19-1952, 19-2394

United States Court of Appeals for the Federal Circuit

NAZIR KHAN, IFTIKHAR KHAN,
Plaintiffs - Appellants,

v.

HEMOSPHERE INC., ET AL.,
Defendants - Appellees,

MERIT MEDICAL SYSTEMS INC.,
Defendant - Cross-Appellant

HOSPITALS AND DOCTORS IMPLANTING UNPATENTED HEREO GRAFT TO DOCTORS, ET AL.,
Defendants

Appeals from the United States District Court for the Northern District of Illinois in No. 1:18-cv-05368, Judge Virginia M. Kendall.

COMBINED PETITION FOR PANEL REHEARING AND REHEARING EN BANC

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CERTIFICATE OF INTEREST

Case Number 2019-1952, 2019-2394

Short Case Caption Khan v. Hemosphere Inc. et al.

Filing Party/Entity Plaintiffs-Appellants Nazir Khan and Iftikhar Khan

Instructions: Complete each section of the form. In answering items 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance. **Please enter only one item per box; attach additional pages as needed and check the relevant box**. Counsel must immediately file an amended Certificate of Interest if information changes. Fed. Cir. R. 47.4(b).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 09/14/2020

Signature: /s/ Jonathan Herstoff

Name: Jonathan A. Herstoff

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	**2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2).	**3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. ☑ None/Not Applicable	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. ☑ None/Not Applicable
Nazir Khan		
Iftikhar Khan		

☐ Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

☑ None/Not Applicable ☐ Additional pages attached

5. Related Cases. Provide the case titles and numbers of any case known to be pending in this court or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. Do not include the originating case number(s) for this case. Fed. Cir. R. 47.4(a)(5). See also Fed. Cir. R. 47.5(b).

☑ None/Not Applicable ☐ Additional pages attached

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

☑ None/Not Applicable ☐ Additional pages attached

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FEDERAL CIRCUIT RULE 35(b) STATEMENT OF COUNSEL

Based on my professional judgment, I believe the panel decision is contrary to the following precedents of this Court and the Supreme Court: *Intamin Ltd. v. Magnetar Techs., Corp.*, 483 F.3d 1328 (Fed. Cir. 2007); *Bank of Nova Scotia v. United States*, 487 U.S. 250 (1988).

Based on my professional judgment, I believe this appeal requires an answer to the following precedent-setting question of exceptional importance:

Federal Rule of Civil Procedure 11(c)(2) provides that a motion for sanctions "must be served under Rule 5, but it must not be filed or be presented to the court if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service or within another time the court sets." May a motion for Rule 11 sanctions be granted when the moving party fails to serve the motion on the nonmoving party prior to filing?

Dated: September 14, 2020 By: /s/ Jonathan A. Herstoff
Jonathan A. Herstoff
Counsel for Plaintiffs-Appellants Nazir Khan and Iftikhar Khan

INTRODUCTION

Drs. Nazir Khan and Iftikhar Khan (collectively "Khan"), proceeding *pro se*, filed a patent-infringement suit against various entities and individuals for infringement of U.S. Patent No. 8,747,344, which is directed to an arteriovenous shunt. A subset of the Defendants ("Moving Defendants") filed a motion for sanctions under Federal Rule of Civil Procedure 11, alleging that Khan's assertions with respect to venue and service of process were frivolous. SAppx67-68[1]; SAppx615-634. The district court granted the motion, and ordered Khan to pay $95,966.90 in attorney fees as a sanction, even though Moving Defendants—in violation of the Rule 11(c)(2) safe-harbor provision—never served Khan with the Rule 11 motion at any time prior to filing, let alone more than 21 days before filing as required by Rule 11(c)(2). Op. 6-7; Op. 14; Appx8-13. The district court excused Moving Defendants' failure by: (i) pointing to a series of letters that Moving Defendants wrote to Khan; and (ii) concluding that these letters "no doubt satisf[y]" the Rule 11(c)(2) safe-harbor provision. Appx11. The

[1] Citations to "SAppx___" refer to the supplemental appendix filed by Merit Medical Systems, Inc. and Merit Physician Appellees at ECF No. 67. Citations to "Appx___" refer to the appendix filed by Khan at ECF No. 73. Citations to "Op. ___" refer to the Panel's slip opinion.

Panel affirmed, recognizing Khan's argument that Moving Defendants had failed to comply with the Rule 11(c)(2) safe-harbor provision, but approving of the district court's conclusion that the letters satisfied Rule 11(c)(2). Op. 14.

The Panel's conclusion that warning letters of the type at issue here can take the place of the "motion" required by Rule 11(c)(2) breaks sharply with the text of the Rule, and with every other Court of Appeals to consider the issue—including the Seventh Circuit. *See Intamin Ltd. v. Magnetar Techs., Corp.*, 483 F.3d 1328, 1337 (Fed. Cir. 2007) (finding that the issue of Rule 11 sanctions is reviewed under the law of the regional circuit). Multiple courts of appeals have held that: (i) because Rule 11(c)(2) requires "[t]he motion" to be served more than 21 days before filing, warning letters are insufficient as a matter of law; and (ii) a moving party's failure to serve "[t]he motion" more than 21 days before filing precludes a Rule 11 motion for sanctions from being granted. Even under Seventh Circuit case law, which has suggested that "substantial compliance" with Rule 11 can sometimes be sufficient to trigger the Rule 11(c)(2) safe-harbor period, letters of the type that Moving Defendants served here are insufficient, because none of

Moving Defendants' letters provided Khan with more than 21 days to withdraw the allegedly sanctionable pleading. Indeed, as explained below, recent Seventh Circuit case law has reversed the imposition of Rule 11 sanctions where, as here, the moving party failed to serve the motion before filing, and instead served only warning letters that demanded withdrawal of the offending pleading in less than 21 days.

Because the Panel's decision conflicts with the text of Rule 11 and with the decisions of every Court of Appeals to consider the viability of Rule 11 sanctions in analogous circumstances, Khan respectfully requests that this Court grant rehearing.

POINTS OF LAW AND FACT OVERLOOKED BY THE COURT

I. Moving Defendants Never Served Khan with a Rule 11 Motion Before Filing the Motion

In affirming the district court's imposition of Rule 11 sanctions, the Panel adopted the district court's conclusion that the Rule 11 motion was properly granted because "the defendants put the Khans 'on notice of their intent to seek sanctions as early as September 24, 2018'" and that "the Khans were notified on several more occasions before the defendants moved for sanctions" in March 2019. Op. 14. However, it is undisputed that Moving Defendants never served Khan with the Rule

11 *motion* prior to filing. This failure bars the Rule 11 motion from being granted, because Rule 11(c)(2) provides that prior to filing a motion for sanctions, the motion "must be served under Rule 5, but it must not be filed or be presented to the court if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service or within another time the court sets." Fed. R. Civ. P. 11(c)(2).

The district court's holding that the Rule 11 safe-harbor provision was satisfied was based entirely on its conclusion that certain letters sent to Khan could take the place of the "motion" required by Rule 11(c)(2). Appx11 (citing SAppx208; SAppx232-233; SAppx685; SAppx688; SAppx694). This conclusion conflicts with the unambiguous language of Rule 11(c)(2), which requires that the motion itself be served more than 21 days prior to filing.

II. Seventh Circuit Case Law Demonstrates that the Rule 11 Motion for Sanctions Should Not Have Been Granted

In affirming the district court's grant of Rule 11 sanctions, the Panel concluded that "'a letter informing the opposing party of the intent to seek sanctions and the basis for the imposition of sanctions'"

"was 'sufficient for Rule 11 purposes'[.]" Op. 14 (citing *Matrix IV, Inc. v. Am. Nat'l Bank & Tr. Co.*, 649 F.3d 539, 552-53 (7th Cir. 2011)). But in *Matrix IV*, the Seventh Circuit "agree[d] with the district court that sanctions [were] unwarranted" and concluded that "the district court properly denied the motion for sanctions because the claims in [the] suit were neither frivolous nor designed to harass or abuse." *Matrix IV*, 649 F.3d at 553. Because the Seventh Circuit affirmed the denial of Rule 11 sanctions on a basis unrelated to the Rule 11(c)(2) safe-harbor provision, the discussion of the safe-harbor provision in *Matrix IV* was dictum.

In any event, subsequent Seventh Circuit case law clarifies that the grant of a Rule 11 motion for sanctions is impermissible under circumstances that closely resemble those present here. *N. Ill. Telecom, Inc. v. PNC Bank, N.A.*, 850 F.3d 880, 888-89 (7th Cir. 2017). There, the movant (PNC) sent the plaintiff (NITEL) two warning letters before moving for sanctions. *Id.* at 888. In the first letter, sent in July 2012, PNC explained why it believed NITEL's breach-of-contract claim to be frivolous, and demanded that NITEL dismiss that claim within five days and pay PNC's fees and costs. *Id.* at 888. The letter further

warned that PNC would seek sanctions under Rule 11 if PNC did not receive written confirmation by the specified date. *Id.* In the second letter, sent in April 2013, PNC "again reviewed the serious problems with NITEL's case and explained why the suit was frivolous." *Id.* The letter also demanded that NITEL dismiss the complaint and pay PNC money, and "demanded written acceptance within six days." *Id.* The letter concluded with the threat that PNC would seek Rule 11 sanctions against NITEL and its counsel "for all fees and costs incurred" if PNC did not receive written confirmation within six days. *Id.* The district court found that these two letters "were sufficient warning shots under Rule 11(c)(2) on the theory that they substantially complied with the rule." *Id.* at 886-87 (citation omitted).

The Seventh Circuit reversed. In reversing the imposition of Rule 11 sanctions, it noted that "the letters simply did not offer NITEL or Riffner the 21-day safe harbor that was offered in [other Seventh Circuit cases]." *Id.* at 888. The Seventh Circuit noted its outlier position that "substantial compliance" with the Rule 11(c)(2) safe-harbor requirement—rather than the actual compliance that other circuits mandate—can sometimes be sufficient to permit a Rule 11

motion to be granted. *Id.* (citing *Nisenbaum v. Milwaukee Cty.*, 333 F.3d 804 (7th Cir. 2003); *Matrix IV, Inc. v. Am. Nat'l Bank & Tr. Co. of Chi.*, 649 F.3d 539 (7th Cir. 2011)). Nevertheless, it held that "[s]ubstantial compliance requires the opportunity to withdraw or correct the challenged pleading within 21 days without imposition of sanctions. Neither PNC Bank letter offered that opportunity." *Id.* The Seventh Circuit further held that PNC's "posturing did not amount even to substantial compliance with the warning-shot/safe-harbor provision, let alone to the actual compliance that other circuits demand." *Id.* at 888-89. Accordingly, the Seventh Circuit reversed the district court's imposition of Rule 11 sanctions. *Id.* at 889.

