IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CCC INFORMATION SERVICES INC., Plaintiff, v. TRACTABLE INC., Defendant.	Case No. 1:18-cv-07246 Honorable Robert W. Gettleman

MEMORANDUM OF LAW IN SUPPORT OF MOTION TO DISMISS

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Tractable Inc. ("Tractable") respectfully submits this memorandum of law in support of its Motion to Dismiss CCC Information Services Inc.'s ("CCC") Complaint, filed on October 30, 2018 (ECF 1). As noted in the concurrently filed Motion to Compel Arbitration, Tractable urges the Court not reach the instant Motion to Dismiss and instead stay the case pending the arbitration.

PRELIMINARY STATEMENT

CCC's complaint is a meritless contract dispute—which should be arbitrated—masquerading as an equally meritless intellectual property suit. Beginning in August 2017, to access an insurance client's claim processing workflow for a pilot project, Tractable lawfully obtained and paid for a license to CCC's software. Tractable's use of the software was consistent with the license terms. CCC chiefly complains about Tractable taking the license anonymously, but CCC routinely grants its software licenses to anyone who will pay and, in Tractable's experience, never inquired into its counterpart's identity and affiliations. Indeed, in taking the license, Tractable's employee informed CCC's salesperson that Jason Chen was not his name. CCC did not respond other than to move the licensing process forward. Tractable used the software without incident for 14 months as an independent appraiser, created estimates for its insurance client, communicated the results to the insurance company, and sought to import the files to and from CCC ONE, as the license allows.

Unable to bring a breach of contract claim (as Tractable complied with its terms), CCC attempts to plead various intellectual property torts. But all claims fail as CCC cannot allege even the basic elements of any claim. This is telling because client/server software companies, like CCC, routinely keep keystroke logs for every instance of users touching their systems, which should give CCC far more information than it pled if there were any wrongdoing.

If Tractable's use of the software was above board, what is this suit really about? Tractable is a small innovative company providing new artificial intelligence ("AI") powered vehicle

damage photo analysis software that benefits insurers, consumers and repairers by making it easier and faster to settle claims. CCC is the dominant player in auto repair claims processing software who would like to enter Tractable's space. The timing of this suit tells the tale. In October 2018 CCC turned off Tractable's access under the software license and sued. Weeks later CCC launched its own AI appraisal product.

STATEMENT OF FACTS

In a typical scenario, when auto damage is reported to an insurance company, "an independent appraiser using CCC ONE is first sent an assignment by an insurance company." ECF 1 ¶ 15. The appraiser inspects the vehicle, documents the damage, takes photos and ancillary notes to estimate the damage to the vehicle. *Id*. The appraiser populates this information into the CCC software, and CCC ONE generates a workfile, which includes the cost of parts and labor. The appraiser communicates the workfile (or estimate) in CCC's format to the insurer. *Id*. ¶ 16, 38.

Tractable works with insurers to provide artificial intelligence software to review auto repair appraisals and provide appraisals based on photographs of damage. In August 2017, doing business as JA Appraisal, Tractable sought a license from CCC for its independent appraiser software to communicate vehicle estimates to an insurer using CCC. *Id*. ¶ 23, 24, 38. Tractable's employee informed CCC that he was not using his real name to enter the License. Xin Decl. ¶¶ 4-8, Ex. A.[1] Tractable's employee obtained a total of six license seats by March 2018 by entering superseding agreements with CCC, and Tractable paid for all seats through November 30, 2018. ECF 1 ¶ 25; Xin Decl. ¶ 8, Ex. C ("License") ¶ 21.

The License allowed Tractable to use the CCC software "to provide third party claims

[1] For more than a year after Tractable obtained a CCC ONE license, CCC did not inquire into Tractable's identity. CCC began inquiring about Tractable's identity in late October 2018. ECF 1 ¶ 32. The Declaration of Xing Xin is attached as Exhibit 1, and includes supporting Exhibits A, B, and C (referenced herein as "Ex. A," "Ex. B," and "Ex. C").

services to Tractable's clients, including, insurance companies . . . (the 'Clients') for the evaluation, processing and settling of auto physical damage claims in connection with insurance policies issued and/or serviced by Clients for vehicles located in the United States. . . ." License ¶ 2.1. The License also provides that the Customer "may not remove or modify any proprietary notice of CCC from any cop of the Programs, Services or Documentation." *Id.* ¶ 2.5.

Consistent with the terms of the License, Tractable acted as an independent appraiser for the insurer and used CCC ONE to provide estimates to the insurer. ECF 1 ¶ 28, 38. Tractable received data from the insurance company reflecting car damage, entered its appraisals of the damage into the CCC ONE software, and communicated the estimates to the insurer. *Id.* ¶ 38. Tractable communicated the estimates in CCC's format, which includes CCC's marks. *Id.* ¶ 37.

