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A Monthly Legal Newsletter from
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and Jillian Taylor*



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Retailer Alert: Do Your E-mails Threaten Financial Destruction?

By: Terrence Guolee - Chicago office

If your business accepts credit or debit cards for sales on the Internet, you may be subjecting your business to potentially massive statutory damage claims via a new wave of class action lawsuits being filed under the Fair and Accurate Credit Transactions Act (FACTA) amendments to the Fair Credit Reporting Act (FCRA).

The format of the cases follows a familiar pattern: A purchaser buys an item over the Internet from a retailer and receives an electronic e-mail confirmation. Because that confirmation contains more than five of the credit or debit card numbers or the expiration date of the card used for the purchase, the buyer then sues the retailer for violating FACTA. These claims most often are pleaded as class action claims seeking the statutory damages of \$100 to \$1,000 per transaction, punitive damages and the buyer's attorney fees. Indeed, active retailers face potential claims totaling hundreds, if not millions of dollars in damages.

FACTA, codified at 15 U.S.C. §1681c(g), provides that:

(g) Truncation of credit card and debit card numbers

(1) In general

Except as otherwise provided in this subsection, no person that accepts credit cards or debit cards for the transaction of business shall print more than the last 5 digits of the card number or the expiration date upon any receipt provided to the cardholder at the point of the sale or transaction.

(2) Limitation

This subsection shall apply only to receipts that are electronically printed, and shall not apply to transactions in which the sole means of recording a credit card or debit

card account number is by handwriting or by an imprint or copy of the card.

While there have been many cases filed and several multimillion dollar verdicts and settlements in cases where retailers provided credit card receipts without truncating the receipt slips, there currently are no known verdicts or appellate court decisions addressing whether e-mails confirming card transactions listing to many of the card numbers or the expiration dates can violate FACTA. Indeed, locally, there is a dispute between three Federal District Court judges in the Federal District Court for the Northern District of Illinois.

In this respect, Judge John Darrah recently sided with defendant retailers, dismissing what is believed to be a potentially massive class action claim filed against 1-800 Contacts, Inc., finding that e-mail confirmations from 1-800 Contacts were not "electronically printed" and were not provided to the purchaser at "the point of sale." *Shlahtichman v. 1-800 Contacts, Inc.*, 09 C 4032, 2009 WL 4506535 (December 2, 2009) (Darrah).

Judge Darrah's opinion is based on definitions of the word "print" to mean to: "produce (books, newspapers, magazines, etc.) ... by a mechanical process involving the transfer of text, images, or designs to paper." Oxford Dictionary of English. Likewise, available legislative history reflected that Congress was primarily concerned with the risks presented by thieves getting their hands on receipt slips, sometimes referred to as "dumpster divers."

The decision was also based on decisions of the majority of district court judges considering the issue. *See, Turner v. Ticket Animal, LLC*, No. 08-61038-CIV, 2009 WL 1035241, at *3 (S.D. Fla. Apr. 16, 2009) (dismissing FACTA action because "print" does not encompass e-mail receipts); *Smith v. Zazzle.com, Inc.*, 589 F. Supp. 2d 1345, 1348 (S.D. Fla. 2008) ("the term 'print,' as Congress intended to use it here,

unambiguously means the imprinting of something on paper or another tangible surface"); *Smith v. Under Armour, Inc.*, 593 F. Supp. 2d 1281, 1287 (S.D. Fla. 2008) (concluding that consideration of the word "print" within FACTA's overall context indicates that the term applies only to "transactions producing a physical paper receipt"); *Grabein v. Jupiterimages*, 2008 WL 2704451, at *8 (S.D. Fla. 2008) (holding that "print" under FACTA only refers to a "tangible, paper receipt"); *King v. Movietickets.com, Inc.*, 555 F. Supp. 2d 1339, 1340 (S.D. Fla. 2008) (1681c(g) clearly focuses on paper receipts, and defendant "had not 'printed' a receipt subject to § 1681c(g) when it sent Plaintiff an e-mail confirmation that appeared on Plaintiff's computer screen"); *Haslam v. Federated Dept. Stores, Inc.*, No. 07-61871 CIV, 2008 WL 5574762, at *4 (S.D. Fla. May 16, 2008) (the word "print" refers to a paper receipt, rejecting plaintiff's argument that Defendants' electronic message somehow "marked" plaintiff's computer screen with "printed characters"); *Narson v. Godaddy.com, Inc.*, 2008 WL 2790211, at *5 (D. Ariz. 2008) ("the common and ordinary meaning of the verb 'to print' is to transfer information to a tangible medium, such as paper, not to generate information that is displayed on a computer screen").