Under *Northern Illinois Telecom*, the district court's grant of Rule 11 sanctions against Khan cannot stand. Here, as in *Northern Illinois Telecom*, Khan was never served with a Rule 11 motion before filing. Rather, Moving Defendants sent Khan various letters. For instance, in the September 24, 2018 letter cited by the district court (Appx11 (citing SAppx208)), Moving Defendants threatened to seek sanctions based on their view that Khan's patent-infringement action failed on the merits, but not on the basis of improper venue or insufficient service of process.

This distinction is critical, because the Moving Defendants sought, and the district court imposed, sanctions only on the basis of Khan's arguments concerning venue and service of process. Appx9-12. Accordingly, the September 24, 2018 letter did not put Khan on notice that the venue or service-of-process arguments were subject to sanctions. *See* Fed. R. Civ. P. 11(c)(2) (providing that a Rule 11 motion "must describe the specific conduct that allegedly violates Rule 11(b)"). Moreover, that letter gave Khan only 10 days to withdraw the suit, far short of the 21 days allotted by the Rule 11 safe-harbor period. *See N. Ill. Telecom*, 850 F.3d at 888-89 (reversing the imposition of Rule 11 sanctions where the warning letters did not provide the sanctioned party at least 21 days to withdraw the offending pleading).

The remaining documents cited by the district court also provide no support for affirming the grant of Moving Defendants' Rule 11 motion. For instance, the October 3, 2018 letter that the district court cited (Appx11 (citing SAppx232-233)) fails to give Khan at least 21 days to withdraw the complaint. The January 28, 2019 letter does not mention Rule 11, and demands a response by January 31, 2019—three days later, and therefore far short of the 21-day safe-harbor period.

SAppx685. The February 13, 2019 letter similarly gives Khan "one week, until February 20, 2019" to withdraw the pleading, or else face a motion for sanctions. SAppx688. Finally, the February 15, 2019 letter does not mention Rule 11, and again demands a dismissal by February 20, 2019. SAppx694. Moving Defendants then filed the motion for sanctions on March 7, 2019—only 20 days after the February 15, 2019 letter. Appx168-169.

In sum, the Panel's decision rests on an erroneous interpretation of Rule 11 and Seventh Circuit case law. Accordingly, rehearing should be granted, and the district court's award of Rule 11 sanctions should be reversed.

ARGUMENT IN SUPPORT OF REHEARING EN BANC

I. The Panel's Decision Conflicts with the Plain Language of Rule 11 and Controlling Precedent

The Federal Rules are "as binding as any statute duly enacted by Congress, and federal courts have no more discretion to disregard [a] Rule's mandate than they do to disregard constitutional or statutory provisions." *Bank of Nova Scotia v. United States*, 487 U.S. 250, 255 (1988). Rule 11(c)(2) unambiguously requires that a party moving for Rule 11 sanctions serve "[t]he motion" on the nonmoving party more

than 21 days before filing. Moreover, the Committee Notes to the 1993 amendment recognize that the Rule "provides that the 'safe harbor' period begins to run *only upon service of the motion*." Fed. R. Civ. P. 11 advisory committee's note to 1993 amendment (emphasis added). The Notes further provide that in most cases, "counsel should be expected to give informal notice to the other party, whether in person or by a telephone call *or letter*, of a potential violation before proceeding to prepare and serve a Rule 11 motion." *Id.* (emphasis added). Because the Notes draw an express distinction between a letter and a motion, it is inconsistent with Rule 11 to find that a warning letter of the type at issue here can satisfy Rule 11(c)(2)'s requirement of a motion. *See Hall v. Hall*, 138 S. Ct. 1118, 1130 (2018) (quoting *United States v. Vonn*, 535 U.S. 55, 64 (2002)) ("Advisory Committee Notes are 'a reliable source of insight into the meaning of a rule.'"). Because Moving Defendants never served Khan with a Rule 11 motion for sanctions prior to filing—let alone more than 21 days before filing—the plain language of Rule 11 prohibits the motion from being granted. Accordingly, the Panel erred in affirming the district court's grant of the Rule 11 motion.

As discussed in detail above (*see supra* at 5-9), the Seventh Circuit has reversed the imposition of Rule 11 sanctions in circumstances analogous to those present here. *N. Ill. Telecom, Inc.*, 850 F.3d at 888-89 (reversing the imposition of sanctions where the movant served the non-movant only with warning letters prior to filing the Rule 11 motion, and neither of the letters gave the non-movant at least 21 days to withdraw the offending pleading). Similarly here, Moving Defendants' failure to comply with the Rule 11(c)(2) precludes their motion for sanctions from being granted. Rehearing should be granted to correct the Panel's decision to the contrary.

II. Every Other Circuit to Address the Issue Would Have Reversed the District Court's Decision to Grant the Rule 11 Motion Here

This Court "accord[s] great weight to the decisions of [its] sister circuits when the same or similar issues come before [this Court], and [this Court does] not create conflicts among the circuits without strong cause." *Admiral Fin. Corp. v. United States*, 378 F.3d 1336, 1340 (Fed. Cir. 2004). The Panel's decision departs sharply from every other Court of Appeals to consider whether a motion for Rule 11 sanctions can be granted when the movant fails to comply with Rule 11(c)(2)'s safe-

harbor requirement. Rehearing should be granted to consider whether the Court should maintain this circuit conflict.

As detailed above, even under the Seventh Circuit's "substantial compliance" standard, a warning letter does not trigger the Rule 11(c)(2) safe harbor where the letter does not afford the non-movant at least 21 days to withdraw the offending document. *N. Ill. Telecom, Inc.*, 850 F.3d at 888-89. For this reason alone, rehearing is warranted.

Other circuits are in accord. For instance, the Sixth Circuit held that a warning letter cannot, as a matter of law, trigger the Rule 11 safe-harbor period. *Penn, LLC v. Prosper Bus. Dev. Corp.*, 773 F.3d 764, 767-68 (6th Cir. 2014); ECF No. 91 at 18 (citing *Penn*). In reaching this conclusion, the Sixth Circuit recognized that "the rule specifically requires formal service of a motion. The safe-harbor provision states that '[t]he *motion* must be served under Rule 5' at least twenty-one days before filing it with the court." *Penn*, 773 F.3d at 767 (quoting Fed. R. Civ. P. 11(c)(2)) (emphasis and alteration in original). The Sixth Circuit further explained as follows:

> [T]he word "motion" definitionally excludes warning letters, and our reading of the rule's plain language finds support in the Advisory Committee's Notes. In its gloss on the 1993

> amendments, the Committee refers to letters as "informal notice" and recommends that attorneys send a warning letter as a professional courtesy "before proceeding to prepare and serve a Rule 11 motion."

Id. (citing Fed. R. Civ. P. 11 advisory committee's note to 1993 amendment). The Sixth Circuit further explained that

> Permitting litigants to substitute warning letters, or other types of informal notice, for a motion timely served pursuant to Rule 5 undermines the[] goals [of Rule 11]. Whereas a properly served motion unambiguously alerts the recipient that he must withdraw his contention within twenty-one days or defend it against the arguments raised in that motion, a letter prompts the recipient to guess at his opponent's seriousness.

Id. at 767-68 (citing *Radcliffe v. Rainbow Constr. Co.*, 254 F.3d 772, 789 (9th Cir. 2001)).

The Sixth Circuit's analysis is correct. Indeed, the Sixth Circuit's concern with the potential for a letter to cause "the recipient to guess at his opponent's seriousness" is well-illustrated here. In particular, after being served with a letter, Khan interpreted the letter as an intimidation tactic, rather than as an attempt to bring a serious concern to Khan's attention. SAppx229. This is unsurprising, given that Khan was proceeding *pro se* and was not trained or experienced in the

nuances of the Federal Rules of Civil Procedure. Had a formal Rule 11 motion been served as required by Rule 11(c)(2), Khan would not have had to "guess at [Moving Defendants'] seriousness", especially in light of Moving Defendants' prior conduct of threatening, but not moving for, sanctions. SAppx208. Moving Defendants' failure to comply with Rule 11(c)(2) is fatal to their motion, and the district court and the Panel erred in concluding otherwise. *Cf. Orenshteyn v. Citrix Sys., Inc.*, 341 F. App'x 621, 626 (Fed. Cir. 2009) (nonprecedential) (reversing the imposition of Rule 11 sanctions where the movant had not complied with the Rule 11(c)(2) safe-harbor provision); *In re Welding Fume Prods. Liab. Litig.*, No. 1:03 CV 17000, MDL No. 1535, 2006 WL 1173960, at *3 (N.D. Ohio Apr. 5, 2006) (O'Malley, J.) (finding that "sanctions are unavailable under Rule 11" where, among other things, the moving party had not "served the motion on plaintiffs' counsel at any time before actually filing it").

The Ninth Circuit has similarly held that a warning letter is insufficient to trigger the Rule 11 safe-harbor provision. *Barber v. Miller*, 146 F.3d 707 (9th Cir. 1998). There, the defendant (Imageware) served the plaintiff's attorney (Carlsen) with a letter, explaining the

deficiencies of the complaint and stating that a Rule 11 motion for sanctions would be filed if the complaint were not dismissed. *Id.* at 709. Carlsen responded to the letter, "demanding that Imageware 'stop threatening sanctions.'" *Id.* Imageware then filed a motion to dismiss and stated that the complaint was so clearly deficient that sanctions were warranted. *Id.* The district court then dismissed the complaint, and noted that it would retain jurisdiction to consider any motion for sanctions. *Id.* Imageware then sent Carlsen another letter, putting Carlsen on notice that Imageware would seek sanctions. *Id.* A month later, Imageware filed the motion for sanctions, which the district court granted under Rule 11. *Id.*

The Ninth Circuit reversed. *Id.* at 710-11. Although the Ninth Circuit recognized that it was "abundantly clear" that Imageware had given "repeated notice" of the complaint's shortcomings, Imageware "did not follow the procedure required by Rule 11(c)(1)(A) for an award of sanctions upon its motion." *Id.* at 710.[2] Relevant here, although "Imageware had given multiple warnings to [Barber] about the defects

[2] In 2007, the substance of Rule 11(c)(1)(A) was moved to Rule 11(c)(2). That change was "intended to be stylistic only." Fed. R. Civ. P. 11 advisory committee's note to 2007 amendment.

of [the] claim[,]" the safe-harbor was not triggered because "[t]hose warnings were not motions . . . and the Rule requires service of a motion." *Id.* The Ninth Circuit noted that the requirement of a motion "was deliberately imposed, with a recognition of the likelihood of other warnings." *Id.* Indeed, the Ninth Circuit noted that the 1993 amendment to Rule 11 specifically requires a motion—rather than a warning letter—to trigger the safe-harbor provision:

> To stress the seriousness of a motion for sanctions and to define precisely the conduct claimed to violate the rule, the revision provides that the "safe harbor" period begins to run only upon service of the motion. In most cases, however, counsel should be expected to give informal notice to the other party, whether in person or by a telephone call or letter, of a potential violation before proceeding to prepare and serve a Rule 11 motion.