ARGUMENT

On a motion to dismiss, the Court must accept as true all well-pled facts in the complaint, but the Court need not accept "legal conclusions[, or t]hreadbare recitals of the elements of a cause of action." *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009).[2] The Court may consider documents CCC referenced in, but failed to attach to, the complaint, without converting the motion to dismiss into a motion for summary judgment. *Woods v. Carter*, No. 15 C 9877, 2016 WL 640526, at *3 (N.D. Ill. Feb. 18, 2016) (noting doctrine works to "prevent a plaintiff from evading dismissal...simply by failing to attach to his complaint a document that proves his claim has no merit.").

Under Rule 9(b), claims sounding in fraud must be pled with particularity and cannot be pled on information and belief unless facts are inaccessible to the plaintiff, in which case the plaintiff must plead the grounds for its suspicions. *Bankers Tr. Co. v. Old Republic Ins. Co.*, 959 F.2d 677, 684 (7th Cir. 1992). Claims for false designation of origin under the Lanham Act fall

[2] Unless otherwise noted, all citations, internal alterations, and quotation marks are omitted, and emphasis is added.

under Rule 9(b) and must state the "who, what, where, and when of the allegations." *Control Sols., LLC v. Oshkosh Corp.*, No. 10 C 121, 2011 WL 1131329, at *3 (N.D. Ill. Mar. 28, 2011).

I. CCC FAILS TO ALLEGE THE ELEMENTS OF COMMON LAW FRAUD.

CCC fails to and cannot allege the elements of common law fraud, so the claim fails. *See Miner v. Fashion Enterprises, Inc.*, 342 Ill. App. 3d 405, 420 (2003) (noting elements of common law fraud: (1) false statement of material fact; (2) defendant's knowledge of statement's falsity; (3) plaintiff had right to rely on and did rely on statement; (4) defendant intended the statement induce plaintiff to act; and (5) plaintiff's damages resulting from reliance on the statement).

A. There Was No False Statement, and the Company Name Is Not Material.

CCC alleges—and Tractable does not dispute—that Tractable's employee used "Jason Chen" and the company name JA Appraisal in entering the License. ECF 1 ¶ 52. But CCC does not allege who was a party to the License and what statement Tractable made that was allegedly false. Tractable's employee told CCC he was not using his real name. License at 1, 9; Ex. A. And CCC cannot allege that Tractable *failed to disclose* its corporate affiliation to JA Appraisal (which would present as a claim for common law fraudulent omission and require CCC to allege Tractable had any duty to disclose its corporate identity). *Connick v. Suzuki Motor Co.*, 174 Ill. 2d 482, 500 (1996) (affirming dismissal of claim for common law fraudulent concealment where plaintiff failed to allege defendant had any duty to disclose).[3]

Moreover, even if CCC could allege that Tractable made a false statement—which it cannot—CCC does not and cannot allege that the name of the party entering into a license is material. *See, e.g., Miner*, 342 Ill. App. 3d at 420 (affirming dismissal and holding that allegations

[3] CCC's allegation that Tractable stated that "it could write its own vehicle damage estimates offline and populate its estimates into CCC ONE, using the platform to communicate Tractable's purported estimate to insurers," (ECF 1 ¶ 28), is demonstrably true because it is consistent with the License. License ¶ 2.1.

that defendant's failure to apprise plaintiff that counterparty was a "sham" corporation which only took lease rather than operating store on premises were insufficient to support claim of fraudulent concealment).[4] Were the licensee's identity or affiliations a material term, the License would so state on its face. Yet nowhere does the License require customers to represent or warrant anything about their corporate affiliation, party name, or authority to enter into the License. *See* License. Accordingly, the fraud claim fails for failure to allege a false statement of material fact.

B. <u>CCC Does Not Allege Tractable Knew Any Statement to Be False.</u>

CCC alleges that JA Appraisal was a "front," but Tractable does not dispute using JA Appraisal as a doing business name. This does not mean, however, that Tractable knew that using a doing business as name of JA Appraisal was a false statement. On the contrary, failure to register a doing business as name is ministerial and does not invalidate a contract. *First Nat. Bank of Millstadt v. Freant*, 7 Ill. App. 2d 204, 208 (Ill. App. Ct. 1955). And use of a different name does not "constitute an untrue statement capable of supplying an inference of intent to deceive." *Szajna v. Gen. Motors Corp.*, 115 Ill. 2d 294, 323 (1986) (affirming dismissal of fraud claim where plaintiff alleged trade name "1976 Pontiac Ventura" was a "statement of material fact").

C. <u>CCC Fails to Allege It Had a Right to, and Did, Rely on any Statement.</u>

"A party cannot close its eyes to obvious facts and then charge that it has been deceived." *Fogel v. Gordon & Glickson, P.C.*, 393 F.3d 727, 729 (7th Cir. 2004); *Modern Track Mach., Inc. v. Bry-Lon, Ltd.*, 197 Ill. App. 3d 560, 565 (1990) (same); *see also Costello v. Liberty Mut. Ins.*

[4] *Cf. Suburban, Inc. v. Cincinnati Ins. Co.*, 323 Ill. App. 3d 278, 283–84 (2001) ("It is the law in Illinois that when a party contracts for insurance, pays the premium, and the insurer makes the loss payable to such party, the agreement to pay is a contract with the party who paid the consideration, and he has a right of action in his own name, despite the fact that the insurance is in the name of another."); *Colagrossi v. Royal Bank of Scotland*, 2016 IL App (1st) 142216, ¶ 54 *appeal denied*, 65 N.E.3d 840 (Ill. 2016) ("Obvious privity is present when the only difference between ABN Amro and RBS is a name change and ABN Amro was the parent corporation.").

