming members of the original group. She incorporated Plaintiff in secret, she then initiated this lawsuit against any who would not fall in line and do the organization's mission through Plaintiff under her control. *Dkt. Nos. 36-3, Decl. Papciak, pp. 6-7; 36-5, RJN, Ex. B.*

Weaponizing the courts and disregarding truth, Plaintiff unleased a campaign of litigation and defamation against Defendants, despite Plaintiff having no right to the mark. This was done to cause economic and reputational harm to the non-conforming members of the group, including Defendants, so that they could not continue their work and activism in the marketplace. Plaintiff's motivation was not to resolve a grievance for an infringement of a trademark, because there was not any trademark registered at the time, nor has there been any since. The motivation was completely harmful and unscrupulously directed at Defendants.

4. <u>An Award of Attorney's Fees Will Encourage Defendants and Others to Defend Themselves When They Have a Valid Defense</u>

An award of attorney's fees may advance the purposes of the Copyright Act if it encourages other parties to defend themselves when they have valid defenses. *Sophia & Chloe, Inc. v. Brighton Collectibles, Inc.*, 2019 WL 1429588 at p. 5 (S.D. Cal., 2019). "When the prevailing party is the defendant, who by definition receives not a small award but no award.... For without the prospect of such an award, the party might be forced into a nuisance settlement or deterred altogether from exercising his rights." *Ibid.*

Here, Defendants were completely victorious in the claim, however, they have no reward, only dismissal. What they do have is thousands of dollars in attorney's

CONTRERAS LAW
402 W. Broadway, Ste. 1200
San Diego, California 92101
(619) 238-0616

CONTRERAS LAW
402 W. Broadway, Ste. 1200
San Diego, California 92101
(619) 238-0616

fees that they have paid to defend themselves from Plaintiff's frivolous, baseless claims motived by Plaintiff's bad faith. For THOMPSON, it prevented her from attending medical school, as she had to use her tuition money to pay for her defense. *Decl. Stilwell, p. 5*. Clearly, the policy of encouraging valid defenses is fulfilled by an award of attorney's fees herein.

D. <u>The Attorney's Fees Sought Herein is Reasonable</u>

The lodestar method is used to determine a presumptively reasonable attorney fee award in trademark infringement cases under 15 U.S.C. § 1117(a). *Earthquake Sound Corp. v. Bumper Indus.*, 352 F.3d 1210 (9th Cir. 2003). Under the lodestar method, "[t]he most useful starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate." *Hensley v. Eckerhart*, 461 U.S. 424, 433 (1983). To calculate the "lodestar," the court multiplies the number of hours the prevailing party reasonably expended on the litigation by a reasonable rate. *Morales v. City of San Rafael*, 96 F.3d 359, 363 (9th Cir. 1996).

Defendants' counsel performed work including pre-pleading investigation, kept my clients reasonably informed through correspondence and conference calls, several lengthy meet and confer processes throughout the case, preparation of initial disclosures, preparation of early neutral evaluation report, review discovery from all parties, research and draft two motions to dismiss, as well as respond to Plaintiff's response to the second one, review the second amended complaint for purposes of the motion to dismiss, attend and participate in the early neutral evaluation hearing, and engage in settlement negotiations with Plaintiff's counsel. *See Decl. Stilwell, pp. 4-5*.

His paralegal performed the following work as well, which included preparing the motions to dismiss and the supporting documents for filing with the court, filing those documents with the court, document preparation with the initial disclosures from all parties, and proofs of service for the motions, ENE reports, and discovery.

Defendants' counsel's hourly rate is $750 per hour. According to the USAO/Laffey Attorney's Fees Matrix for 2021-2022, an attorney with 19 years of experience has a reasonable rate of $764 per hour. His paralegal's rate is $225 per hour. According to the USAO/Laffey Attorney's Fees Matrix for 2021-2022, a paralegal rate is $208 per hour, however this paralegal has 15 years of experience, which warrants an increase from the base paralegal/law clerk rate in the Laffey Matrix, which does not differentiate between new paralegals and experienced paralegals. *Decl. Stilwell, p. 6, Ex. B.*

The reasonable lodestar fees are therefore as follows:

Description	**Attorney Hours**	**Paralegal Hours**
Investigation	3.2	1.5
Research	23.2	
Drafting Motions/Oppositions	26.1	5.8
Meet and Confer Correspondence/Correspondence with Court	22.7	1.9
Early Neutral Evaluation Conference/Report	7.3	2.8
Settlement Negotiation	2.5	
Discovery Review	5.2	5.3
Client Communications	17.5	
Total	104.2	17.3
Fees	$78,150	$3,892.50

CONTRERAS LAW
402 W. BROADWAY, STE. 1200
SAN DIEGO, CALIFORNIA 92101
(619) 238-0616

CONTRERAS LAW
402 W. BROADWAY, STE. 1200
SAN DIEGO, CALIFORNIA 92101
(619) 238-0616

The *Laffey* matrix is a compilation of data, prepared by the Civil Division of the United States Attorney's Office for the District of Columbia, that is designed to quantify "reasonable" hourly rates for attorneys and legal assistants. The most recent version of the *Laffey* matrix is titled the "USAO Matrix." Courts have relied on prior versions of the *Laffey* matrix to determine whether proposed hourly rates are reasonable. *Lehman Brothers Holdings, Inc. v. PMC Bancorp*, 2017 WL 11634506, p. 7 (CD Cal. 2017). Defendants' counsel's rate is therefore presumptively reasonable, and only should be adjusted in rare cases. *Pennsylvania v. Delaware Valley Citizens' Council for Clean Air*, 478 U.S. 546, 565, 106 S.Ct. 3088, 92 L.Ed.2d 439 (1986), rev'd on rehearing other grounds, 483 U.S. 711, 107 S.Ct. 3078, 97 L.Ed.2d 585 (1987).

Additionally, San Diego has a 1.44% price increase adjustment from the Laffey Matrix. *Decl. Stilwell, Ex. B*, see also *Lehman Brothers*, at p. 7, fn. 5 (When determining the proper award of attorney's fees, the amount should be adjusted to account for the prevailing rate in the "relevant community." Moreover, "the relevant community is generally defined as 'the forum in which the district court sits.'" *Camacho v. Bridgeport Financial, Inc.*, 523 F.3d 973, 979-80 (9th Cir. 2008)). Therefore, the $82,042.50 in attorney's fees should be increased to **$83,223.91**.

CONCLUSION

THEREFORE, Defendants respectfully requests that this honorable Court award them the award of attorney's fees described herein, and enter judgment thereto in their favor with post-judgment interest to begin accruing upon the entry of said judgment.

CONTRERAS LAW FIRM

Date: April 1, 2022 By: ______________________

Andrew Stilwell, Esq.
Attorneys for Defendants,