Id. (quoting Fed. R. Civ. P. 11 advisory committee's note to 1993 amendment). Accordingly, the Ninth Circuit recognized that "[i]t would therefore wrench both the language and purpose of the amendment to the Rule to permit an informal warning to substitute for service of a motion." *Id.*

The Tenth Circuit has also reversed the imposition of Rule 11 sanctions where the moving party failed to serve the motion more than

21 days before filing. *Roth v. Green*, 466 F.3d 1179 (10th Cir. 2006). There, although the moving party served warning letters well before filing the motion, the motion itself was not served before filing. *Id.* at 1192. The Tenth Circuit therefore reversed the imposition of sanctions, recognizing that "the plain language of subsection (c)(1)(A) requires a copy of the actual motion for sanctions to be served on the person(s) accused of sanctionable behavior at least twenty-one days prior to the filing of that motion." *Id.* The Tenth Circuit further noted that warning letters "are supplemental to, and cannot be deemed an adequate substitute for, the service of the motion itself." *Id.* It further explained as follows:

> The reason for requiring a copy of the motion itself, rather than simply a warning letter, to be served on the allegedly offending party is clear. The safe harbor provisions were intended to "protect[] litigants from sanctions whenever possible in order to mitigate Rule 11's chilling effects, formaliz[e] procedural due process considerations such as notice for the protection of the party accused of sanctionable behavior, and encourag[e] the withdrawal of papers that violate the rule without involving the district court...." 5A Charles Alan Wright and Arthur R. Miller, Federal Practice and Procedure § 1337.2, at 722 (3d ed. 2004). Thus, "a failure to comply with them [should] result in the rejection of the motion for sanctions...." *Id.* at 723.

The Second, Third, Fourth, Fifth, and Eighth Circuits have similarly recognized that compliance with the Rule 11 safe-harbor period is a prerequisite to granting a motion for Rule 11 sanctions. *See Star Mark Mgmt., Inc. v. Koon Chun Hing Kee Soy & Sauce Factory*, 682 F.3d 170, 175-76 (2d Cir. 2012) ("An informal warning in the form of a letter without service of a separate Rule 11 motion is not sufficient to trigger the 21-day safe harbor period."); *Gordon v. Unifund CCR Partners*, 345 F.3d 1028, 1030 (8th Cir. 2003) (reversing the imposition of Rule 11 sanctions where, among other things, the movant "did not serve a prepared motion on Appellant prior to making any request to the court"); *Brickwood Contractors, Inc. v. Datanet Eng'g, Inc.*, 369 F.3d 385, 389 (4th Cir. 2004) (en banc) (recognizing that Rule 11 "imposes mandatory obligations upon the party seeking sanctions, so that failure to comply with the procedural requirements precludes the imposition of the requested sanctions"); *In re Pratt*, 524 F.3d 580, 586-88 (5th Cir. 2008) (finding that sanctions were precluded under Federal Rule of Bankruptcy Procedure 9011—which contains the same safe-harbor provision as Rule 11—where the movant served only warning letters, but not the actual motion, prior to filing); *In re Miller*, 730 F.3d 198,

204-05 (3d Cir. 2013) (reversing the imposition of sanctions under Federal Rule of Bankruptcy Procedure 9011 where the movant did not comply with the requirements of the safe-harbor provision).

In sum, the Panel's decision conflicts with the decisions of every other Court of Appeals to consider—in circumstances analogous to those presented in this case—whether Rule 11 sanctions can be imposed in the absence of compliance with the Rule 11(c)(2) safe-harbor provision. Rehearing should be granted to determine whether the Court should maintain this circuit conflict.

CONCLUSION

For the foregoing reasons, Khan respectfully requests that the Court grant panel rehearing and/or rehearing en banc.

Dated: September 14, 2020

Respectfully submitted,

/s/ Jonathan A. Herstoff

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ADDENDUM

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Exhibit A

NOTE: This disposition is nonprecedential.

United States Court of Appeals for the Federal Circuit

NAZIR KHAN, IFTIKHAR KHAN,
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HOSPITALS AND DOCTORS IMPLANTING UNPATENTED HERO GRAFT TO DOCTORS, ET AL.,
Defendants

2019-1952, 2019-2394

Appeals from the United States District Court for the Northern District of Illinois in No. 1:18-cv-05368, Judge Virginia M. Kendall.

Decided: August 13, 2020

NAZIR KHAN, IFTIKHAR KHAN, Burr Ridge, IL, pro se.

BRENT P. LORIMER, Workman Nydegger, Salt Lake City, UT, for defendant-cross-appellant and defendants-appellees Willaim J. Tapscott, James W. Campbell, Heather LeBlanc, Lee Forestiere, Edward Kim, Joy Garg Kaiser Permanente, Marius Saines, Gustavo Torres, Charles M. Eichler, Eric Ladenheim, Robert S. Brooks, Anne Lally, Matthew G. Brown, Abilio Coello, Howard E. Katzman, Stephen Wise Unger, Fernando Kafie, Robert Hoyne, Robert Brumberg, Murray L. Shames, Victor Bowers, Heidi A. Pearson, Jeffrey Pearce, Michael Klychakin, William Schroder, Jonathan R. Molnar, Christopher Wixon, Julio Vasquez, William Soper, Jeffrey Silver, Stephen Jensik, Gary Lemmon, Raghu L. Motagnahalli, Ruban Nirmalan, Chase Tattersall, William Ducey, Michael Willerth, Dennis Fry, Jeffrey Cameron, David Smith, Amit Dwivedi, Joseph Griffin, Albert Sam, Andrew Sherwood, Larry D. Flanagan, Thomas Reifsnyder, David B. Leeser, Andres Schanzer, Robert Molnar, Peter Wong, Kourosh Baghelai, Howard L. Saylor, Ty Dunn, William Omlie, James R. Rooks, Timothy C. Hodges, Eddy Luh, Pankaj Bhatnagar, Benjamin Westbrook, Yvon R. Baribeau, George Blessios, Gary Tannenbaum, Jason Dew, Jason Burgess, Paul Orland, James D. Lawson, Todd Early, Randal Bast, Clinton Atkinson, Jeff Stanley, Virginia Wong, Damian Lebamoff, Jonathan Velasco, Boris Paul, Walter Rizzoni, Jon R. Henwood, Carlos Rosales, Ellen Dillavou, Eugene Simoni, Alexander Uribe, Edward Beverly Morrison, Michael Gallichio, Angelo Santos, Chad Laurich, Eric Gardner, Stephen Settle, Blair Jordan, Tuan-Hung Chu, Stephen Hohmann, John C. Kedora, Hector Diaz-Luna, Luis G. Echeverri, Allen Hartsell, Jeffrey Martinez, Gerardo Ortega, Boulos Toursarkissian, Todd Smith, Mountain Medial Physician Specialists, Thomas Ross, Matthew J. Borkon, W. Andrew Tierney, Thomas Hatsukami, Herbert Oye, Thomas Winek, Allan Roza, Ignacio Rua, Sheppard Mondy, Alok K. Gupta, Brad Grimsley. Also represented by DAVID R. TODD, THOMAS R. VUKSINICK.

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DAVID ALAN ROODMAN, Bryan Cave Leighton Paisner LLP, St. Louis, MO, for defendants-appellees Luis Sanchez, Patrick Geraghty. Also represented by BARBARA SMITH, JASON MEYER.

Before PROST, *Chief Judge*, MOORE and STOLL, *Circuit Judges*.

STOLL, *Circuit Judge*.

These appeals arise from an action for patent infringement. Drs. Nazir Khan and Iftikhar Khan accused Hemosphere Inc., CryoLife Inc., and Merit Medical Systems, Inc., along with over 300 hospitals and individual physicians, of infringing a claim of U.S. Patent No. 8,747,344, directed to an arteriovenous shunt. The Khans challenge the district court's decision dismissing the action with prejudice for want of prosecution due to the Khans' insufficient and untimely service of their complaint and, alternatively, for improper venue and misjoinder. The Khans also challenge the district court's decisions granting the defendants'

motion for sanctions and denying the Khans' cross-motion for sanctions. Merit Medical cross-appeals the district court's decision denying its motion to declare the case exceptional and to award attorney fees under 35 U.S.C. § 285. Because the district court did not abuse its discretion in dismissing the action, granting the defendants' sanctions motion, denying the Khans' sanctions motion, or denying Merit Medical's motion for attorney fees under § 285, we affirm.

BACKGROUND

The Khans are Illinois physicians and have exclusive rights to the '344 patent. In their complaint filed on August 7, 2018, the Khans alleged that the defendant corporations, hospitals, and physicians directly and indirectly infringed claim 13 of the '344 patent by manufacturing or implanting into patients the accused HeRO® Graft shunt. The Khans sent a waiver of service of summons form and their complaint by mail to the over 300 defendants, the vast majority of whom resided and practiced outside of Illinois. With the exception of three physicians, none of the defendants returned a completed waiver form.

Following an initial status conference in November 2018, the district court dismissed without prejudice the Khans' claims against Merit Medical, CryoLife, and three physicians for improper venue. Order at 2–3, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. Jan. 23, 2019), ECF No. 76. According to the district court, the Khans had not contended that any of these defendants resided in the Northern District of Illinois, and the Khans had failed to plausibly allege that any of them infringed the asserted claim in the district and had a "regular and established place of business" in the district, as required under 28 U.S.C. § 1400(b). *Id.* at 2. The district court "caution[ed] plaintiffs to take heed of the potentially meritorious arguments raised by defendants thus far in considering the proper and most effective way to prosecute their case

going forward." *Id.* at 3. The district court also held its second status conference that same day. While the Khans insisted at the conference that they had completed proper service for all defendants, by that date—more than 150 days after the filing of the complaint—they had filed proof of waiver for only one defendant. In response to the Khans' argument that placing the waiver request in the mail is equivalent to service, the district court informed the Khans that a request to waive service is merely a request and that waiver by the defendants is not mandatory.