Co., 38 Ill. App. 3d 503, 507 (1976) ("Plaintiff cannot assert that he acted to his detriment in reliance upon a fraudulent misrepresentation *without establishing his right to rely* thereon. He may not close his eyes to obvious facts, enter into a transaction and then charge that he was deceived by the words of the other party.").

CCC does not allege it relied on any statement by Tractable, nor has it shown any right to rely on any statement by Tractable. The word "reliance" does not appear in the Complaint. CCC cannot plausibly allege it relied on any statement by Tractable about Tractable's identity because CCC did not inquire into the identity of JA Appraisal or Jason Chen, even after Tractable's employee told CCC he was not using his real name. The fraud claim fails for failure to allege reliance and a right to reliance.

D. <u>There Are No Allegations that Tractable Intended to Induce CCC to Act.</u>

CCC's sole allegation regarding Tractable's intentions is that "[o]n information and belief, Tractable intended that CCC rely on Tractable's misrepresentation of its identity as "JA Appraisal." ECF 1 ¶ 107. But allegations made "upon information and belief" are generally insufficient unless the plaintiff "states the grounds for his suspicions." *Elias v. Stewart Title of Illinois*, No. 09 C 6773, 2010 WL 4482102, at *4 (N.D. Ill. Nov. 1, 2010); *see also Szajna*, 115 Ill. 2d at 323 (use of a different name does not "constitute an untrue statement capable of supplying an inference of intent to deceive").

Nor could there be any allegation of intent to induce CCC to act, where Tractable's employee informed CCC he was not using his real name. Xin Decl. ¶¶ 6-8; Ex. A. CCC's license is provided to thousands of independent appraisers across the nation, with no investigation into their identity or even a credit check. And CCC alleges that it did not investigate the identity of Jason Chen or JA Appraisal until 14 months after entering into the License. ECF 1 ¶ 32.

E. CCC Cannot Plausibly Allege with Particularity that it Was Damaged.

CCC does not and cannot allege that Tractable did not pay for the Licenses (because in fact, Tractable paid for the license seats through November 30, 2018). And CCC cannot plausibly allege that Tractable reverse-engineered the software because CCC should have access to every keystroke and touchpoint to which Tractable had access through the Licenses. *Cf.* ECF 1 ¶ 79 (alleging *on information and belief* that Tractable reverse engineered the software to recreate it). Regardless, reverse engineering is legal. *See* part IV, *infra*. CCC also cannot allege any purported damage was caused by Tractable doing business as JA Appraisal or using the name Jason Chen.

CCC claims it has suffered unspecified "harm to CCC's content, programs and computer systems, expenses associated with being forced to investigate and block the unauthorized access and abuse of its computers and servers." ECF 1 ¶ 60. Yet CCC fails to specify what harm it suffered to its content, programs, and computer systems, and CCC is uniquely in possession of information about its own systems. And it defies credulity to suggest that CCC expended resources to investigate the purportedly "unauthorized access": CCC began investigating the claims on October 26, 2018 (*id*. ¶ 32), searched its database, turned off Tractable's six logins *that same day* (*id*. ¶ 49), and filed the Complaint four days later.

A claim for fraud fails without any allegation of damages. *City of Chicago v. Purdue Pharma L.P.*, No. 14 C 4361, 2015 WL 2208423, at *14 (N.D. Ill. May 8, 2015) (dismissing common law fraud claim where damages were not alleged with particularity as required by Rule 9(b)). So too here. Because CCC evidently did not care who took the License even when told the licensee was not using his real name, CCC's fraud claim should be dismissed with prejudice.

II. THE CFAA CLAIM FAILS.

Section (a)(2)(c) of the CFAA prohibits: (1) intentionally accessing a computer; (2) without authorization or exceeding authorized access to the computer; and (3) thereby

obtaining information from a protected computer. CCC alleges Tractable violated section (a)(2)(C) of the CFAA. ECF 1 ¶ 57. CCC's claim fails because Tractable ***was authorized*** to use the software under the License, did not exceed its authorized access, and CCC has failed to plausibly allege it was damaged.

A. <u>CCC Admits that Tractable Was Authorized to Access the Software.</u>

CCC repeatedly admits Tractable was authorized to access CCC ONE through the License. (ECF 1 ¶¶ 36, 52, 53; *see also* License.) Access pursuant to a license agreement defeats a claim of unauthorized access under the CFAA. *See Worldspan, L.P. v. Orbitz, LLC*, No. 05 C 5386, 2006 WL 1069128, at *4 (N.D. Ill. Apr. 19, 2006) (dismissing CFAA claim and noting "We agree with Orbitz that the allegation that Orbitz accessed Worldspan's computers 'without authorization' is belied by the Agreement, which permits Orbitz to access Worldspan's computers."). And although the License requires notice of termination be made in writing (License ¶ 23), CCC does not and cannot offer any facts to support the allegation that it terminated the License or that Tractable could have obtained access after the purported termination. ECF 1 ¶ 49, 51.