Likewise, Judge Darrah found that the e-mail confirmation from 1-800 Contacts was not entitled to FACTA protection because it was not provided "at the point of the sale or transaction." *Shlahitchman, supra*, * 5. On this, Judge Darrah

held that Section 1681c(g)(1) specifies that the receipts entitled to FACTA protection must be "provided to the cardholder at the point of the sale or transaction," and "this language clearly contemplates a transaction where the customer is present in the location where the sale is made, and where the merchant provides the receipt to the customer at that same location." *Id.*, * 5, citing, *Narson*. 2008 WL 2790211 at *5. Moreover, Judge Darrah held the language of § 1681c(g) clearly shows that the statute contemplates in-store transactions. *Id.*, citing, *Jupiterimages*, 2008 WL 2704451, at *7. When "[c]onsidered in context, the word 'print' must apply to tangible, paper receipts. There is no tangible 'point of sale or transaction' with respect to e-commerce; but the 'point of sale or transaction' clause makes sense in the context of printed paper receipts." *Id.*; *Under Armour*, 593 F. Supp. 2d at 1285-86 (same).

However, Judge Darrah's fellow Northern District of Illinois Judges Amy St. Eve and Samuel Der-Yeghiayan sided with the plaintiff purchasers, denying motions to dismiss filed by the defendant retailers, finding that FACTA can be read to apply to credit card receipts and that in the Internet era, the computer is the "point of sale" under FACTA. *See, e.g., Romano v. Active Network, Inc.*, 09 C 1905, 2009 WL 2916838 (N.D. Ill. 2009) (Der-Yeghiayan); *Harris v. Best Buy Co., Inc.*, 254 F.R.D. 82 (N.D. Ill. 2008) (St. Eve). Judges St. Eve and Der-Yeghiayan are not alone in holding this way, as district court judges elsewhere have allowed these claims to proceed.

Q&H Defeats Federal Civil Rights Claim



Terrence Guolee and **Alicia Garcia** obtained a not liable verdict from the jury for their clients, two City of Chicago police officers, following a trial in front of Federal District Court Judge Matthew Kennelly. In the case, the officers responded to a violent domestic dispute. In their effort to apprehend the assailant, the officers entered the apartment of another resident in the building, believing they were heading to the rear of the building where other officers had radioed that a man fitting the description of the assailant was seen. The plaintiff sued, asserting that the officers violated her civil rights in entering what turned out to be her apartment without a warrant. Terrence and Alicia obtained the dismissal by plaintiff of the supervising sergeant at the beginning of the trial. The case then proceeded on the cases against the officers. The jury returned its verdict in favor of Q&H's clients after only 50 minutes of deliberations.

See, Grabein v. 1-800-Flowers.com, Inc., No. 07-22235-CIV, 2008 WL 343179 (S.D. Fla. Jan. 29, 2008); *Vasquez-Torres v. Stubhub, Inc.*, No. CV 07-1328, 2007 U.S. Dist. LEXIS 63719 (C.D. Cal. July 2, 2007).

Judge Darrah's dismissal order in the *Shahlactichman* case is on appeal, fully briefed and is currently scheduled for hearing before the Seventh Circuit Appellate Court on April 15, 2010. There is no set date for the court's decision. The Seventh Circuit only covers claims filed in Federal courts in Illinois, Wisconsin and Indiana. However, it is expected that the Seventh Circuit's ruling will be persuasive authority - but not controlling - on other federal and state courts.

Should Judge Darrah's ruling be overturned by the Seventh Circuit, a massive wave of Internet confirmation class actions is expected - similar to what was seen in the past few years as "brick and mortar" retailers were caught unaware of the receipt truncation requirements of FACTA. In the interim, all retailers should immediately review their e-mail or Internet order

confirmations to ensure that card number and expiration date information is properly truncated given the unclear state of the law and the massive damages and legal expenses that can follow.

* * *

Terrence Guolee, a shareholder in our Chicago office, has successfully represented defendants, plaintiffs and insurance carriers in dozens of complex, multi-million dollar claims covering a wide area of facts and law. Terrence represents several municipalities, elected governmental officials and their employees in very complicated civil rights class actions and claims brought under state and federal whistleblower laws. He also represents several businesses in defense of statutory consumer rights class action claims – including several FACTA claims.

If you have any questions regarding this article, or your company's Internet transaction protocols, please contact Terrence via 312-540-7544 or tguolee@querrey.com.