The district court subsequently denied the Khans' motion to reconsider the dismissal order because the motion "impermissibly rehash[ed] previously unsuccessful arguments." Order at 2, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. Feb. 13, 2019), ECF No. 84. The district court "again caution[ed] Plaintiffs that prosecuting a patent case of any size, much less one against three hundred defendants, is a complex endeavor," and that they "should carefully evaluate clearly established requirements set forth in governing statutes and other applicable authority so as not to unnecessarily occupy the time and resources of the Court and other involved parties." *Id.*

Thereafter, more than 100 of the remaining defendants filed 11 separate motions to dismiss on various grounds, including insufficient service, untimely service, improper venue, misjoinder, and lack of personal jurisdiction. A subset of the non-Illinois-resident defendants also moved for sanctions against the Khans pursuant to Rule 11 of the Federal Rules of Civil Procedure for the Khans' repeated assertions that venue was proper and that service was properly completed. The district court granted the motions and dismissed the claims against the defendants for want of prosecution. *Khan v. Hemosphere Inc.*, No. 18-cv-05368, 2019 WL 2137378, at *1 (N.D. Ill. May 16, 2019).

The district court held that dismissal of all remaining defendants was warranted due to the Khans' "insufficient

and untimely attempts at service." *Id.* at *2. The district court rejected the Khans' argument that they had complied with the requirements of Rule 4 of the Federal Rules of Civil Procedure by simply requesting waivers from the defendants. *Id.* The district court also found that the Khans had not attempted to personally serve any defendant. *Id.* Instead, the Khans asserted that they completed service by mailing the summons and complaint to the defendants, despite contrary instruction from the district court. The district court explained that Rule 4(e) does not permit personal service via mail and the Khans had not identified any state laws that would otherwise allow service by mail. *Id.* The district court further found that the Khans had failed to comply with the timeliness requirement of Rule 4(m). *Id.* at *3. In addition, the district court held that dismissal was warranted on the alternative grounds of improper venue under § 1400(b) and improper joinder under 35 U.S.C. § 299. *Id.*

Next, the district court granted the non-Illinois-resident defendants' motion for sanctions based on the Khans' assertions regarding venue and service, which they had maintained despite repeated warnings and guidance from the court. *Id.* at *4–5. The district court recognized that the Khans were proceeding pro se and thus were "entitled to some leniency before being assessed sanctions for frivolous litigation." *Id.* at *5 (quoting *Thomas v. Foster*, 138 F. App'x 822, 823 (7th Cir. 2005)). But the district court explained that the Khans "not only acted in direct contravention to clear procedural rules, statutes, and governing law, but continued to do so after being repeatedly warned at hearings by the Court, in written orders, and in correspondence with defense counsel." *Id.* The district court thus found that it was "more than objectively reasonable to believe that the [Khans] should have known their positions on venue and service were groundless." *Id.* Accordingly, the district court ordered the Khans to pay attorney fees associated with the defendants' filing fees,

motions to dismiss, and motion for sanctions in the amount of $95,966.90. Order at 1, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. July 15, 2019), ECF No. 175.

For their part, the Khans moved for sanctions against the physician defendants and their attorneys for alleged violations of Rule 11(b). The district court denied the motion on the ground that the Khans failed to provide proper notice to the defendants of their motion under Rule 11(c) or properly present their motion to the court as required by the court's local rules. *Id.* at 3. The district court later denied the Khans' motion for reconsideration of the court's dismissal and sanctions orders.

Merit Medical thereafter moved the district court to declare the case exceptional and to award attorney fees under § 285 in the amount of $292,693. The district court denied the motion. Minute Entry, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. Sept. 4, 2019), ECF No. 213. The district court found that the motion "cite[d] largely identical conduct that was previously before the Court on the initial motion for sanctions," and that "[t]he Court ha[d] already extensively considered this conduct in determining whether sanctions were appropriate and indeed ruled in Defendants['] favor on this matter." *Id.* The district court also found that, although the Khans had "litigated this case in an unorthodox manner," none of their conduct following the court's grant of sanctions could be considered "exceptional." *Id.*

The Khans and Merit Medical appeal. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

DISCUSSION

The Khans request that this court reverse the decisions of the district court dismissing their complaint, granting sanctions against the Khans, and denying the Khans' motion for sanctions. Merit Medical cross-appeals, seeking a reversal of the district court's order denying its motion for

attorney fees under § 285. For the reasons discussed below, we discern no abuse of discretion in the district court's rulings and, accordingly, we affirm.

I

We first consider the Khans' challenge to the district court's dismissal of their complaint for failure to effectuate proper and timely service on the defendants as required under Rule 4 and, alternatively, for improper venue.

A

We apply the law of the regional circuit, here the Seventh Circuit, in resolving whether a district court properly dismissed a case for want of prosecution. *See Bowling v. Hasbro, Inc.*, 403 F.3d 1373, 1375 (Fed. Cir. 2005). The Seventh Circuit reviews a district court's dismissal for want of prosecution for an abuse of discretion. *Williams v. Illinois*, 737 F.3d 473, 476 (7th Cir. 2013); *see also Cardenas v. City of Chicago*, 646 F.3d 1001, 1005 (7th Cir. 2011) (a district court's dismissal based on untimely service of process is reviewed for an abuse of discretion).

"A district court may not exercise personal jurisdiction over a defendant unless the defendant has been properly served with process, and the service requirement is not satisfied merely because the defendant is aware that he has been named in a lawsuit or has received a copy of the summons and the complaint." *United States v. Ligas*, 549 F.3d 497, 500 (7th Cir. 2008) (citations omitted). Rule 4 specifies acceptable methods for service. For instance, a plaintiff may request a waiver of service from a defendant by mailing a copy of the complaint, two copies of the waiver form, and a prepaid means for returning the form. Fed. R. Civ. P. 4(d). "But if the defendant does not waive service and if no federal statute otherwise supplies a method for serving process, then Rule 4(e)'s list of methods is exclusive." *Ligas*, 549 F.3d at 501. Those methods consist of "following state law for serving a summons in an action

brought in courts of general jurisdiction in the state where the district court is located or where service is made"; "delivering a copy of the summons and of the complaint to the individual personally"; "leaving a copy of each at the individual's dwelling or usual place of abode with someone of suitable age and discretion who resides there"; and "delivering a copy of each to an agent authorized by appointment or by law to receive service of process." Fed. R. Civ. P. 4(e). "Unless service is waived, proof of service must be made to the court." Fed. R. Civ. P. 4(*l*)(1).

Rule 4 also provides that "[i]f a defendant is not served within 90 days after the complaint is filed, the court—on motion or on its own after notice to the plaintiff—must dismiss the action without prejudice against that defendant or order that service be made within a specified time." Fed. R. Civ. P. 4(m). "[I]f the plaintiff shows good cause for the failure," however, "the court must extend the time for service for an appropriate period." *Id.* A district court has the discretion to dismiss a complaint with prejudice "for want of prosecution if the plaintiff's delay in obtaining service is so long that it signifies failure to prosecute." *Williams*, 737 F.3d at 476 (citations omitted). A defendant may move to dismiss based on the court's lack of personal jurisdiction, the insufficiency of process, or the insufficiency of service of process. Fed. R. Civ. P. 12(b)(2), (4), (5).

Here, the district court properly exercised its discretion in dismissing the Khans' complaint due to their insufficient and untimely attempts at service. Although the Khans endeavored to obtain waivers from all of the defendants, with very few exceptions, the defendants did not return signed waiver forms. Thus, the Khans were required to serve the non-waiving defendants by the other methods set forth under Rule 4(e). *See Ligas*, 549 F.3d at 501. As the district court correctly observed, the Khans' mailing of the complaint and the summons does not constitute service under Rule 4(e).

The Khans argue that each defendant had a duty under Rule 4 to sign the waiver form and return it within 30 days or otherwise show good cause for not doing so. Appellants' Br. 13, 15. They contend that "service is complete when the signed waiver form is returned by the defendant and filed by the plaintiff for entry into the District Court." *Id.* at 13. In their view, the district court lacked jurisdiction to decide the motions to dismiss because the defendants did not return the waiver forms back to the Khans. *Id.* at 15–16.

The Khans misinterpret the provisions of Rule 4. While Rule 4(d) obligates defendants "to avoid unnecessary expenses of serving the summons," it does not require defendants to waive formal service. Fed. R. Civ. P. 4(d)(1). Nor did the defendants' decisions to forgo waiving service in this case strip the district court of its authority to decide the motions to dismiss on the basis of insufficient service. The Khans cite subsection (e) of Illinois statute 735 ILCS 5/2-201, in conjunction with Rule 4(e)(1), as permitting service by mail, but subsection (e) of Illinois statute 735 ILCS 5/2-201 does not appear to exist. The Khans also cite subsection (e) of Illinois statute 735 ILCS 5/2-202, but this subsection concerns the housing authority police force's service of process for eviction actions and is thus inapplicable to this civil action. The Illinois statute that governs service of individuals in civil actions is 735 ILCS 5/2-203, which does not allow service by mail. Absent proof under Rule 4(*l*) that proper service was made on any of the non-waiving defendants, the district court properly held that the Khans had failed to provide proper service.

The district court also correctly concluded that the Khans failed to comply with Rule 4(m)'s timeliness requirement. In the more than 250 days between the filing of the complaint and the district court's dismissal decision, nearly all of the over 300 defendants had not been properly served. The district court did not abuse its discretion in determining that the Khans did not show good cause to justify such

"extreme delay"—nearly three-fold the amount of time allotted to complete service. *Khan*, 2019 WL 2137378, at *3.

Accordingly, we conclude that the district court was well within its discretion to dismiss the complaint with prejudice for want of prosecution due to the Khans' insufficient and untimely service.