B. <u>CCC Cannot Allege Tractable Exceeded Authorized Access.</u>

CCC contends—and Tractable does not dispute—that Tractable used CCC's software to transmit estimates to an insurance carrier, which is expressly authorized under the License. ECF 1 ¶ 37, License ¶ 2.1. Thus, this allegation cannot support a claim for exceeding authorized access.

CCC then inexplicably seeks damages "for exceeding authorized access" (ECF 1 ¶ 61), but does not allege any facts stating how Tractable obtained any information, what information it was, and what information was purportedly obtained in excess of Tractable's authorized access. To state a claim for exceeding authorized access under the CFAA, the Complaint must allege that Tractable obtained or altered information in a CCC computer that Tractable was not entitled to obtain or alter. *See* CFAA Section 1030(e)(6). *See also Int'l Airport Centers, L.L.C. v. Citrin*,

440 F.3d 418, 420 (7th Cir. 2006) (explaining CFAA distinguishes "without authorization" and "exceeding authorized access" and defining latter as "accessing a computer with authorization and ... using such access to obtain or alter information in the computer that the accesser is not entitled so to obtain or alter.").

CCC fails to allege Tractable altered any data on CCC's computers, but pleads *on information and belief* that Tractable performed structured tests of CCC ONE to replicate its algorithms and mimic its software logic. ECF 1 ¶ 41. CCC cannot plausibly plead that Tractable performed such tests (because those facts are untrue), and information and belief allegations, where CCC has access to the information (i.e. keystrokes received at its server), should be disregarded.

And violation of terms of use alone does not create a cause of action under the CFAA for "exceeding authorization." *See, e.g.*, *Bittman v. Fox*, 107 F. Supp. 3d 896, 901 (N.D. Ill. 2015) (defendants' violation of Facebook's terms of use by creating a fake social media account did not constitute access "without authorization" or "exceeding authorized access" under the CFAA because defendants "***are not hackers, nor are they virus or worm writers***," and "did not access a computer to damage, steal, or tamper with [plaintiff's] data"); *see also Ticketmaster L.L.C. v. Prestige Entertainment, Inc.*, 306 F. Supp. 3d 1164, 125 U.S.P.Q.2d 1540 (C.D. Cal. 2018) (holding CFAA prohibition against exceeding authorized access is limited to violations of restrictions on *access* to information, ***and not restrictions on its use***); *Matot v. CH*, 975 F. Supp. 2d 1191 (D. Or. 2013) (same).

C. <u>The Complaint Fails to Plausibly Allege Damage or Loss.</u>

Moreover, the CFAA is primarily a criminal anti-hacking statute. *Fidlar Techs. v. LPS Real Estate Data Sols., Inc.*, 810 F.3d 1075, 1079 (7th Cir. 2016); *see also Int'l Airport Centers,* 440 F.3d at 420 ("Congress was concerned with ... attacks by virus and worm writers, on the one hand, which come mainly from the outside, and attacks by disgruntled programmers who decide

to trash the employer's data system on the way out"). The CFAA requires pleading of damage or loss for a private right of action. *Farmers Ins. Exch. v. Auto Club Grp.*, 823 F. Supp. 2d 847, 852 (N.D. Ill. 2011).

Damage is defined under the statute as an "impairment to the integrity or availability of data, a program, a system or information." 18 USC § 1030(e)(8). Mere copying of electronic information from a computer system is not enough to satisfy CFAA damage requirement. *Farmers Ins. Exch. v. Auto Club Grp*., 823 F. Supp. 2d 847, 852 (N.D. Ill. 2011).

As explained above (part I.E., *supra*), CCC's damages allegation is not specific, conclusory, and contradicted by its own allegations regarding its so-called investigation. Indeed, CCC had the power to, and did, deny access to Tractable. And CCC cannot allege that Tractable actually hacked into CCC's servers; by CCC's own allegations, Tractable logged into the software like all other independent appraisers under the License. Accordingly, the CFAA claim fails.

III. THE LANHAM ACT AND DECEPTIVE TRADE PRACTICES CLAIMS FAIL.

CCC's allegations show the trademark claims fail because Tractable did not use CCC's marks; Tractable created estimates in the software and sent them to an insurer, consistent with the License. To prevail on claims of trademark infringement or false designation of origin, CCC must show: (1) that its mark is protectable, and (2) that the defendant's use of that mark in commerce is likely to cause confusion among consumers. *Phoenix Entm't Partners v. Rumsey*, 829 F.3d 817, 822 (7th Cir. 2016). Claims under the Illinois Deceptive Trade Practices Act ("IUDTPA") are analyzed under the same standard as the Lanham Act; *Specht v. Google Inc.*, 758 F. Supp. 2d 570, 596 (N.D. Ill. 2010), *aff'd,* 747 F.3d 929 (7th Cir. 2014). A single instance of confusion is insufficient to support a violation of the Lanham Act. *Oshkosh*, 2011 WL 1131329, at *3.