Jim Bream Nominated as President-Elect of Chicagoland Healthcare Risk Management Society



Chicago office shareholder **Jim Bream** has been nominated to the position of President-Elect of the Chicagoland Healthcare Risk Management Society (CHRMS). CHRMS is an affiliated chapter of the American Society for Healthcare Risk Management ([ASHRM](#)) and was organized in 1980. CHRMS is governed by a twelve member board of directors in accordance with CHRMS Bylaws and serves to provide its members with educational, networking and professional development opportunities within healthcare and risk management. Members of the board are elected by and from the Society's membership.

Responsibility for educational programs, publishing and other activities is delegated to various committees appointed by the President. Board directives, project implementation and other operational functions are executed by the membership.

Jim concentrates his practice in health care litigation and the counseling and defense of hospitals, managed care organizations, and physicians for a variety of health care issues, including professional liability programs. He has handled all aspects of major medical malpractice cases in the trial and appellate courts. He has earned an AV rating from Martindale-Hubbell and has recently been recognized by his peers as a Leading Lawyer in the area of medical malpractice defense.

Municipal Law Update: First District Appellate Court Clarifies Some FOIA Exemptions

By: Matthew Byrne – Chicago office

The Illinois Appellate Court recently issued a decision clarifying some of the exemption provisions of the Freedom of Information Act (FOIA). *National Association of Criminal Defense Lawyers v. Chicago Police Department*, 2010 WL 682444 (Ill. App. 1st Dist. 2010). The Freedom of Information Act was recently amended by the Illinois legislature effective January 1, 2010. These amendments affected several of the provisions of FOIA. However, the exemptions examined by the Appellate Court remain a part of the current amended FOIA.

The Illinois appellate court's decision related to a request for information made by the Plaintiff National Association of Criminal Defense Lawyers (NACDL) pursuant to FOIA. NACDL submitted a FOIA request to several police agencies regarding a mandated study of the sequential method of eyewitness identification lineup procedures performed by the police agencies. A witness is shown lineup participants one at a time under the sequential method. Among the agencies which received the FOIA request were the Chicago and Joliet Police Departments. The Chicago and Joliet Police Departments declined to produce the majority of the data requested.

Litigation ensued and, following motions for summary judgment by the NACDL and the Chicago Police Department, the trial court directed both defendants to produce some of the requested information but ruled that a majority of the information sought was either protected from disclosure by FOIA's law enforcement and privacy exemptions or was too burdensome for the agencies to produce. With regards to the law enforcement exemptions, the Chicago Police Department claimed that production would interfere with a pending law enforcement proceeding and obstruct ongoing criminal investigations. The NACDL appealed claiming that the exemptions did not apply and that the requests were not unduly burdensome.

The appellate court noted that FOIA declares that it is "the public policy of the State of Illinois, that all persons are entitled to full and complete information regarding their affairs of government and the official acts and policies of those who represent them as public officials and public employees consistent with the terms of this Act. Such access is necessary to enable the people to fulfill their duties of discussing public issues fully and freely, making informed political judgments and monitoring government to ensure that it is being conducted in the public interest." 5 ILCS 140/1 (2006). Additionally, the court noted that public records are presumed to be open and accessible under FOIA and the exemptions are to be read narrowly.

With these principles in mind, the appellate court first addressed the Chicago Police Department's argument that the requested documents were protected from disclosure under the law enforcement exemptions of FOIA. In order to claim the exemptions, the Chicago Police Department was required to explain how disclosure of the documents would obstruct the remaining investigation and why the investigation was considered ongoing. The affidavits submitted by the Chicago Police Department in support of the exemptions did not provide any specificity as to how a particular witness could be endangered or how an individual investigation could be compromised if documents were disclosed with all identifying information redacted. Accordingly, following their review of the evidence, the appellate court held that the Chicago Police Department had failed to establish that the documents were protected under the law enforcement exemptions.

The appellate court went on to reject the Chicago Police Department's argument that redaction of the open investigation files would be unduly burdensome. The court held that the open investigation files should be produced after all identifying information was redacted. The

parties agreed that the location of the crime and that all personal identifying information and other unique identifiers would be redacted so that it would be impossible to tell where the crime occurred or what individuals may have been involved in the case. It was then the burden of the police agencies to demonstrate on a case by case basis specifically how a particular witness could be endangered or how an individual investigation could be comprised if a document was disclosed in which all identifying information has been redacted. The appellate court held that this process was not unduly burdensome despite the fact that there were still potentially over 100 cases in which the investigations were ongoing.

