UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

LENORE ALBERT et al., Plaintiffs, v. TYLER TECHNOLOGIES, INC., et al., Defendants.	No. SA CV 24-01997-JLS (DFM) *** Tentative for 5/20 Hearing Order Granting in Part and Denying in Part Tyler Technologies' Motion for Rule 11 Sanctions

Defendant Tyler Technologies, Inc. ("Tyler") moves for sanctions under Federal Rule of Civil Procedure 11 against Plaintiffs Lenore Albert, James Ocon, Ryan McMahon, Larry Tran, Theresa Marasco, and Leslie Westmoreland. See Dkt. 132 ("Motion"). Each Plaintiff opposed. See Dkts. 141 ("McMahon Opp'n"), 142 ("Albert Opp'n"), 144 ("Tran Opp'n"), 145 ("Westmoreland Opp'n"), 146 ("Ocon Opp'n"), 147 ("Marasco Opp'n"). Tyler filed a reply. See Dkt. 154 ("Reply").

For the follow reasons, the Court GRANTS IN PART and DENIES IN PART Tyler's Motion.

I. BACKGROUND

The facts, circumstances, and allegations in this matter are familiar to the parties and the Court. Nonetheless, the Court provides a brief background considering the long history of this dispute.

On March 18, 2022, Plaintiffs John Roe 1, Jane Roe 1, Jane Roe 2, and Jane Roe 3 filed a putative class action in the Superior Court of the State of California for the County of Orange. See Roe v. The State Bar of California, Case No. 30-2022-01250695-CU-AT-CXC ("the First State Action"). In sum and substance, Plaintiffs alleged that the State Bar of California ("the State Bar") and Tyler were responsible for the unauthorized disclosure of confidential disciplinary records that were obtained and published on the Internet ("the Data Breach"). Albert was Plaintiffs' counsel of record.

On May 13, 2022, Tyler removed the First State Action to this Court. See Roe 1 v. The State Bar of California, Case No. 22-00983-DFM ("the First Federal Action"), Dkt. 1. On April 3, 2023, the Court dismissed Plaintiffs' antitrust claims with prejudice. See id., Dkt. 130. On May 1, 2023, the Court declined to exercise supplemental jurisdiction over the remaining state-law claims, and two days later, remanded the case back to Orange County Superior Court. See id., Dkts. 134, 135. On April 2, 2024, Plaintiffs moved for relief under Federal Rule of Civil Procedure 60 to vacate several orders and reopen the lawsuit. See id., Dkt. 144. The Court continued the matter until Albert's disciplinary proceedings were resolved. See Dkt. 153.[1] On March 25, 2025, the Court denied Plaintiffs' motion. See Dkt. 159.

On September 16, 2024, Plaintiff filed this action. See Albert v. Tyler Technologies, Inc., Case No. 24-01997-JLS-DFM ("the Second Federal Action"), Dkt. 1. On January 24, 2025, Tyler filed this Rule 11 Motion,

[1] On June 17, 2024, the California Supreme Court issued an order denying Albert's petition for review and other applications and disbarring Albert from the practice of law in California. See Cal. Sup. Ct. S284532 (SBC-22-O-30348), June 17, 2024 Order. Subsequently, on February 14, 2025, Chief Judge Gee disbarred Albert from the practice of law in this Court under Local Rule 83-3.2.1. See In re Lenore Albert, No. 24-00002-DMG, Dkt. 21.

arguing that Plaintiffs' claims and legal contentions are presented for an improper purpose, not warranted by existing law, and their factual contentions have no evidentiary support. See Motion at __-__. Tyler explains that it has repeatedly advised Plaintiffs—via meet-and-confers, declarations, and affidavits—that it had nothing to do with Albert's disbarment, to no avail. See id. at __-__. Tyler requests that it be awarded $117,045.58 in fees and expenses. See id. at 19. Subsequently, all Plaintiffs voluntarily dismissed the Second Federal Action under Federal Rule of Civil Procedure 41(a)(1)(A). See Dkt. 169.[2]

On February 20, 2025, Albert filed a complaint in the Orange County Superior Court. See Albert v. Tyler Technologies, Inc., Case No. 30-2025-01462434-CU-AT-CXC ("the Second State Action"). On March 28, 2025, the State Bar and several individual defendants removed the Second State Action to federal court. See Albert v. Tyler Technologies, Inc., Case No. 25-00647-JLS-DFM ("the Third Federal Action"), Dkt. 1. The parties and claims in the Third Federal Action overlap with the Second Federal Action. Tyler and the State Bar have filed motions to dismiss, which are set for hearing on May 20, 2025. See id., Dkt. 14.