Tractable does not dispute here the protectability of CCC's marks. Nevertheless, CCC's claims under the Lanham Act and the IDTPA fail because CCC cannot allege Tractable used any

mark in commerce (in fact any use was CCC's and is mandated by the License), and CCC fails to allege likelihood of confusion, but instead alleges that the relevant customers—insurers (who are sophisticated)—were *not* confused.

A. <u>CCC Does Not and Cannot Allege Tractable Used CCC's Marks.</u>

CCC alleges the estimates *appeared as if* they were prepared through CCC ONE. ECF 1 ¶ 28, 38. This is an allegation relating to use of the *software*, not use of any CCC *mark* in commerce. Indeed, CCC's software places CCC's mark on the estimates, not Tractable.

B. <u>The License Mandates CCC's Marks Appear on Estimates.</u>

CCC alleges—and Tractable does not dispute—that Tractable's employee obtained the License for employees' use while Tractable did business as JA Appraisal. *Id*. ¶¶ 23, 25, 36, 52. CCC alleges that Tractable sent its estimates to insurers, who are sophisticated. *Id*. ¶ 15, 22, 28.

The License expressly mandates that CCC's marks appear on estimates prepared by Tractable using CCC ONE, so any appearance of the CCC Marks was CCC's use, not Tractable's. License ¶ 2.5. In particular, the License provides, "CUSTOMER may not remove or modify any proprietary notice of CCC from any copy of the Programs, Services, or Documentation." License ¶ 2.5. Said differently, CCC expressly *consented* to—indeed mandated—the retention of CCC's marks and notices on the estimates Tractable prepared using the CCC software.

It is no wonder, then, that Tractable estimates—created with a license to the software—identify CCC as the sources of information and data. ECF 1 ¶ 39. But even with CCC as the source of the information and data, this is not actionable under Lanham Act because the Lanham Act does not support claims made by the author of the underlying idea or communication embodied in a tangible good. *See Dastar Corp. v. Twentieth Century Fox Film Corp*., 539 U.S. 23, 36-37 (2003) (explaining that Lanham Act does not cover the author of an idea, concept, or communication embodied in tangible goods).

C. CCC Alleges Insurers Were Not Confused.

Even if CCC had attempted to allege any of the factors in the test for likelihood of confusion—which CCC has not—the allegations would be facially implausible because they are contradicted by CCC's own allegations that insurance customers were *not* confused; insurers knew that Tractable had prepared the estimates using CCC's software (which was factually accurate). *See* ECF 1 ¶¶ 29, 30.

CCC ignores the Seventh Circuit's seven-factor test for the plausibility of allegations of confusion. *See Fortres Grand Corp. v. Warner Bros. Entm't Inc.*, 763 F.3d 696, 702 (7th Cir. 2014) (enumerating factors). But CCC has not alleged *any* facts which would support a claim of likelihood of confusion apart from conclusory allegations that Tractable's use of the CCC and CCC ONE marks is "likely to cause confusion," or that "on information and belief" Tractable confused "insurers, vehicle repair shops, and others." ECF 1 ¶ 86, 92. This conclusory pleading is insufficient to state a claim. Moreover, the insurers and vehicle repair shops are less likely to be confused than an ordinary consumer because they are professional buyers. J. Thomas McCarthy, 4 *McCarthy on Trademarks and Unfair Competition* § 23:101 (5th ed. 2018) ("Where the relevant buyer class is composed only of professionals or commercial buyers familiar with the field, they are usually knowledgeable enough to be less likely to be confused by trademarks that are similar. Such professional buyers are less likely to be confused than the ordinary consumer."). The Court should disregard these implausible allegations and conclusions, and dismiss the Lanham Act and IUDTPA claims. *Iqbal*, 556 U.S. at 678.

D. CCC Also Cannot Show Likelihood of Future Harm.

And CCC's IUDPTPA claim fails for an additional reason: CCC has failed to show that Tractable's conduct "will likely cause [CCC] harm in the future." *Camasta v. Jos. A. Bank Clothiers, Inc.*, 761 F.3d 732, 740 (7th Cir. 2014); *see also Smith v. Prime Cable of Chicago*, 276

Ill. App. 3d 843, 859 (1995) (noting IUDPTA allows injunctive relief, not damages).

IV. THE TRADE SECRET AND UNJUST ENRICHMENT CLAIMS FAIL.

CCC's claims for trade secret misappropriation under the DTSA and the ITSA must be dismissed because CCC has failed to plausibly allege any trade secret, and it cannot allege improper acquisition or use because by CCC's own admissions, Tractable was authorized under the License and ceased having access to the software on October 26, 2018. These federal and state law claims are analyzed together. Both the DTSA and the ITSA require the plaintiff to allege the information at issue is a trade secret and was improperly acquired or used. *Prominence Advisors, Inc. v. Dalton*, No. 17 C 4369, 2017 WL 6988661, at *5 (N.D. Ill. Dec. 18, 2017).