B

Turning to the issue of venue, the governing statute provides that "[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. § 1400(b). A "regular and established place of business" requires a "place of business" in the district, i.e., "a physical, geographical location in the district from which the business of the defendant is carried out." *In re Cray Inc.*, 871 F.3d 1355, 1362 (Fed. Cir. 2017). The place of business must be the defendant's, "not solely a place of the defendant's employee." *Id.* at 1363. We review de novo the question of proper venue under § 1400(b). *Westech Aerosol Corp. v. 3M Co.*, 927 F.3d 1378, 1381 (Fed. Cir. 2019).

The district court correctly concluded that venue was improper under § 1400(b). As to Merit Medical, CryoLife, and the three physicians dismissed earlier in the action, the district court found that the Khans had not contended that any of these defendants resided in the district. The district court also found that the Khans had failed to plausibly allege that any of them infringed the asserted claim in the district or had a "regular and established place of business" in the district. As to the remaining defendants, the district court found that the complaint and related filings were "devoid of any facts establishing that the infringing acts occurred in" the district or that the defendants "reside in the district." *Khan*, 2019 WL 2137378, at *3. The district court also found that the Khans instead

"allege[d] that the acts of infringement took place in the states in which the Defendants reside," and that "nearly all of the Defendants are not residents of Illinois and are instead scattered throughout the country in dozens of different states." *Id.*

These findings remain largely unchallenged on appeal. Indeed, the Khans concede that their complaint names "more than 300 defendants residing in 43 states and two manufacturers who are on opposite sides of the country." Appellants' Br. 17. The Khans also admit that "the venue for non-Illinois defendant physicians is improper here." *Id.*; *see also id.* at 22 ("[T]he plaintiffs made it clear in our pleadings that the venue is improper for non-Illinois defendant physicians."); *id.* at 11 ("The totality of the record shows that the plaintiffs have never said that the venue is proper for the 106 non-Illinois defendant physicians."). The Khans instead focus their challenge on the district court's findings that Merit Medical and CryoLife each lack a "regular and established place of business" in the district. For instance, they contend that these corporations have sales representatives in the district that promote the accused HeRO® Graft shunt. *Id.* at 18. But the fact that certain *employees* live or conduct business in the district does not establish proper venue over *defendants* in the district. *See Cray*, 871 F.3d at 1363.

We are also unpersuaded by the Khans' contention that venue in the district is proper because it is the most convenient forum to all parties under 28 U.S.C. § 1404(a). Appellants' Br. 17. Section 1404(a) governs transfers of actions to other judicial districts for convenience; it does not set the standard for whether venue is proper. Section 1400(b) governs that issue, and the Khans have failed to convince us that the district court erred in determining that venue under that statute was improper.

We have considered the Khans' other arguments regarding service and venue, but do not find them

persuasive. Accordingly, we conclude that the district court did not abuse its discretion in dismissing the action with prejudice.

II

We next consider the Khans' challenge to the district court's decision granting the non-Illinois-resident defendants' motion for Rule 11 sanctions. We apply the law of the regional circuit, here the Seventh Circuit, to review an award of Rule 11 sanctions. *See Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1328 (Fed. Cir. 2011) (citing *Power Mosfet Techs., L.L.C. v. Siemens AG*, 378 F.3d 1396, 1406–07 (Fed. Cir. 2004)). The Seventh Circuit reviews decisions regarding Rule 11 sanctions for an abuse of discretion. *Bell v. Vacuforce, LLC*, 908 F.3d 1075, 1079 (7th Cir. 2018) (citing *Cooter & Gell v. Hartmarx Corp.*, 496 U.S. 384, 405 (1990)).

The district court properly exercised its discretion in sanctioning the Khans under Rule 11(b) for their frivolous arguments regarding venue and service of process. The district court found that the Khans had repeatedly asserted throughout the litigation that venue was proper in the Northern District of Illinois. In support of this argument, the Khans relied on this court's decision in *In re TC Heartland LLC*, 821 F.3d 1338 (Fed. Cir. 2016), despite the fact that the Supreme Court had reversed that decision prior to the Khans' lawsuit, *see TC Heartland LLC v. Kraft Foods Grp. Brands LLC*, 137 S. Ct. 1514 (2017). The district court also noted that it had cited the Supreme Court's *TC Heartland* decision both in its order granting Merit Medical's and CryoLife's motions to dismiss based on improper venue and in status hearings. Despite this guidance from the court, the Khans "again raised their baseless argument in their Motion to Reconsider." *Khan*, 2019 WL 2137378, at *4. The district court further found that the Khans' complaint "undercut[] any good faith basis for asserting venue is proper in th[e] district," since it alleged

that the non-Illinois-resident defendants' infringing acts occurred "at their addresses in their respective states." *Id.* (quoting Complaint at 41, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. Aug. 7, 2018), ECF No. 1). Finally, the district court found that the Khans had maintained their baseless assertion that service by mail was sufficient under Rule 4, again despite contrary guidance from the court. *Id.* at *5.

The Khans do not challenge any of these factual findings on appeal. Instead, they contend that sanctions are inappropriate because the defendants violated Rule 11(c)(2), which prohibits the filing of a sanctions motion "if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service or within another time the court sets." Fed. R. Civ. P. 11(c)(2). Specifically, they argue that the defendants did not serve them with the sanctions motion more than 21 days prior to filing it with the district court. But the district court found the opposite—namely, that the defendants put the Khans "on notice of their intent to seek sanctions as early as September 24, 2018"—more than five months before they filed their sanctions motion in March 2019. *See Khan*, 2019 WL 2137378, at *5. The district court also found that the Khans were notified on several more occasions before the defendants moved for sanctions. *Id.* The Khans offer no response to the district court's finding that the defendants' "'early and often' approach in corresponding with [the Khans] regarding their desire to pursue sanctions no doubt satisfies the 21-day requirement of Rule 11(c)." *Id.*; *see also Matrix IV, Inc. v. Am. Nat'l Bank & Tr. Co.*, 649 F.3d 539, 552–53 (7th Cir. 2011) (concluding that "a letter informing the opposing party of the intent to seek sanctions and the basis for the imposition of sanctions" sent more than two years before the motion was filed was "sufficient for Rule 11 purposes" (citations omitted)).

The Khans also argue that a sanctions award cannot be based on their assertions regarding service and venue because such assertions are "ancillary issues" that are "unrelated to the merits of the claim." Appellants' Br. 24. The Khans cite Rule 41(b) of the Federal Rules of Civil Procedure and *Moeck v. Pleasant Valley School District*, 844 F.3d 387 (3d Cir. 2016), to support their argument. *Id.* at 24–25. Rule 41(b) provides that an involuntary dismissal or other dismissal except "for lack of jurisdiction, improper venue, or failure to join a party under Rule 19 . . . operates as an adjudication on the merits," Fed. R. Civ. P. 41(b), but this rule does not preclude sanctions for frivolous venue and service assertions. The Khans' reliance on *Moeck* is similarly misplaced. In *Moeck*, the Third Circuit discerned no error in the district court's observations that the defendants' numerous sanctions motions were a "waste of judicial resources" and that discovery, motion practice, and trial were better vehicles than sanctions motions to determine the truth of a plaintiff's allegations. 844 F.3d at 389–92 & n.9. Nothing in *Moeck* suggests, however, that sanctions are precluded for frivolous venue and service assertions, even if those assertions are considered "ancillary" to the merits of a plaintiff's infringement claims.

We have considered the Khans' other arguments, but do not find them persuasive. Accordingly, we conclude that the district court did not abuse its discretion in granting the defendants' motion for sanctions.

III

We next consider the Khans' challenge to the district court's denial of their cross-motion for Rule 11 sanctions against the physician defendants and their attorneys. In their motion, the Khans sought $250,000 in damages based on the defendants' and their attorneys' alleged violations of Rule 11(b), including their "inadequate pre-filing investigation" preceding their sanctions motion and "prosecuti[on] [of] the case for [the] improper purpose of

harass[ing]" the Khans and "for causing mental anguish." Request for Sanctions, *Khan v. Hemosphere Inc.*, No. 18-cv-05368 (N.D. Ill. June 13, 2019), ECF No. 155.

We conclude that the district court did not abuse its discretion in denying the Khans' cross-motion for sanctions. The district court denied the motion for failure to comply with the safe harbor provisions of Rule 11(c) and the requirement of the district court's Local Rule 5.3(b) to accompany a motion with "a notice of presentment specifying the date and time on which, and judge before whom, the motion or objection is to be presented." The Khans do not address either of these defects on appeal. Instead, they merely reiterate that the defendant physicians and their attorneys should be sanctioned for their assertions that the HeRO® Graft shunt does not infringe the asserted claim of the '344 patent and for filing a motion for sanctions against the Khans. Under these circumstances, we conclude that the district court was well within its discretion to deny the Khans' cross-motion for Rule 11 sanctions.

IV

Lastly, we turn to Merit Medical's cross-appeal from the district court's decision denying its motion to declare the case exceptional and to award attorney fees in the amount of $292,693. "The court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. "[A]n 'exceptional case' is simply one that 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." *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014). "District courts may determine whether a case is 'exceptional' in the case-by-case exercise of their discretion, considering the totality of the circumstances." *Id.* We review a district court's denial of a motion for attorney fees under § 285 for an abuse of discretion. *Highmark Inc.*

v. Allcare Health Mgmt. Sys., Inc., 572 U.S. 559, 561, 564 (2014).

We conclude that the district court did not abuse its discretion in denying Merit Medical's motion for attorney fees under § 285. The district court found that the conduct described in the motion was largely identical to the conduct already presented in the defendants' earlier sanctions motion and was already considered by the court in granting sanctions against the Khans. The district court also determined that, although the Khans' litigation strategy was "unorthodox," their conduct following the district court's grant of sanctions did not rise to the level of "exceptional." The district court further found that the previous sanctions amount of $95,966.90 was appropriate and reasonable given the Khans' conduct in the case, but that imposing a three-fold increase in those fees was not warranted. We are unpersuaded that the district court "based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence." *Highmark*, 572 U.S. at 563 n.2 (quoting *Cooter & Gell*, 496 U.S. at 405).