The appellate court also rejected the Chicago Police Department's claim that the "mug shots" of individuals included in lineups, including both "fillers" and actual suspects, were exempt under the FOIA personal privacy exemption. The provision exempts from disclosure "information that, if disclosed, would constitute a clearly unwarranted invasion of personal privacy." 5 ILCS 140/7.

The court stated that to determine whether the exemption applies, courts take into account: "1) plaintiff's interest in disclosure; 2) the public interest in disclosure; 3) the degree of invasion of personal privacy; and 4) the availability of alternative means of obtaining the requested information." The court held that the shared interest of the NACDL and the public was to conduct a meaningful analysis of the eyewitness identification study and that an assessment of the lineups was critical. Moreover, the "mug shot" photographs were the only means of assessing the composition of the lineups.

The degree of invasion of personal privacy was held to be insignificant for the civilians acting as fillers due to the fact that they had voluntarily consented to having their photographs included in the investigation. Likewise, the degree of invasion of personal privacy for the inmates whose photographs were included in the lineups was not found to be significant enough to prevent disclosure. Therefore, the "mug shot"

photographs were ordered to be disclosed with all identifying information redacted.

Finally, the appellate court reviewed the circuit court's holding that the production of documents from the police files in closed cases outside of the report data would create an undue burden on the police agencies and therefore did not need to be produced. The court acknowledged that, during oral arguments, counsel for the Chicago Police Department estimated that redacting and producing the closed files would take approximately 150 hours or 20 personnel days. Despite this time and workforce commitment, the appellate court reversed the circuit court and held that production of the records from closed cases was not unduly burdensome.

The court initially noted that, in order for the exemption to apply, "compliance must be unduly burdensome, there must be no way to narrow the request, and the burden on the public body must outweigh the public interest in the information." 5 ILCS 140/3(f) (currently amended as 5 ILCS 140/3(g)). Additionally, in order to invoke the exemption, "the public body shall extend to the person making the request an opportunity to confer with it in an attempt to reduce the request to manageable proportions."

The appellate court found that the police agencies had failed to confer with the NACDL, and could therefore not claim the undue burden exemption. Moreover, the court defined an unduly burdensome request as one that "is overly broad and requires the public body to locate, review, redact and arrange for inspection of a vast quantity of material that is largely unnecessary to the appellants' purpose."

In the present case, the court found that the requested material was essential to a meaningful review of the subject study. Further, the court held that a review of the study represented a significant public interest due to the huge cost on society imposed by wrongful convictions. Based on those findings, the appellate court remanded the case and directed the police agencies to produce the requested documents with appropriate redactions after conferring with

NACDL to reach a final agreement on narrowing the request to relevant materials.

* * *



Matthew Byrne, an associate in our Chicago office regularly handles FOIA requests and has a thorough knowledge of the provisions and requirements of

the Freedom of Information Act, including recent comprehensive changes passed by the Illinois General Assembly.

If you have any questions regarding this article, or need assistance responding to FOIA requests, please contact Matt via 312-540-7644, or via mbyrne@querrey.com.

Premises Liability Update: Illinois Second District Limits Definition of "Sidewalk" Under Snow and Ice Removal Act

By: Anton J. Marqui - Chicago office

Under common law, a property owner has no duty to remove natural accumulations of snow and ice. However, where the accumulation of snow and ice was caused or aggravated by the property owner, or where he has voluntarily undertaken to remove snow and ice but has done so negligently, the property owner may be liable. In derogation of common law, the Snow and Ice Removal Act, 745 ILCS 75/1 et seq., operates to immunize property owners, and others, in their efforts to remove snow or ice from "sidewalks".

Specifically, Section 1 of the Act provides:

"It is declared to be the public policy of this state that owners and others residing in residential units be encouraged to clean the sidewalks abutting their residence of snow and ice. The general assembly, therefore, determines that it is undesirable for any person to be found liable for damages due to his or her efforts in removal of snow or ice from such sidewalks, except for acts which amount to clear wrongdoing, as described in Section Two of this Act" 745 ILCS 75/1.

Section 2 provides,

"Any owner, lessor, occupant or other person in charge of any residential property, or any agent of or other person engaged by any such

party, who removes or attempts to remove snow or ice from sidewalks abutting the property shall not be liable for any personal injuries allegedly caused by the snowy or icy condition of the sidewalk resulting from his or her acts or omissions unless the alleged misconduct was willful or wanton" 745 ILCS 75/2.