II. LEGAL STANDARD

"Rule 11 is intended to deter baseless filings in district court and imposes a duty of 'reasonable inquiry' so that anything filed with the court is 'well grounded in fact, legally tenable, and not interposed for any improper purpose.'" Islamic Shura Council of S. Cal. v. FBI, 757 F.3d 870, 872 (9th Cir. 2014) (quoting Cooter, 496 U.S. at 393). Where, as here, the operative

[2] The Court retains jurisdiction to decide Tyler's Rule 11 Motion. See Cooter & Gell v. Hartmarx Corp., 496 U.S. 384, 395 (1990) (holding that a federal court may consider collateral issues such as Rule 11 sanctions after plaintiffs have dismissed under Rule 41(a)(1))).

complaint is the focus of Rule 11 proceedings, the court "must conduct a two-prong inquiry to determine (1) whether the complaint is legally or factually 'baseless' from an objective perspective, and (2) if the attorney has conducted 'a reasonable and competent inquiry' before signing and filing it." Christian v. Mattel, Inc., 286 F.3d 1118, 1128 (9th Cir. 2002) (citation omitted). "As shorthand for this test," courts "use the word 'frivolous'" to refer to any "filing that is both baseless and made without a reasonable and competent inquiry." Holgate v. Baldwin, 425 F.3d 671, 676 (9th Cir. 2005) (internal quotation marks omitted). If a filing "is not frivolous, it cannot fall within the 'improper purpose' clause of Rule 11." United States v. Stringfellow, 911 F.2d 225, 226 n.1 (9th Cir. 1990).

"Although Rule 11 applies to pro se plaintiffs, the court must take into account a plaintiff's pro se status when it determines whether the filing was reasonable." Warren v. Guelker, 29 F.3d 1386, 1390 (9th Cir. 1994). However, pro se litigants with legal training are often "held to a higher standard than the typical, lay pro se litigant." In re Polyurethane Foam Antitrust Litig., 165 F.Supp.3d 664, 666 (N.D. Ohio. 2015). According to Tyler, Albert and Westmoreland are disbarred attorneys, Tran has a law degree and works at a law firm, and Marasco is a paralegal. See Motion at 10.

III. DISCUSSION

Tyler moves for sanctions based on three causes of action in Plaintiffs' First Amended Complaint ("FAC"), which was the operative complaint until Plaintiffs' voluntarily dismissal: the fifth cause of action for negligence, the tenth cause of action for negligent interference with prospective economic advantage, and the eleventh cause of action for intentional interference with

prospective economic advantage. See Dkt. 57.[3] All Plaintiffs signed the FAC. See id. at 126. Because "the mere existence of one non-frivolous claim in a complaint does not immunize it from Rule 11 sanctions," Holgate v. Baldwin, 425 F.3d 671, 677 (9th Cir. 2005), the Court separately analyzes the claims.

A. Negligence

The FAC's fifth claim for negligence is brought solely by Albert against Tyler. See FAC ¶¶ 526-46. Albert alleges that the Data Breach resulted in her information being posted on the Internet, that Tyler, as the software developer of the Odyssey portal, was negligent for failing to have reasonable security measures in place, and that Tyler's negligence caused her harm. See id. Under California law, negligence requires: "(1) the existence of a duty to use due care; (2) a breach of that duty; and (3) the breach as a proximate cause of the plaintiff's injury." Federico v. Superior Court, 59 Cal. App. 4th 1207, 1210-11 (1997).

Tyler argues that Albert's individual negligence claim: (1) violates Rule 11 because it is barred by the applicable statute of limitations, (2) fails to state a claim upon which relief could be granted, and (3) is duplicative of her negligence claim in the First State Action. See Motion at 11-13. The Court does not find any of these arguments persuasive. Rule 11 concerns "determination of a collateral issue: whether the attorney has abused the judicial process, and if so, what sanction would be appropriate," Chambers,

[3] Rule 11(c)(2), the "safe harbor rule," requires a party requesting sanctions to wait 21 days between serving the opposing the party and filing the motion with the Court to allow the offending party an opportunity to correct any error. Tyler served its Rule 11 Motion on December 19, 2024, see Dkt. 132-18, and filed it on January 24, 2025, see Dkt. 132-1. Ultimately, Albert withdrew one allegation regarding Abigail Diaz, Tyler's Chief Legal Officer. See Dkt. 131. Therefore, the safe harbor provision does not shield Plaintiffs from sanctions for the claims implicated in the Motion.