Merit Medical cites *Rothschild Connected Devices Innovations LLC v. Guardian Protection Services, Inc.*, 858 F.3d 1383 (Fed. Cir. 2017), to support its argument that the district court "improperly conflated" Rule 11 with § 285 rather than accounting for the totality of the circumstances. Cross-Appellant's Br. 80. In *Rothschild*, the district court denied a motion for fees under § 285 based on its finding that the patent owner's "decision to voluntarily withdraw its complaint within [Rule 11's] safe harbor period [wa]s the type of reasonable conduct [that] Rule 11 is designed to encourage" and, thus, awarding fees under § 285 would "'contravene[] the aims of Rule 11['s]' safe-harbor provision." 858 F.3d at 1390 (latter three alterations in original) (quoting *Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs., Inc.*, No. 15-cv-1431, 2016 WL 3883549, at *2 (E.D. Tex. July 18, 2016)). We held that the district court's decision was contrary to the

Supreme Court's admonition that "[w]hether a party avoids or engages in sanctionable conduct under Rule 11(b) 'is not the appropriate benchmark'" for an award of fees under § 285. *Id.* (quoting *Octane Fitness*, 572 U.S. at 555).

By contrast, here, the district court considered the totality of the circumstances, including the Khans' litigation approach and the substantial overlap between the complained-of conduct in Merit Medical's motion and the earlier sanctions motion. Based on its assessment of the procedural history and parties' briefing, the district court determined that the Khans' conduct in this case—while sanctionable—was not so unreasonable so as to make this case one of the rare cases worthy of a three-fold increase in fees imposed against them. *Octane Fitness* gives district courts broad discretion in such exceptional-case determinations. We are not persuaded that the district court abused its discretion in determining that this case is not exceptional.

CONCLUSION

For the foregoing reasons, we affirm the district court's decisions dismissing the action with prejudice, granting the defendants' motion for sanctions, denying the Khans' cross-motion for sanctions, and denying Merit Medical's motion for attorney fees under § 285. Because we have affirmed the district court's dismissal and award of sanctions based on the issues of insufficient service of the complaint under Rule 4 and improper venue, we need not reach the district court's determination of misjoinder.

AFFIRMED

COSTS

No costs.

Exhibit B

United States Code Annotated
Federal Rules of Civil Procedure for the United States District Courts (Refs & Annos)
Title III. Pleadings and Motions

Federal Rules of Civil Procedure Rule 11

Rule 11. Signing Pleadings, Motions, and Other Papers; Representations to the Court; Sanctions

Currentness

(a) Signature. Every pleading, written motion, and other paper must be signed by at least one attorney of record in the attorney's name--or by a party personally if the party is unrepresented. The paper must state the signer's address, e-mail address, and telephone number. Unless a rule or statute specifically states otherwise, a pleading need not be verified or accompanied by an affidavit. The court must strike an unsigned paper unless the omission is promptly corrected after being called to the attorney's or party's attention.

(b) Representations to the Court. By presenting to the court a pleading, written motion, or other paper--whether by signing, filing, submitting, or later advocating it--an attorney or unrepresented party certifies that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances:

(1) 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 a nonfrivolous 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; and

(4) the denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on belief or a lack of information.

(c) Sanctions.

(1) ***In General.*** If, after notice and a reasonable opportunity to respond, the court determines that Rule 11(b) has been violated, the court may impose an appropriate sanction on any attorney, law firm, or party that violated the rule or is responsible for the violation. Absent exceptional circumstances, a law firm must be held jointly responsible for a violation committed by its partner, associate, or employee.

(2) ***Motion for Sanctions.*** A motion for sanctions must be made separately from any other motion and must describe the specific conduct that allegedly violates Rule 11(b). The motion must be served under Rule 5, but it must not be filed or be presented to the court if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service or within another time the court sets. If warranted, the court may award to the prevailing party the reasonable expenses, including attorney's fees, incurred for the motion.

(3) ***On the Court's Initiative.*** On its own, the court may order an attorney, law firm, or party to show cause why conduct specifically described in the order has not violated Rule 11(b).

(4) ***Nature of a Sanction.*** A sanction imposed under this rule must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated. The sanction may include nonmonetary directives; an order to pay a penalty into court; or, if imposed on motion and warranted for effective deterrence, an order directing payment to the movant of part or all of the reasonable attorney's fees and other expenses directly resulting from the violation.

(5) ***Limitations on Monetary Sanctions.*** The court must not impose a monetary sanction:

(A) against a represented party for violating Rule 11(b)(2); or

(B) on its own, unless it issued the show-cause order under Rule 11(c)(3) before voluntary dismissal or settlement of the claims made by or against the party that is, or whose attorneys are, to be sanctioned.

(6) ***Requirements for an Order.*** An order imposing a sanction must describe the sanctioned conduct and explain the basis for the sanction.

(d) Inapplicability to Discovery. This rule does not apply to disclosures and discovery requests, responses, objections, and motions under Rules 26 through 37.

CREDIT(S)

(Amended April 28, 1983, effective August 1, 1983; March 2, 1987, effective August 1, 1987; April 22, 1993, effective December 1, 1993; April 30, 2007, effective December 1, 2007.)

ADVISORY COMMITTEE NOTES

1937 Adoption

This is substantially the content of [former] Equity Rules 24 (Signature of Counsel) and 21 (Scandal and Impertinence) consolidated and unified. Compare former Equity Rule 36 (Officers Before Whom Pleadings Verified). Compare to similar purposes, *English Rules Under the Judicature Act* (The Annual Practice, 1937) O. 19, r. 4, and *Great Australian Gold Mining Co. v. Martin,* L.R. 5 Ch.Div. 1, 10 (1877). Subscription of pleadings is required in many codes. 2 Minn.Stat. (Mason, 1927) § 9265; N.Y.R.C.P. (1937) Rule 91; 2 N.D.Comp.Laws Ann. (1913) § 7455.

This rule expressly continues any statute which requires a pleading to be verified or accompanied by an affidavit, such as: U.S.C., Title 28:

§ 381 [former] (Preliminary injunctions and temporary restraining orders)

§ 762 [now 1402] (Suit against the United States)

U.S.C., Title 28, § 829 [now 1927] (Costs; attorney liable for, when) is unaffected by this rule.

For complaints which must be verified under these rules, see Rules 23(b) (Secondary Action by Shareholders) and 65 (Injunctions).

For abolition of former rule in equity that the averments of an answer under oath must be overcome by the testimony of two witnesses or of one witness sustained by corroborating circumstances, see 12 P.S.Pa. § 1222; for the rule in equity itself, see *Greenfield v. Blumenthal,* C.C.A.3, 1934, 69 F.2d 294.

1983 Amendment

Since its original promulgation, Rule 11 has provided for the striking of pleadings and the imposition of disciplinary sanctions to check abuses in the signing of pleadings. Its provisions have always applied to motions and other papers by virtue of incorporation by reference in Rule 7(b)(2). The amendment and the addition of Rule 7(b)(3) expressly confirms this applicability.

Experience shows that in practice Rule 11 has not been effective in deterring abuses. See 6 Wright & Miller, *Federal Practice and Procedure: Civil* § 1334 (1971). There has been considerable confusion as to (1) the circumstances that should trigger striking a pleading or motion or taking disciplinary action, (2) the standard of conduct expected of attorneys who sign pleadings and motions, and (3) the range of available and appropriate sanctions. See Rodes, Ripple & Mooney, *Sanctions Imposable for Violations of the Federal Rules of Civil Procedure* 64-65, Federal Judicial Center (1981). The new language is intended to reduce the reluctance of courts to impose sanctions, see Moore, *Federal Practice* ¶ 7.05, at 1547, by emphasizing the responsibilities of the attorney and reenforcing those obligations by the imposition of sanctions.

The amended rule attempts to deal with the problem by building upon and expanding the equitable doctrine permitting the court to award expenses, including attorney's fees, to a litigant whose opponent acts in bad faith in instituting or conducting litigation. See, e.g., *Roadway Express, Inc. v. Piper,* 447 U.S. 752 (1980); *Hall v. Cole,* 412 U.S. 1, 5 (1973). Greater attention by the district courts to pleading and motion abuses and the imposition of sanctions when appropriate, should discourage dilatory or abusive tactics and help to streamline the litigation process by lessening frivolous claims or defenses.

The expanded nature of the lawyer's certification in the fifth sentence of amended Rule 11 recognizes that the litigation process may be abused for purposes other than delay. See, e.g., *Browning Debenture Holders' Committee v. DASA Corp.,* 560 F.2d 1078 (2d Cir.1977).

The words “good ground to support” the pleading in the original rule were interpreted to have both factual and legal elements. See, e.g., *Heart Disease Research Foundation v. General Motors Corp.,* 15 Fed.R.Serv.2d 1517, 1519 (S.D.N.Y.1972). They have been replaced by a standard of conduct that is more focused.

The new language stresses the need for some prefiling inquiry into both the facts and the law to satisfy the affirmative duty imposed by the rule. The standard is one of reasonableness under the circumstances. See *Kinee v. Abraham Lincoln Fed. Sav. & Loan Ass'n,* 365 F.Supp. 975 (E.D.Pa.1973). This standard is more stringent than the original good-faith formula and thus it is expected that a greater range of circumstances will trigger its violation. See *Nemeroff v. Abelson,* 620 F.2d 339 (2d Cir.1980).

The rule is not intended to chill an attorney's enthusiasm or creativity in pursuing factual or legal theories. The court is expected to avoid using the wisdom of hindsight and should test the signer's conduct by inquiring what was reasonable to believe at

the time the pleading, motion, or other paper was submitted. Thus, what constitutes a reasonable inquiry may depend on such factors as how much time for investigation was available to the signer; whether he had to rely on a client for information as to the facts underlying the pleading, motion, or other paper; whether the pleading, motion, or other paper was based on a plausible view of the law; or whether he depended on forwarding counsel or another member of the bar.

The rule does not require a party or an attorney to disclose privileged communications or work product in order to show that the signing of the pleading, motion, or other paper is substantially justified. The provisions of Rule 26(c), including appropriate orders after *in camera* inspection by the court, remain available to protect a party claiming privilege or work product protection.

Amended Rule 11 continues to apply to anyone who signs a pleading, motion, or other paper. Although the standard is the same for unrepresented parties, who are obliged themselves to sign the pleadings, the court has sufficient discretion to take account of the special circumstances that often arise in *pro se* situations. See *Haines v. Kerner*, 404 U.S. 519 (1972).

The provision in the original rule for striking pleadings and motions as sham and false has been deleted. The passage has rarely been utilized, and decisions thereunder have tended to confuse the issue of attorney honesty with the merits of the action. See generally Risinger, *Honesty in Pleading and its Enforcement: Some "Striking" Problems with Fed.R.Civ.P. 11,* 61 Minn.L.Rev. 1 (1976). Motions under this provision generally present issues better dealt with under Rules 8, 12, or 56. See *Murchison v. Kirby,* 27 F.R.D. 14 (S.D.N.Y.1961); 5 Wright & Miller, *Federal Practice and Procedure: Civil* § 1334 (1969).