A. CCC Does Not Plausibly Allege Any Trade Secret.

Apart from failing to describe *what* in its software is trade secret, CCC provides its software to thousands of customers. ECF 1 ¶ 13. Because CCC offers its software to thousands of users, CCC does not take reasonable steps to keep it secret. *See* 765 Ill. Comp. Stat. 1065/2(d) (defining trade secret as, *inter alia*, "the subject of efforts that are reasonable under the circumstances to maintain its secrecy or confidentiality"); 18 U.S.C. § 1839(3) (defining trade secret as information whose owner "has taken reasonable measures to keep such information secret").

B. CCC Cannot Plausibly Allege Improper Acquisition or Use.

But even assuming something about CCC's software is, in fact, secret, CCC must allege Tractable acquired the trade secret by improper means, or disclosed or used a trade secret without consent. 18 USC § 1839(5)(A). Improper means includes misrepresentation and ***does not include reverse engineering*** or any lawful means of acquisition. 18 USC § 1839(6); 765 Ill. Comp. Stat. 1065/2(a). *See also Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 476 (1974) ("A trade secret law, however, does not offer protection against discovery by fair and honest means, such as by independent invention, accidental disclosure, or by so-called reverse engineering, that is by starting

with the known product and working backward to divine the process which aided in its development or manufacture."). The allegations of reverse engineering (ECF 1 ¶ 69, 79) do not state a claim. As explained in part I, *supra*, CCC fails to allege any misrepresentation by Tractable.

Again, as explained above, CCC's own allegations are that Tractable's access to, and use of, the purported trade secrets was *authorized* and paid for under the License. ECF 1 ¶¶ 23, 25; License ¶ 2.1. The allegation that Tractable sent these estimates to CCC customers, again, is ***not*** a trade secret violation and it is *consistent with the terms of the License*. ECF 1 ¶¶ 28-31, 38; License ¶ 2.1. And that Tractable employees asked questions "in an attempt to understand how to upload its own estimates into CCC ONE" is also consistent with its terms relating to EMS file transmission. License ¶ 24. But the allegation that Tractable sought to "discover the algorithms behind the platform" by contacting the help desk is facially implausible (does CCC suggest its help desk gives out company trades secrets?) and is contradicted by CCC's chat transcripts, which show only that Tractable sought to communicate with insurers using EMS files. ECF 1 ¶¶ 42-44. Moreover, if Tractable's questions in the chats were unusual, CCC does not explain the six-week delay from the September 2018 chats and CCC's investigation in October 2018. *Id*. ¶¶32, 42-44

CCC does not allege that Tractable used improper means under the License because such an allegation would fail the plausibility test. *See* Uniform Trade Secrets Act § 1(1) cmt. (noting that discovery under a license form the owner of the trade secret is proper means). CCC fails to state any grounds, much less plausible grounds, to suggest that any purported trade secret was used by Tractable in a manner not expressly authorized by the License. *Maclean-Fogg Co. v. Edge Composites, L.L.C.*, No. CIV.A. 08 C 6367, 2009 WL 1010426, at *6 (N.D. Ill. Apr. 14, 2009) (dismissing trade secret where plaintiff failed to state grounds for suspicion or identity of information allegedly disclosed). The trade secret claims fail.

C. Unjust Enrichment Is Preempted by the Trade Secrets Claims.

The Illinois Trade Secrets Act "is intended to displace conflicting tort, restitutionary, unfair competition, and other laws of this State providing civil remedies for misappropriation of a trade secret." *Spitz v. Proven Winners N. Am., LLC*, 759 F.3d 724, 733 (7th Cir. 2014). Accordingly, CCC's unjust enrichment claim, which is essentially a claim for restitution, fails. *Id*.

V. THE REMAINING CLAIMS FAIL.

A. There Can Be No Trespass to Chattels Here.

CCC alleged that it terminated Tractable's access to the software on October 26, 2018. It has not plausibly alleged any element of a claim for trespass to chattels (other than that CCC owns its computers). *Antonelli v. Sherrow*, No. 02 C 8714, 2005 WL 2338813, at *10 (N.D. Ill. Sept. 21, 2005), aff'd, 246 F. App'x 381 (7th Cir. 2007) (noting plaintiff must show (1) the defendants' unauthorized or wrongful assumption of control, dominion or ownership of the plaintiff's property; (2) the plaintiff's right in the property; (3) the plaintiff's right to immediate possession; (4) the plaintiff's demand for possession; and (5) that the dispossession resulted in damages"). Nowhere has CCC alleged any demand for possession, or that access to CCC's software equates to control, dominion, or ownership of CCC's computers. Nor could it; as the licensed use of an executable software does not plausibly provide dominion, ownership or control over to CCC's computers. CCC retained full control of its computers and terminated Tractable's access. ECF 1 ¶ 49.