The definition of what constitutes a "sidewalk" under the Act has been the topic of much litigation. That term was most recently discussed in *Gallagher v. The Union Square Condominium Homeowners Association, et al.*, ---N.E.2d--- 2010 WL 338816 (2nd Dist. 2010). In *Gallagher*, plaintiff brought suit against the condominium Association, Management Company and snow plowing contractor, alleging that the defendants were negligent in their efforts to remove snow and ice from the plaintiff's driveway. Following a significant snowfall, the defendant snow plowing contractor had plowed a single, narrow path up the middle of plaintiff's driveway. When plaintiff arrived home, he parked his car on the street as access to the garage by car was impossible. While walking on the plowed path on the driveway, plaintiff slipped and fell sustaining right leg fractures. Plaintiff claimed that defendants caused an unnatural formation of a snow mound

in front of plaintiff's garage door which impeded access to the garage by foot or car.

The trial court granted defendants' Motions to Dismiss based on the Snow and Ice Removal Act. The Second District Appellate Court reversed. The Second District held that the word "sidewalk" in the Act does not apply where a plaintiff falls on a "driveway". The term "sidewalk" is generally understood to be a "walk for foot passengers usually at the side of a street or roadway: a foot pavement." In contrast, a "driveway" is commonly understood to be "a surface on which one drives motor vehicles from a street to a private building". Relying primarily on principles of statutory construction, the court held that to extend the scope of the Act to include driveways would be to read into the Act an additional term that the legislature did not expressly include. Further, since the Act is in derogation of common law, the Act must be strictly construed. The court would not presume that the legislature intended anything other than that which is expressly stated.

There are multiple cases which have expanded the traditional definition of a sidewalk. For example, in *Bremer v. Leisure Acres*, 363 Ill.App.3d 581 (2006), the pathway between the plaintiff's apartment building and the parking lot was a "sidewalk" under the Act because it was a concrete walk for foot passengers. In *Kurczak v. Cornwell*, 359 Ill.App.3d 1051 (2005), the term "sidewalk" was held to encompass all foot pavements leading to and from the residence, whether public or private. In *Yu v. Kobayashi*, 281 Ill.App.3d 489 (1996), it was determined that the paved area, including the stoop, leading from the apartment building to the parking lot

constituted a "sidewalk" under the Act. Most significantly, in *Flight v. American Community Management, Inc.*, 384 Ill.App.3d 540 (2008), the First District Appellate Court affirmed summary judgment for defendants on allegations of a slip and fall on ice on a driveway. Relying on *Bremer*, *Kurczak* and *Yu*, the *Flight* court held that the surface need only be "sufficiently akin" to a sidewalk to come within the Act.

The *Gallagher* court specifically declined to adopt the First District's interpretation of the Act, stating that such an interpretation is contrary to the plain language of the Act. Based on the principles of statutory construction, the conclusion that the Act does not provide immunity for injuries sustained on driveways becomes apparent. The Second District further believed that the *Flight* court did not engage in any statutory interpretation, apply any of the well-recognized principles of statutory construction or examine the plain language of the Act. In sum, the court held that the plain language of the Act does not provide immunity for injuries sustained on driveways.

* * *



Anton Marqui, an associate in our Chicago office, concentrates his practice in medical malpractice, commercial litigation and transportation liability. Mr. Marqui has tried and assisted on multiple jury and bench trials and has handled numerous disputes through arbitration and mediation. If you have any questions regarding this article, contact Anton via 312-540-7584 or amarqui@querrey.com.

Q&H Associates Serve 2010 Herzog Moot Court Competition

Chicago office associates **Ghazal Sharifi, Alicia Garcia, Ari Scharg, Christopher Keleher** and **Stacey Atkins** graded appellate briefs for the Spring 2010 John Marshall Law School Herzog competition. Ghazal Sharifi also served as a judge at the competition.

Intellectual Property Update: The Supreme Court Speaks; If Confusion Begets Wisdom, We're Wiser Than We Thought

By E. Leonard Rubin and Beverly Berneman - Chicago office

Speculate with us for a minute. Let's suppose you are an author who is about to publish an article. You know your work is original, so you aren't infringing on anyone else's copyright rights. Let's further suppose that someone learns that you are about to have your article published and sends you a strongly worded letter accusing you of copying his work, which makes you a copyright infringer. Unless the dispute is cleared up, your publisher will not risk a lawsuit by proceeding with publication of your article. And finally, let's suppose you decide that the only way to get out from under this cloud is to bring a declaratory judgment action, asking a court to declare that you did not copy and are not a copyright infringer. Well, until March 2, 2010, you were thwarted; you couldn't file your action unless your accuser had registered his copyright claim.