The former reference to the inclusion of scandalous or indecent matter, which is itself strong indication that an improper purpose underlies the pleading, motion, or other paper, also has been deleted as unnecessary. Such matter may be stricken under Rule 12(f) as well as dealt with under the more general language of amended Rule 11.

The text of the amended rule seeks to dispel apprehensions that efforts to obtain enforcement will be fruitless by insuring that the rule will be applied when properly invoked. The word "sanctions" in the caption, for example, stresses a deterrent orientation in dealing with improper pleadings, motions or other papers. This corresponds to the approach in imposing sanctions for discovery abuses. See *National Hockey League v. Metropolitan Hockey Club,* 427 U.S. 639 (1976) (per curiam). And the words "shall impose" in the last sentence focus the court's attention on the need to impose sanctions for pleading and motion abuses. The court, however, retains the necessary flexibility to deal appropriately with violations of the rule. It has discretion to tailor sanctions to the particular facts of the case, with which it should be well acquainted.

The references in the former text to wilfulness as a prerequisite to disciplinary action has been deleted. However, in considering the nature and severity of the sanctions to be imposed, the court should take account of the state of the attorney's or party's actual or presumed knowledge when the pleading or other paper was signed. Thus, for example, when a party is not represented by counsel, the absence of legal advice is an appropriate factor to be considered.

Courts currently appear to believe they may impose sanctions on their own motion. See *North American Trading Corp. v. Zale Corp.,* 73 F.R.D. 293 (S.D.N.Y.1979). Authority to do so has been made explicit in order to overcome the traditional reluctance of courts to intervene unless requested by one of the parties. The detection and punishment of a violation of the signing requirement, encouraged by the amended rule, is part of the court's responsibility for securing the system's effective operation.

If the duty imposed by the rule is violated, the court should have the discretion to impose sanctions on either the attorney, the party the signing attorney represents, or both, or on an unrepresented party who signed the pleading, and the new rule so provides. Although Rule 11 has been silent on the point, courts have claimed the power to impose sanctions on an attorney personally, either by imposing costs or employing the contempt technique. See 5 Wright & Miller, *Federal Practice and Procedure: Civil* § 1334 (1969); 2A Moore, *Federal Practice* ¶ 11.02, at 2104 n. 8. This power has been used infrequently. The amended rule should eliminate any doubt as to the propriety of assessing sanctions against the attorney.

Even though it is the attorney whose signature violates the rule, it may be appropriate under the circumstances of the case to impose a sanction on the client. See *Browning Debenture Holders' Committee v. DASA Corp.,* supra. This modification brings Rule 11 in line with practice under Rule 37, which allows sanctions for abuses during discovery to be imposed upon the party, the attorney, or both.

A party seeking sanctions should give notice to the court and the offending party promptly upon discovering a basis for doing so. The time when sanctions are to be imposed rests in the discretion of the trial judge. However, it is anticipated that in the case of pleadings the sanctions issue under Rule 11 normally will be determined at the end of the litigation, and in the case of motions at the time when the motion is decided or shortly thereafter. The procedure obviously must comport with due process requirements. The particular format to be followed should depend on the circumstances of the situation and the severity of the sanction under consideration. In many situations the judge's participation in the proceedings provides him with full knowledge of the relevant facts and little further inquiry will be necessary.

To assure that the efficiencies achieved through more effective operation of the pleading regimen will not be offset by the cost of satellite litigation over the imposition of sanctions, the court must to the extent possible limit the scope of sanction proceedings to the record. Thus, discovery should be conducted only by leave of the court, and then only in extraordinary circumstances.

Although the encompassing reference to “other papers” in new Rule 11 literally includes discovery papers, the certification requirement in that context is governed by proposed new Rule 26(g). Discovery motions, however, fall within the ambit of Rule 11.

1987 Amendment

The amendments are technical. No substantive change is intended.

1993 Amendment

Purpose of revision. This revision is intended to remedy problems that have arisen in the interpretation and application of the 1983 revision of the rule. For empirical examination of experience under the 1983 rule, see, *e.g.,* New York State Bar Committee on Federal Courts, *Sanctions and Attorneys' Fees* (1987); T. Willging, *The Rule 11 Sanctioning Process* (1989); American Judicature Society, *Report of the Third Circuit Task Force on Federal Rule of Civil Procedure 11* (S. Burbank ed., 1989); E. Wiggins, T. Willging, and D. Stienstra, *Report on Rule 11* (Federal Judicial Center 1991). For book-length analyses of the case law, see G. Joseph, *Sanctions: The Federal Law of Litigation Abuse* (1989); J. Solovy, *The Federal Law of Sanctions* (1991); G. Vairo, *Rule 11 Sanctions: Case Law Perspectives and Preventive Measures* (1991).

The rule retains the principle that attorneys and pro se litigants have an obligation to the court to refrain from conduct that frustrates the aims of Rule 1. The revision broadens the scope of this obligation, but places greater constraints on the imposition of sanctions and should reduce the number of motions for sanctions presented to the court. New subdivision (d) removes from the ambit of this rule all discovery requests, responses, objections, and motions subject to the provisions of Rule 26 through 37.

Subdivision (a). Retained in this subdivision are the provisions requiring signatures on pleadings, written motions, and other papers. Unsigned papers are to be received by the Clerk, but then are to be stricken if the omission of the signature is not corrected promptly after being called to the attention of the attorney or pro se litigant. Correction can be made by signing the paper on file or by submitting a duplicate that contains the signature. A court may require by local rule that papers contain additional identifying information regarding the parties or attorneys, such as telephone numbers to facilitate facsimile transmissions, though, as for omission of a signature, the paper should not be rejected for failure to provide such information.

The sentence in the former rule relating to the effect of answers under oath is no longer needed and has been eliminated. The provision in the former rule that signing a paper constitutes a certificate that it has been read by the signer also has been

eliminated as unnecessary. The obligations imposed under subdivision (b) obviously require that a pleading, written motion, or other paper be read before it is filed or submitted to the court.

Subdivisions (b) and (c). These subdivisions restate the provisions requiring attorneys and pro se litigants to conduct a reasonable inquiry into the law and facts before signing pleadings, written motions, and other documents, and prescribing sanctions for violation of these obligations. The revision in part expands the responsibilities of litigants to the court, while providing greater constraints and flexibility in dealing with infractions of the rule. The rule continues to require litigants to "stop-and-think" before initially making legal or factual contentions. It also, however, emphasizes the duty of candor by subjecting litigants to potential sanctions for insisting upon a position after it is no longer tenable and by generally providing protection against sanctions if they withdraw or correct contentions after a potential violation is called to their attention.

The rule applies only to assertions contained in papers filed with or submitted to the court. It does not cover matters arising for the first time during oral presentations to the court, when counsel may make statements that would not have been made if there had been more time for study and reflection. However, a litigant's obligations with respect to the contents of these papers are not measured solely as of the time they are filed with or submitted to the court, but include reaffirming to the court and advocating positions contained in those pleadings and motions after learning that they cease to have any merit. For example, an attorney who during a pretrial conference insists on a claim or defense should be viewed as "presenting to the court" that contention and would be subject to the obligations of subdivision (b) measured as of that time. Similarly, if after a notice of removal is filed, a party urges in federal court the allegations of a pleading filed in state court (whether as claims, defenses, or in disputes regarding removal or remand), it would be viewed as "presenting"--and hence certifying to the district court under Rule 11--those allegations.

The certification with respect to allegations and other factual contentions is revised in recognition that sometimes a litigant may have good reason to believe that a fact is true or false but may need discovery, formal or informal, from opposing parties or third persons to gather and confirm the evidentiary basis for the allegation. Tolerance of factual contentions in initial pleadings by plaintiffs or defendants when specifically identified as made on information and belief does not relieve litigants from the obligation to conduct an appropriate investigation into the facts that is reasonable under the circumstances; it is not a license to join parties, make claims, or present defenses without any factual basis or justification. Moreover, if evidentiary support is not obtained after a reasonable opportunity for further investigation or discovery, the party has a duty under the rule not to persist with that contention. Subdivision (b) does not require a formal amendment to pleadings for which evidentiary support is not obtained, but rather calls upon a litigant not thereafter to advocate such claims or defenses.

The certification is that there is (or likely will be) "evidentiary support" for the allegation, not that the party will prevail with respect to its contention regarding the fact. That summary judgment is rendered against a party does not necessarily mean, for purposes of this certification, that it had no evidentiary support for its position. On the other hand, if a party has evidence with respect to a contention that would suffice to defeat a motion for summary judgment based thereon, it would have sufficient "evidentiary support" for purposes of Rule 11.

Denials of factual contentions involve somewhat different considerations. Often, of course, a denial is premised upon the existence of evidence contradicting the alleged fact. At other times a denial is permissible because, after an appropriate investigation, a party has no information concerning the matter or, indeed, has a reasonable basis for doubting the credibility of the only evidence relevant to the matter. A party should not deny an allegation it knows to be true; but it is not required, simply because it lacks contradictory evidence, to admit an allegation that it believes is not true.

The changes in subdivisions (b)(3) and (b)(4) will serve to equalize the burden of the rule upon plaintiffs and defendants, who under Rule 8(b) are in effect allowed to deny allegations by stating that from their initial investigation they lack sufficient information to form a belief as to the truth of the allegation. If, after further investigation or discovery, a denial is no longer warranted, the defendant should not continue to insist on that denial. While sometimes helpful, formal amendment of the pleadings to withdraw an allegation or denial is not required by subdivision (b).

Arguments for extensions, modifications, or reversals of existing law or for creation of new law do not violate subdivision (b)(2) provided they are "nonfrivolous." This establishes an objective standard, intended to eliminate any "empty-head pure-heart" justification for patently frivolous arguments. However, the extent to which a litigant has researched the issues and found some support for its theories even in minority opinions, in law review articles, or through consultation with other attorneys should certainly be taken into account in determining whether paragraph (2) has been violated. Although arguments for a change of law are not required to be specifically so identified, a contention that is so identified should be viewed with greater tolerance under the rule.