501 U.S. at 56; it is not a mechanism to test the legal sufficiency or efficacy of the pleadings. For instance, as to the statute of limitations, the parties spar over whether the tolling rule of American Pipe & Construction Co. v. Utah, 414 U.S. 538 (1974) applies. Albert's belief that it does, rightly or wrongly, is not so unreasonable as to warrant Rule 11 sanctions. Under Tyler's interpretation, many dismissals for timeliness or failure to state a claim would result in Rule 11 sanctions, an unpalatable outcome.

Tyler's Rule 11 motion is therefore denied as to Albert's fifth cause of action for negligence.

B. Interference with Economic Advantage

Plaintiffs' tenth and eleventh claims for negligent and intentional interference with prospective economic advantage are brought by all Plaintiffs against Tyler. See FAC ¶¶ 683-714.

Negligent interference with prospective economic advantage requires: "(1) the existence of an economic relationship between the plaintiff and a third party containing the probability of future economic benefit to the plaintiff; (2) the defendant's knowledge of the relationship; (3) the defendant's knowledge (actual or construed) that the relationship would be disrupted if the defendant failed to act with reasonable care; (4) the defendant's failure to act with reasonable care; (5) actual disruption of the relationship; and (6) economic harm proximately caused by the defendant's negligence." Redfearn v. Trader Joe's Co., 20 Cal. App. 5th 989, 1005 (2018) (citation omitted). Intentional interference has similar elements but also requires an "intentionally wrongful act." Id. Both negligent and intentional interference require the plaintiff to "to plead and prove as an element not only that the defendant interfered with an economic relationship, but also that the defendant's interference was wrongful by some measure beyond the fact of the interference itself." Id. at 1006 (citation omitted).

Plaintiffs' tortious interference allegations are difficult to decipher. For negligent interference, Plaintiffs allege that Tyler knew or should have known of Albert's economic relationship with Pratt and Westmoreland because they were named plaintiffs in the First State Action, and with Marasco, Tran, and McMahon because Tyler knew Albert was an attorney. See FAC ¶¶ 685, 686. Plaintiffs allege that Tyler was a defendant alongside the State Bar in the First State Action and First Federal Action and "received a benefit from the other Defendants' conduct," and that Tyler was in an agency relationship with the State Bar or, alternatively, "directed permitted ratified [sic] or acted in concert" with the State Bar to revoke Albert's law license to gain an advantage in the data breach case. See id. ¶¶ 694, 695. For intentional interference, Plaintiffs further allege that Tyler knew it would benefit from the State Bar's conduct because it filed a joint case management statement informing the state court that if suspended, Albert could no longer represent Plaintiffs. See id. ¶ 704.

Tyler argues that Plaintiffs' interference claims are legally and factually unreasonable for three reasons. See Motion at 13-18. First, Tyler argues that the FAC does not include a single non-conclusory allegation that Tyler was involved, either intentionally or negligently, in Albert's disbarment, and that the lack of evidentiary support for these allegations violates Rule 11(b)(3). See id. at 14-15. Additionally, Tyler argues that Plaintiffs' allegations that Tyler was the State Bar's agent or ratified its actions are legally frivolous in violation of Rule 11(b)(2). See id. Second, Tyler argues that it had no knowledge of any probable future economic benefit because at the time of the Data Breach, it was not aware of any relationship between Albert and the other named Plaintiffs. See id. at 16. Finally, Tyler argues that there is no support for the allegation that Plaintiffs had a probable economic benefit. See id. at 16-18.

The Court starts with Tyler's first basis for Rule 11 sanctions—that no facts tie Tyler to Albert's disbarment. To support its argument, Tyler submits

two declarations. First, it submits a declaration from its Chief Legal Officer, Abigail Diaz. See Dkt. 132-16 ("Diaz Decl."). Diaz states that she did not know about Albert's discipline history when Tyler first learned about the State Court Action in March 2022. Id. ¶ 2. Diaz states that she has never had any conversations, discussions, or communications of any kind with anyone at the State Bar, the Bar's Office of Chief Trial Counsel ("OCTC"), or the Bar's outside counsel about Albert's disciplinary proceedings. Id. ¶ 4. Diaz denies taking any action to encourage the State Bar to disbar Albert. Id. ¶ 6.

Tyler also submits a declaration from its outside counsel at K&L Gates LLP, Beth W. Petronio. See Dkt. 132-1 ("Petronio Decl."). Petronio also states that she was not aware of Albert's disciplinary proceedings when Tyler was served with the state-court complaint in the State Court Action. Id. ¶ 2. Petronio describes participating in two meetings with Albert in which she explained that Tyler believed the claims Albert had filed were frivolous and sanctionable under Rule 11. See id. ¶¶ 17-18.

