UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Burull v. First National Bank of Minneapolis

Burull v. First National Bank of Minneapolis, 831 F.2d 788 (8th Cir. 1987) · Decided October 21, 1987

SUMMARY

The Eighth Circuit affirmed the denial of sanctions against the plaintiffs and their counsel under Federal Rule of Civil Procedure 11, 28 U.S.C. § 1927, and the court's inherent power. The court held that the complaint, considered as a whole, was sufficiently substantial to reach a jury, despite containing some legally or factually meritless claims. It also held that the plaintiffs' prior bankruptcy petition was not a pleading or other paper in the litigation subject to Rule 11 sanctions.

CASE DETAILS

COURT	United States Court of Appeals for the Eighth Circuit
WRITING FOR THE COURT	Arnold, Circuit Judge; Arnold; Bowman; Henley
JURISDICTION	Federal
DECIDED	October 21, 1987
DISPOSITION	affirmed
PROCEDURAL POSTURE	Defendants appealed from the District Court's denial of their post-judgment motion for attorney-fee sanctions against the plaintiffs under Federal Rule of Civil Procedure 11, 28 U.S.C. § 1927, and the court's inherent power.
STANDARD OF REVIEW	Abuse of discretion; the appellate court reviewed the denial of sanctions under Rule 11, § 1927, and the court's inherent power for an abuse of discretion.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Arthur Young & Company, First National Bank of Minneapolis v. Robert Burull, Jeanne Burull

TOPICS

sanctions · civil procedure · appellate procedure · commercial litigation · bankruptcy

PRACTICE AREAS

civil procedure · sanctions · appellate procedure · commercial litigation · bankruptcy

QUESTIONS PRESENTED

1. Whether Rule 11 required sanctions because the complaint contained several legally meritless counts and one factually groundless allegation, even though the lawsuit as a whole was nonfrivolous.
2. Whether Rule 11 sanctions could be based on the Burulls' allegedly false bankruptcy petition filed before the lawsuit.
3. Whether sanctions under 28 U.S.C. § 1927 were warranted based on alleged vexatious trial tactics and techniques by plaintiffs' counsel.
4. Whether the District Court abused its discretion by denying sanctions under its inherent power.

HOLDINGS

1. Rule 11 sanctions are imposed only when the pleading, motion, or other paper is frivolous as a whole, not merely because an argument supporting it or an individual claim within it is frivolous. The District Court therefore properly declined to impose sanctions where the complaint, viewed as a whole, presented a legally and factually substantial lawsuit that reached a jury.
2. The Burulls' bankruptcy petition was not a pleading, motion, or other paper submitted as part of the lawsuit and therefore could not support Rule 11 sanctions in this case.
3. Sanctions under § 1927 were not warranted because they are discretionary, and the District Court properly applied the standard requiring a finding that the attorneys or parties acted vexatiously or in bad faith.
4. The District Court did not abuse its discretion by denying sanctions under its inherent power.

KEY QUOTATIONS

> *"Rule 11 directs sanctions "only when the 'pleading, motion or other paper' itself is frivolous, not when one of the arguments in support of a pleading or motion is frivolous.""* (789)

> *"In any event, sanctions under § 1927, unlike those under Rule 11, are discretionary, not mandatory."* (790)

FACTUAL BACKGROUND

The First National Bank of Minneapolis called a substantial loan to United States Satellite Systems after an unfavorable audit by Arthur Young & Company. The Burulls, who founded USSS, filed a bankruptcy petition, after which the Bank foreclosed on their 50 percent voting-stock interest; Barbara Adams purchased the stock at the foreclosure sale. The Burulls then filed a twenty-three-count lawsuit alleging that Arthur Young, the Bank, and Adams had unlawfully maneuvered them out of their stock, but the jury returned a verdict against them.

PROCEDURAL HISTORY

The Burulls sued Arthur Young, First National Bank of Minneapolis, and Barbara Adams based on alleged collaboration to deprive them of their stock in United States Satellite Systems. After the Burulls defeated motions for summary judgment and a directed verdict, they lost at trial. The District Court denied the successful defendants' post-judgment request for sanctions, and the Eighth Circuit affirmed that denial.

DISPOSITION

affirmed

CASES CITED

- Golden Eagle Distributing Corp. v. Burroughs Corp., 801 F.2d 1531, 1540 (9th Cir. 1986)
- O'Connell v. Champion International Corp., 812 F.2d 393, 395 (8th Cir. 1987)
- Adduono v. World Hockey Ass'n, 824 F.2d 617 (8th Cir. 1987)
- Arkansas Communities, Inc. v. Mitchell, 827 F.2d 1219 (8th Cir. 1987)
- Burull v. First National Bank of Minneapolis, 817 F.2d 56 (8th Cir. 1987)

CITED IN

- Burull v. First National Bank of Minneapolis, Burull v. First National Bank of Minneapolis, 831 F.2d 788 (8th Cir. 1987)
- Burull v. First National Bank of Minneapolis, Burull v. First National Bank of Minneapolis, 831 F.2d 788 (8th Cir. 1987)