B. Declaratory Relief Is Not a Claim.

"A declaratory judgment is a remedy for an underlying cause of action, not a separate, substantive claim for relief." *In re Brinson*, 485 B.R. 890, 904 (Bankr. N.D. Ill. 2013). The Court should dismiss or strike under Rules 12(b)(6) or 12(f) CCC's claim for declaratory relief.

CONCLUSION

For the foregoing reasons, Tractable requests the Court dismiss all claims in the Complaint.

Dated: December 20, 2018

Respectfully submitted,

By: s/ Jennifer M. Kurcz

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Jennifer M. Kurcz (Bar No. 6279893)
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New York, NY 10019-6142
Telephone: +1 212 506 5000
Facsimile: +1 212 506 5151
rmartinelli@orrick.com
acolt@orrick.com

Attorneys for Tractable Inc.

CERTIFICATE OF SERVICE

I, Jennifer M. Kurcz, hereby certify that on this 20th day of December, 2018, I caused the foregoing to be electronically filed with the Clerk of Court using the CM/ECF system, which sent notification of such filing to all filing users.

s/Jennifer M. Kurcz
Jennifer M. Kurcz

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CCC INFORMATION SERVICES, INC., Plaintiff, v. TRACTABLE INC., Defendant.	Case No. 1:18-cv-07246

EXHIBITS IN SUPPORT OF
MEMORANDUM OF LAW IN SUPPORT OF
MOTION TO DISMISS

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT AND EXHIBITS TO THE BELOW DECLARATION
1	**Declaration of Xing Xin** Exhibit A: Email dated August 23, 2017 from Xin to CCC Exhibit B: Email dated August 23, 2017 from CCC to Xin Exhibit C: License Agreement, entitled "Automotive Services Independent Appraiser Master License Agreement," executed on March 13, 2018
2	**Unpublished Cases**

EXHIBIT 1

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

CCC INFORMATION SERVICES INC., Plaintiff, v. TRACTABLE INC., Defendant.	Case No. 1:18-cv-07246

DECLARATION OF XING XIN

I, Xing Xin, pursuant to 28 U.S.C. §1746, declare under penalty of perjury as follows:

1. I make this declaration based on my personal knowledge of the facts set forth herein. I make this declaration in support of Tractable Inc.'s Motion to Compel Arbitration and Stay Proceedings and in support of Tractable Inc.'s Motion to Dismiss CCC's Complaint.

2. From March 2017 to June 2018, I was the Head of U.S. Business and Product Development at Tractable, Inc. ("Tractable").

3. I began working for Tractable in March 2017.

4. At that time, and for the duration of my tenure at Tractable, Tractable engaged in appraisal-related work under the name JA Appraisal.

5. My legal name is Xing Xin. Jason Chen is the name I used when interacting with CCC Information Services, Inc. ("CCC") and when signing agreements with CCC.

6. On August 23, 2017, when I first placed an order on behalf of JA Appraisal (Tractable) for CCC's software, and before executing any agreement, I informed CCC over the phone that Jason Chen was not my name. I followed up with an email reminding CCC that Jason Chen was not my legal name and I asked CCC for confirmation that it would be "ok to sign as

Jason." Attached as **Exhibit A** is a true and correct copy of an email dated August 23, 2017 from me to CCC.

7. After I executed a license agreement, CCC replied by email the same day stating that my order had been processed. Attached as **Exhibit B** is a true and correct copy of an email dated August 23, 2017 from CCC to me.

8. On March 13, 2018, on behalf of JA Appraisal (Tractable) and using the name "Jason Chen," I executed a license agreement entitled AUTOMOTIVE SERVICES INDEPENDENT APPRAISER MASTER LICENSE AGREEMENT with CCC Information Services, Inc. (the "License"). Attached as **Exhibit C** is a true and correct copy the License.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Dated: December 18, 2018
San Francisco, CA

By: _____
Xing Xin

4161-7885-6729

Exhibit A

From: **Barry McShaw** bmcshaw@cccis.com
Subject: RE: IA PLATFORM
Date: August 23, 2017 at 2:53 PM
To: Jason Chen jaappraisalco@gmail.com

BM

1. When we had spoken over the phone, I thought it was a 12 month agreement? The contract language says contract term is 36 months (page 4) Please refer to page 8 product schedule it's a 12 month term. Please see notes and term on page 8.
2. As an independent appraiser, we sometimes on the road. Does our package allow us to write from on the road or only in our office? You can write from the road if you install on a laptop. You will need to have internet access to update software and also sync. Please call me and I will explain at 815-280-9441.

Barry McShaw, Inside Sales Representative
CCC Information Services, Automotive Services Group
8600 West Bryn Mawr Avenue, Suite 900S
Chicago, IL 60631

Office: 877.208.6155 ext. 8200
Mobile: 815.280.9441
CCC Technical Support: 800.637.8511
Email: bmcshaw@cccis.com
www.cccis.com

From: Jason Chen [mailto:jaappraisalco@gmail.com]
Sent: Wednesday, August 23, 2017 1:27 PM
To: Barry McShaw <bmcshaw@cccis.com>
Subject: Re: IA PLATFORM

Hi Barry,

A couple of questions:

1. When we had spoken over the phone, I thought it was a 12 month agreement? The contract language says contract term is 36 months (page 4)
2. As an independent appraiser, we sometimes on the road. Does our package allow us to

write from on the road or only in our office?