There was a technical reason for that. Sec. 411(a) of The Copyright Act, 17 U.S.C. 101 et seq., makes registration a condition for the filing of an action relating to a copyrighted work. Section 411(a) provides:

Except for an action brought for a violation of the rights of the author under section 106A(a), and subject to the provisions of subsection (b), no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title. In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute a civil action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days after such service, but the

Register's failure to become a party shall not deprive the court of jurisdiction to determine that issue.

Many of the U.S. Circuit Courts around the country have interpreted this to mean that unless there has been registration (or a refusal to register by the Copyright Office), the courts do not have jurisdiction to consider a copyright case.^[1] Lack of jurisdiction means that there is no power to hear a dispute. The provision has resulted in the dismissal of a number of cases where the copyrighted work was never registered. (Note: Registration is not required for there to be copyright coverage; a work enjoys copyright protection the moment it has been reduced to some tangible means of expression. It's only where a copyright owner wants to go to court that there must first be registration.)

In his March 2, 2010 opinion on behalf of the members of the U.S. Supreme Court in *Reed Elsevier, Inc. v Muchnick*, --- S.Ct. ---, 2010 WL 693679 (U.S.), 93 U.S.P.Q.2d 1719 (2010), Mr. Justice Thomas has cleared this up. But in clearing it, he created a very confusing new question; namely, can a court still hear a copyright case where there has been no registration?

The plaintiffs in *Reed Elsevier* were freelance writers whose works appeared in newspapers and magazines. In a consolidated complaint, the plaintiffs alleged that they each owned at least one copyright. The plaintiffs complained that their works were reproduced digitally without their permission by the defendants. Three years later, after mediation, the parties reached a settlement which they intended would achieve a global peace in the publishing industry. The parties moved to certify a class for settlement. The district court granted the certification and approved the settlement. Ten dissenting authors, including Muchnick, appealed.

On appeal, the Second Circuit Court of Appeals ruled that it had no jurisdiction because some of the plaintiffs had not registered their works. The Second Circuit interpreted 17 U.S.C. §411(a) to require registration of the work with the U.S. Copyright Office to invoke the court's jurisdiction. On appeal to the Supreme Court, both sides argued that the Second Circuit was wrong; Sec. 411(a) did not deprive federal courts of subject matter jurisdiction over infringement claims involving unregistered copyrights. Faced with no opposing views, the Supreme Court appointed amicus *curiae* to defend the Court of Appeals' judgment.

In his opinion, Justice Thomas first identified "jurisdiction" as a court's adjudicatory authority. Jurisdiction applies only to defining the classes of cases that can be heard (subject matter jurisdiction) and the persons over whom the court has authority (personal jurisdiction). Distinguishing between jurisdiction and processing requirements or elements of claim comes down to a simple analysis, stated Justice Thomas. If the statute calls it a jurisdictional requirement, then it is one. If the statute does not call it a jurisdictional requirement, then it is not.^[2]

Ultimately, the Supreme Court held that §411(a) was a threshold requirement and not a

jurisdictional requirement for a plaintiff to bring a copyright infringement suit.^[3] The Supreme Court relied on the fact that 28 U.S.C. Secs. 1331 and 1338 confer subject matter jurisdiction over copyright infringement cases to the courts. Further, the several exceptions to a registration requirement as contained in Sec. 411 make the rule.

Distilled to its essence, Justice Thomas said that the Sec. 411(a) requirement is not a jurisdiction bar. This registration requirement is just that – a requirement.

The result is that federal courts now have the jurisdiction, the power, to hear copyright matters that come before them where the copyright has not been registered. But do they, if the statute still lists registration as a requirement before bringing a lawsuit? Or will the courts be confused about what they are now empowered to do? Shouldn't a defendant accused of copyright infringement be able to have a case dismissed for failure to meet the statute's registration requirements? One would think so, but if a court has jurisdiction, will it be able to find that in some cases, the registration requirement is inapplicable?

Chicago Shareholder Jim Bream Organizes Northbrook Charity Run



Chicago shareholder Jim Bream once again has worked on the organization of the **10th Annual Lew Blond Memorial Run/Walk** that will take place on May 22, 2010.

This Chicago Area Runners Association ("CARA") event honors the memory of Lew Blond, an exceptional and dedicated teacher who passed away from ALS in 2000. The 5K Run/Walk has attracted 500-700 runners each year. The One Mile Run has been a fun activity for both students and families. The flat, scenic course goes through the Maple School neighborhood in School District 30. Proceeds benefit ALS research, scholarships for prospective teachers at the Glenbrook High Schools and special district projects. The run begins at Maple School, located at 2370 Shermer Road, Northbrook, Illinois. To sign up for the race, go to: www.signmeup.com/67640

And what of declaratory judgment actions? Is the registration requirement solely related to enforcing a copyright? Can a person who has been threatened with infringement bring suit without proving registration?