The court has available a variety of possible sanctions to impose for violations, such as striking the offending paper; issuing an admonition, reprimand, or censure; requiring participation in seminars or other educational programs; ordering a fine payable to the court; referring the matter to disciplinary authorities (or, in the case of government attorneys, to the Attorney General, Inspector General, or agency head), etc. *See Manual for Complex Litigation, Second,* § 42.3. The rule does not attempt to enumerate the factors a court should consider in deciding whether to impose a sanction or what sanctions would be appropriate in the circumstances; but, for emphasis, it does specifically note that a sanction may be nonmonetary as well as monetary. Whether the improper conduct was willful, or negligent; whether it was part of a pattern of activity, or an isolated event; whether it infected the entire pleading, or only one particular count or defense; whether the person has engaged in similar conduct in other litigation; whether it was intended to injure; what effect it had on the litigation process in time or expense; whether the responsible person is trained in the law; what amount, given the financial resources of the responsible person, is needed to deter that person from repetition in the same case; what amount is needed to deter similar activity by other litigants: all of these may in a particular case be proper considerations. The court has significant discretion in determining what sanctions, if any, should be imposed for a violation, subject to the principle that the sanctions should not be more severe than reasonably necessary to deter repetition of the conduct by the offending person or comparable conduct by similarly situated persons.

Since the purpose of Rule 11 sanctions is to deter rather than to compensate, the rule provides that, if a monetary sanction is imposed, it should ordinarily be paid into court as a penalty. However, under unusual circumstances, particularly for (b)(1) violations, deterrence may be ineffective unless the sanction not only requires the person violating the rule to make a monetary payment, but also directs that some or all of this payment be made to those injured by the violation. Accordingly, the rule authorizes the court, if requested in a motion and if so warranted, to award attorney's fees to another party. Any such award to another party, however, should not exceed the expenses and attorneys' fees for the services directly and unavoidably caused by the violation of the certification requirement. If, for example, a wholly unsupportable count were included in a multi-count complaint or counterclaim for the purpose of needlessly increasing the cost of litigation to an impecunious adversary, any award of expenses should be limited to those directly caused by inclusion of the improper count, and not those resulting from the filing of the complaint or answer itself. The award should not provide compensation for services that could have been avoided by an earlier disclosure of evidence or an earlier challenge to the groundless claims or defenses. Moreover, partial reimbursement of fees may constitute a sufficient deterrent with respect to violations by persons having modest financial resources. In cases brought under statutes providing for fees to be awarded to prevailing parties, the court should not employ cost-shifting under this rule in a manner that would be inconsistent with the standards that govern the statutory award of fees, such as stated in *Christiansburg Garment Co. v. EEOC,* 434 U.S. 412 (1978).

The sanction should be imposed on the persons--whether attorneys, law firms, or parties--who have violated the rule or who may be determined to be responsible for the violation. The person signing, filing, submitting, or advocating a document has a nondelegable responsibility to the court, and in most situations is the person to be sanctioned for a violation. Absent exceptional circumstances, a law firm is to be held also responsible when, as a result of a motion under subdivision (c)(1)(A), one of its partners, associates, or employees is determined to have violated the rule. Since such a motion may be filed only if the offending paper is not withdrawn or corrected within 21 days after service of the motion, it is appropriate that the law firm ordinarily be viewed as jointly responsible under established principles of agency. This provision is designed to remove the restrictions of the former rule. *Cf. Pavelic & LeFlore v. Marvel Entertainment Group,* 493 U.S. 120 (1989) (1983 version of Rule 11 does not permit sanctions against law firm of attorney signing groundless complaint).

The revision permits the court to consider whether other attorneys in the firm, co-counsel, other law firms, or the party itself should be held accountable for their part in causing a violation. When appropriate, the court can make an additional inquiry in order to determine whether the sanction should be imposed on such persons, firms, or parties either in addition to or, in unusual circumstances, instead of the person actually making the presentation to the court. For example, such an inquiry may be appropriate in cases involving governmental agencies or other institutional parties that frequently impose substantial restrictions on the discretion of individual attorneys employed by it.

Sanctions that involve monetary awards (such as a fine or an award of attorney's fees) may not be imposed on a represented party for causing a violation of subdivision (b)(2), involving frivolous contentions of law. Monetary responsibility for such violations is more properly placed solely on the party's attorneys. With this limitation, the rule should not be subject to attack under the Rules Enabling Act. See *Willy v. Coastal Corp.,* 503 U.S. 131 (1992); *Business Guides, Inc. v. Chromatic Communications Enter. Inc.,* 498 U.S. 533 (1991). This restriction does not limit the court's power to impose sanctions or remedial orders that may have collateral financial consequences upon a party, such as dismissal of a claim, preclusion of a defense, or preparation of amended pleadings.

Explicit provision is made for litigants to be provided notice of the alleged violation and an opportunity to respond before sanctions are imposed. Whether the matter should be decided solely on the basis of written submissions or should be scheduled for oral argument (or, indeed, for evidentiary presentation) will depend on the circumstances. If the court imposes a sanction, it must, unless waived, indicate its reasons in a written order or on the record; the court should not ordinarily have to explain its denial of a motion for sanctions. Whether a violation has occurred and what sanctions, if any, to impose for a violation are matters committed to the discretion of the trial court; accordingly, as under current law, the standard for appellate review of these decisions will be for abuse of discretion. *See Cooter & Gell v. Hartmarx Corp.,* 496 U.S. 384 (1990) (noting, however, that an abuse would be established if the court based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence).

The revision leaves for resolution on a case-by-case basis, considering the particular circumstances involved, the question as to when a motion for violation of Rule 11 should be served and when, if filed, it should be decided. Ordinarily the motion should be served promptly after the inappropriate paper is filed, and, if delayed too long, may be viewed as untimely. In other circumstances, it should not be served until the other party has had a reasonable opportunity for discovery. Given the "safe harbor" provisions discussed below, a party cannot delay serving its Rule 11 motion until conclusion of the case (or judicial rejection of the offending contention).

Rule 11 motions should not be made or threatened for minor, inconsequential violations of the standards prescribed by subdivision (b). They should not be employed as a discovery device or to test the legal sufficiency or efficacy of allegations in the pleadings; other motions are available for those purposes. Nor should Rule 11 motions be prepared to emphasize the merits of a party's position, to exact an unjust settlement, to intimidate an adversary into withdrawing contentions that are fairly debatable, to increase the costs of litigation, to create a conflict of interest between attorney and client, or to seek disclosure of matters otherwise protected by the attorney-client privilege or the work-product doctrine. As under the prior rule, the court may defer its ruling (or its decision as to the identity of the persons to be sanctioned) until final resolution of the case in order to avoid immediate conflicts of interest and to reduce the disruption created if a disclosure of attorney-client communications is needed to determine whether a violation occurred or to identify the person responsible for the violation.

The rule provides that requests for sanctions must be made as a separate motion, *i.e.,* not simply included as an additional prayer for relief contained in another motion. The motion for sanctions is not, however, to be filed until at least 21 days (or such other period as the court may set) after being served. If, during this period, the alleged violation is corrected, as by withdrawing (whether formally or informally) some allegation or contention, the motion should not be filed with the court. These provisions are intended to provide a type of "safe harbor" against motions under Rule 11 in that a party will not be subject to sanctions on the basis of another party's motion unless, after receiving the motion, it refuses to withdraw that position or to acknowledge

candidly that it does not currently have evidence to support a specified allegation. Under the former rule, parties were sometimes reluctant to abandon a questionable contention lest that be viewed as evidence of a violation of Rule 11; under the revision, the timely withdrawal of a contention will protect a party against a motion for sanctions.

To stress the seriousness of a motion for sanctions and to define precisely the conduct claimed to violate the rule, the revision provides that the "safe harbor" period begins to run only upon service of the motion. In most cases, however, counsel should be expected to give informal notice to the other party, whether in person or by a telephone call or letter, of a potential violation before proceeding to prepare and serve a Rule 11 motion.

As under former Rule 11, the filing of a motion for sanctions is itself subject to the requirements of the rule and can lead to sanctions. However, service of a cross motion under Rule 11 should rarely be needed since under the revision the court may award to the person who prevails on a motion under Rule 11--whether the movant or the target of the motion--reasonable expenses, including attorney's fees, incurred in presenting or opposing the motion.

The power of the court to act on its own initiative is retained, but with the condition that this be done through a show cause order. This procedure provides the person with notice and an opportunity to respond. The revision provides that a monetary sanction imposed after a court-initiated show cause order be limited to a penalty payable to the court and that it be imposed only if the show cause order is issued before any voluntary dismissal or an agreement of the parties to settle the claims made by or against the litigant. Parties settling a case should not be subsequently faced with an unexpected order from the court leading to monetary sanctions that might have affected their willingness to settle or voluntarily dismiss a case. Since show cause orders will ordinarily be issued only in situations that are akin to a contempt of court, the rule does not provide a "safe harbor" to a litigant for withdrawing a claim, defense, etc., after a show cause order has been issued on the court's own initiative. Such corrective action, however, should be taken into account in deciding what--if any--sanction to impose if, after consideration of the litigant's response, the court concludes that a violation has occurred.

Subdivision (d). Rules 26(g) and 37 establish certification standards and sanctions that apply to discovery disclosures, requests, responses, objections, and motions. It is appropriate that Rules 26 through 37, which are specially designed for the discovery process, govern such documents and conduct rather than the more general provisions of Rule 11. Subdivision (d) has been added to accomplish this result.

Rule 11 is not the exclusive source for control of improper presentations of claims, defenses, or contentions. It does not supplant statutes permitting awards of attorney's fees to prevailing parties or alter the principles governing such awards. It does not inhibit the court in punishing for contempt, in exercising its inherent powers, or in imposing sanctions, awarding expenses, or directing remedial action authorized under other rules or under 28 U.S.C. § 1927. *See Chambers v. NASCO,* 501 U.S. 32 (1991). Chambers cautions, however, against reliance upon inherent powers if appropriate sanctions can be imposed under provisions such as Rule 11, and the procedures specified in Rule 11--notice, opportunity to respond, and findings--should ordinarily be employed when imposing a sanction under the court's inherent powers. Finally, it should be noted that Rule 11 does not preclude a party from initiating an independent action for malicious prosecution or abuse of process.

2007 Amendment

The language of Rule 11 has been amended as part of the general restyling of the Civil Rules to make them more easily understood and to make style and terminology consistent throughout the rules. These changes are intended to be stylistic only.

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Notes of Decisions (2932)

Fed. Rules Civ. Proc. Rule 11, 28 U.S.C.A., FRCP Rule 11
Including Amendments Received Through 9-1-20

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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