On December 19, 2024, Tyler served before filing the Diaz and Petronio declarations on Plaintiffs together with its notice of motion and motion for Rule 11 sanctions, as required by Rule 11(c)(2). See Dkt. 132-18. Tyler's moving papers describe a third meeting that took place thereafter, on January 16, 2025, at which Tyler's counsel permitted Plaintiffs to ask questions for an hour. See Motion at 9.

Albert argues that the interference claims are not baseless "because Tyler knew that Albert was representing the plaintiffs in the putative class action against the State Bar and Tyler" and that disqualifying Albert "would disrupt the relationship" and cause her harm. See Opp'n at 6. But Albert does not provide any reasonable factual basis for Plaintiffs' repeated allegations that Tyler acted "in concert" with the State Bar to disbar Albert, see FAC ¶ 695, that Tyler and the State Bar engaged in "a conspiracy with each other or

act[ed] in concert with each other" by having Albert disbarred to derail the Data Breach litigation, see id. ¶ 712, or that Tyler's conduct was "fraudulent, despicable, malicious," id. ¶ 714.

The remaining Plaintiffs' arguments fare no better.[4] McMahon argues that "Tyler's own actions of deceit of acting in concert with the State Bar demonstrate that upon discovery it is likely such evidence exists." McMahon Opp'n at 7. What follows is not fact but speculation, such as the allegation that Tyler concealed the data breach in its financial statements because it knew that Albert would be disbarred before a class could be certified. See id. Albert and other Plaintiffs also argue that the indemnification clause between Tyler and the State Bar demonstrates the type of agency relationship that set the stage for the "coordinated defense tactics" between them. See Albert Opp'n at 6. However, as Tyler points out, the full agreement provides that no agency or similar relationship exists between Tyler and the State Bar. See Reply at 5. What's more, neither Albert nor any other Plaintiff cite any authority to support the legal conclusion that contractual indemnification automatically creates an agency or fiduciary relationship.

In sum, Plaintiffs' interference claims are frivolous because their key allegation—that Tyler was somehow involved in Albert's disbarment—is baseless and contradicted by the sworn declaration of Tyler's witnesses.

C. Monetary Sanctions

Rule 11 sanctions "must be limited to what suffices to deter repetition of the conduct" and may include "all of the reasonable attorney's fees" resulting from the violation. See Fed. R. Civ. P. 11(c)(4). The Court finds that monetary sanctions are necessary to carry out the purpose of Rule 11. Because the Court will order monetary sanctions only, the sanction is considered non-dispositive.

[4] Plaintiffs' respective oppositions overlap and are often identical.

See Maisonville v. F2 Am., Inc., 902 F.2d 746, 747-48 (9th Cir. 1990) (finding that monetary sanctions imposed pursuant to Rule 11 are non-dispositive and reviewed by the district court for clear error).

Tyler requests its reasonable and necessary attorneys' fees and expenses in the amount of $117,045.58, which does not include fees billed or invoiced after November 30, 2024. See Motion at 19. Tyler's outside counsel indicates that she spent 73.4 hours on this matter at an hourly rate of $1,075.00, and Zach Timm, a senior litigation associate, spent 34.2 hours on this matter at an hourly rate of $870.00. See Petronio Decl. ¶¶ 35, 36. Additionally, outside counsel incurred expenses and costs in the amount of $6,344.18, primarily for legal research database fees. See id. ¶ 37.

Tyler's requested fees—which appear to cover all work on this matter—are disproportionate to the violation. Instead, the Court will award monetary sanctions in the form of attorney's fees for the time outside counsel spent to obtain dismissal of the two interference claims, including time spent on the motion to dismiss (see Dkt. 127), meet-and-confers and related coordination, and the instant Motion. Tyler must provide further documentation supporting the reasonableness of counsel's hourly rate as well as a reasonable allocation of the time spent between sanctionable and non-sanctionable claims. Within ten (10) days of Tyler's submission, Plaintiffs may file a consolidated response.

IV. CONCLUSION

The Court GRANTS IN PART and DENIES IN PART Tyler's Motion for Sanctions against Plaintiffs. The Court concludes that monetary Rule 11 sanctions are warranted for the Plaintiffs' two interference claims alleged in the FAC, but they are not warranted for the negligence claim.

Date:

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DOUGLAS F. McCORMICK
United States Magistrate Judge