Justice Thomas' opinion does not clear up these questions. United States district and circuit courts are now left to figure out for themselves what they are supposed to do with the statutory requirement. And, of course, copyright attorneys are left to making attempts to counsel clients as to what those clients' options are. Should a lawsuit be filed without registration, thereby running the risk that it will be dismissed because of the statutory requirement? Or should a client refrain from filing that lawsuit, thereby running the risk that the local court will rule in favor of a later plaintiff, who filed because he or she had what they thought was a good excuse for not meeting that requirement?

As the King of Siam so eloquently sings in the musical *The King and I*, "Is a Puzzlement!"

[1] See *La Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195, 1200-1201 (C.A.10 2005); *Positive Black Talk Inc. v. Cash Money Records Inc.*, 394 F.3d 357, 365 (C.A.5 2004); *Xoom, Inc. v. Imageline, Inc.*, 323 F.3d 279, 283 (C.A.4 2003); *Murray Hill Publications, Inc. v. ABC Communications, Inc.*, 264 F.3d 622, 630, and n. 1 (C.A.6 2001); *Brewer-Giorgio v. Producers Video, Inc.*, 216 F.3d 1281, 1285 (C.A.11 2000); *Data Gen. Corp. v. Grumman Systems Support Corp.*, 36 F.3d 1147, 1163 (C.A.1 1994).

[2] 2010 WL 693679 *6.

[3] 2010 WL 693679 *7-8.

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As Chair of Querrey & Harrow's Intellectual Property Practice Group, **Beverly Berneman** focuses her practice on protecting her client's Intellectual Property such as patents, copyrights, trademarks and trade secrets. The scope of her services encompasses a wide range of transactions involving Intellectual Property such as registration, licensing, mergers and acquisitions, and documentation related to financing the development of Intellectual Property Assets as well as litigation.



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United States Supreme Court Adopts Corporate "Nerve Center" Test

By: Ghazal Sharifi - Chicago office

After decades of ambiguity amongst different federal circuit courts, the United States Supreme Court recently resolved a key question that impacts a district court's ability to assert jurisdiction over a corporation. See, *Hertz Corp. v. Friend*, No. 08-1107, 559 U.S. ____ (Feb. 23, 2010).

There are two methods by which a federal district court has jurisdiction over an action. First, pursuant to Article III of the U.S.

Constitution and 28 U.S.C. § 1331, a federal district court may assert jurisdiction over any civil action that arises under the United States Constitution or the laws and treaties of the United States. Second, pursuant to 28 U.S.C. § 1332, a federal district court may assert jurisdiction over any civil action that arises under diversity jurisdiction. Diversity jurisdiction requires the parties involved in the action to be "citizens" of different states where the amount in controversy for the action exceeds

\$75,000. While there are variations to the citizenship requirement, the statute most commonly applies to citizens of different states. 28 U.S.C. § 1332 delineates that a corporation is a “citizen” of any state where the corporation was incorporated or any state “where it has its principal place of business.” 28 U.S.C. § 1332. For years, the federal circuits have applied varying tests to determine what “principal place of business” means for the purposes of assessing a corporation’s citizenship. Recently the Supreme Court resolved that inconsistency in *Hertz Corp. v. Friend*.

Courts have never had any difficulty identifying a corporation’s principal place of business where the corporation’s headquarters and executive officers were located in the same state as where the corporation conducted most of its business activities. The principal place of business is very clearly in one state. The ambiguity developed with more complicated fact patterns such as the one in *Hertz Corp. v. Friend*. In *Hertz Corp.*, two plaintiffs filed an action against Hertz in California state court for alleged violations of California law. Hertz sought to remove the case to federal court based on the diversity of citizenship requirement under 28 U.S.C. § 1332. The plaintiffs challenged Hertz’s assertion of diversity jurisdiction because they alleged that Hertz’s principal place of business was in California. Thus, plaintiffs argued that Hertz and the plaintiffs were not citizens of different states as required by 28 U.S.C. § 1332. Hertz argued that its principal place of business was in New Jersey where its corporate headquarters and executive officers were located. The district court and the Ninth Circuit Court of Appeals disagreed.

Following Ninth Circuit precedent, the district court applied a two-part analysis. It first assessed Hertz’s business activity from state to state. If the amount of the corporation’s business activity was “significantly larger” or “substantially predominate” in one state over the others, then that state would be the principal place of business. This is sometimes referred to as the “corporate activities” test. If there was no “predominate” state, then the district court had to find that the corporation’s principal place of

business was where the majority of the business’ executive and administrative functions were performed, its “nerve center.”

The district court found, and the Ninth Circuit affirmed, that while Hertz had operations in multiple states, the majority of Hertz’s business operations occurred in California. Therefore, it did not need to move into the second stage of its analysis. The Second, Fifth, and Eleventh Circuits have applied a similar two-step analysis when assessing “principal place of business.” Other circuits have applied combined variations of the “nerve center” and “corporate activities” to evaluate the corporation’s “center of gravity” for the purposes of citizenship. The only Circuit Court of Appeals that exclusively applied the “nerve center” test was the Seventh Circuit. *See, Wisc. Knife Works v. Nat’l Metal Crafters*, 781 F.2d 1280, 1282 (7th Cir. 1982). In *Hertz*, the Supreme Court adopted the Seventh Circuit’s “nerve center” approach after consideration of the language of 28 U.S.C. § 1332 and its legislative history.

The Court’s adoption of the “nerve center” test indicates that all federal district courts must apply one uniform test. To evaluate a corporation’s “principal place of business” for the purposes of diversity jurisdiction, all courts will now look to the state where the majority of the corporation’s executive and administrative functions are performed or the place of incorporation. The Court found that adoption of the “nerve center” test will allow administrative simplicity and reduce excessive and unnecessary litigation on complex jurisdictional tests. This uniform application of the “nerve center” test will not have much of an impact on cases litigated in the Seventh Circuit. However, it will significantly clarify jurisdictional questions in other circuits. Courts will no longer have to engage in artificial and excessive appraisal of a corporation’s business activities, which sometimes resulted in arbitrary determinations of citizenship. The Court’s decision in *Hertz* provides a clear solution to a long-standing jurisdictional controversy.

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Ghazal Sharifi, an associate in our Chicago office, concentrates her practice in general litigation. Although recently admitted to practice, Ghazal has worked with Querrey & Harrow since 2008, having served as a law clerk prior to being admitted to the Illinois Bar.

During law school, Ghazal served as a legal intern for The Honorable Judge Daniel M. Locallo in the Circuit Court of Cook County, Law Division. In law school, she served as the Administrative Editor of The John Marshall Law Review. At John Marshall, Ghazal was involved in the John Marshall Moot Court Program attending three moot court competitions and placing second at the Thomas Tang Regional Moot Court Competition in 2008.

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SEMINARS

ISBA Construction Law CLE

Bloomington, Illinois - April 21, 2010

Chicago, Illinois - April 27, 2010

On April 21, 2010, at the Double Tree Hotel in Bloomington and again on April 27, 2010, at the Chicago ISBA regional office, Chicago office shareholders **Bruce Schoumacher** and **Jennifer Sackett Pohlenz** will participate in a CLE seminar presented by the ISBA Special Committee on Construction. Jennifer will address issues and new state regulations regarding green building. Bruce's portion will cover the latest cases that have affected the construction industry.

Understanding Copyright Law 2010

Gleacher Center, Chicago, Illinois

June 17, 2010

E. Leonard Rubin is the designated Chair for this one-day seminar regarding Copyright Law at the Gleacher Center in Chicago, Illinois. The seminar is designed as an introduction for attorneys with limited experience in copyright law and as a review and update for those who need to reacquaint themselves with intellectual property practice and procedure. Technology continues to evolve and the hotly contested DVD-burning issues of last year will give way to new legal issues relating to copyright law. Because of the inevitable uptick of issues, it is essential for practitioners to be familiar with the basic tenets of this important legal area. For additional information regarding this seminar, please visit the Practising Law Institute website at www.pli.edu.

Construction Lien Law in Illinois

Elk Grove Village, Illinois

June 22, 2010

On June 22, 2010, in Elk Grove Village, Illinois, Querrey & Harrow attorneys will present a one-day seminar entitled "**Construction Lien Law in Illinois.**" This Lorman Education Services seminar is designed for contractors, owners, developers, subcontractors, suppliers, architects, engineers, lenders, accountants, and allied construction professionals. Construction Practice Co-Chair **Bruce Schoumacher** will serve as Moderator for the seminar. Other Q&H speakers include **Beverly Berneman, Cynthia Garcia, John Halstead, Thomas Kaufmann, Scott Krider, Anthony Madormo, Jennifer Sackett Pohlenz, and Timothy Rabel.** To receive notification when the brochure for this seminar is published, please email info@querrey.com.