Also, just a confirmation that ok to sign as Jason (not my legal name).

Thanks!

Jason

On Wed, Aug 23, 2017 at 10:41 AM, Barry McShaw <bmcshaw@cccis.com> wrote:

> Check your email.
>
> Barry McShaw, Inside Sales Representative
> CCC Information Services, Automotive Services Group
> 8600 West Bryn Mawr Avenue, Suite 900S
> Chicago, IL 60631
>
> Office: 877.208.6155 ext. 8200
> Mobile: 815.280.9441
> CCC Technical Support: 800.637.8511
> Email: bmcshaw@cccis.com
> www.cccis.com
>
> **From:** Jason Chen [mailto:jaappraisalco@gmail.com]
> **Sent:** Wednesday, August 23, 2017 12:27 PM
>
> **To:** Barry McShaw <bmcshaw@cccis.com>
> **Subject:** Re: IA PLATFORM
>
> Ok, that works. Shoot me what you need to get started and let's kick off.
>
> On Wed, Aug 23, 2017 at 9:24 AM, Barry McShaw <bmcshaw@cccis.com> wrote:
>
> > I can do $15 discount for 12 months.
> >
> > Get Outlook for Android
> >
> > ---
> >
> > **From:** Jason Chen <jaappraisalco@gmail.com>
> > **Sent:** Wednesday, August 23, 2017 11:22:09 AM

To: Barry McShaw
Subject: Re: IA PLATFORM

Were you able to see if you are able to offer better rates to start with given we're starting at ground zero?

Here are our billing and shipping address:

4600 Adeline St.
Unit 116
Emeryville, CA 94608

Thanks,

On Wed, Aug 23, 2017 at 9:07 AM, Barry McShaw <bmcshaw@cccis.com> wrote:

I need your address for billing and shipping of our software. I will send over agreements to you once I get this information.

Barry McShaw, Inside Sales Representative
CCC Information Services, Automotive Services Group
8600 West Bryn Mawr Avenue, Suite 900S
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From: Jason Chen [mailto:jaappraisalco@gmail.com]
Sent: Tuesday, August 22, 2017 4:33 PM
To: Barry McShaw <bmcshaw@cccis.com>
Subject: Re: IA PLATFORM

Hi Barry,

The best number to reach me is: 973-687-3997.

Looking forward to connecting!

Best,

Jason

On Tue, Aug 22, 2017 at 12:34 PM, Barry McShaw <bmcshaw@cccis.com> wrote:

> Can you please give me your best contact number.
>
> Barry McShaw, Inside Sales Representative
> CCC Information Services, Automotive Services Group
> 8600 West Bryn Mawr Avenue, Suite 900S
> Chicago, IL 60631
>
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> Mobile: 815.280.9441
> CCC Technical Support: 800.637.8511
> Email: bmcshaw@cccis.com
> www.cccis.com
>
>
>

Exhibit B

From: **Barry McShaw** bmcshaw@cccis.com
Subject: RE: IA PLATFORM
Date: August 23, 2017 at 3:50 PM
To: Jason Chen jaappraisalco@gmail.com

BM

Order processed. I sent email for you to call Technical support in the morning for installation.

Barry McShaw, Inside Sales Representative
CCC Information Services, Automotive Services Group
8600 West Bryn Mawr Avenue, Suite 900S
Chicago, IL 60631

Office: 877.208.6155 ext. 8200
Mobile: 815.280.9441
CCC Technical Support: 800.637.8511
Email: bmcshaw@cccis.com
www.cccis.com

From: Jason Chen [mailto:jaappraisalco@gmail.com]
Sent: Wednesday, August 23, 2017 2:21 PM
To: Barry McShaw <bmcshaw@cccis.com>
Subject: Re: IA PLATFORM

Thanks for the clarification. Contract signed. Looking forward to getting it going!

On Wed, Aug 23, 2017 at 11:53 AM, Barry McShaw <bmcshaw@cccis.com> wrote:

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Subject: Re: IA PLATFORM

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> **Sent:** Wednesday, August 23, 2017 11:22:09 AM
> **To:** Barry McShaw
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Email: bmcshaw@cccis.com
www.cccis.com

Exhibit C

AUTOMOTIVE SERVICES INDEPENDENT APPRAISER MASTER LICENSE AGREEMENT

This Automotive Services Master License Agreement ("Agreement") is made as of 5/1/2018, (the "Effective Date") by and between CCC Information Services Inc., with principal offices at 222 Merchandise Mart Plaza, Suite 900, Chicago, Illinois 60654-1005 ("CCC"), its successors and assigns, and the customer that is identified on the Product Schedule ("CUSTOMER").

1. **Definitions.** For the purposes of this Agreement, the definitions set forth in this Section shall apply to the respective capitalized terms:

1.1 "CCC Portal" means the portal through which the Services are accessed.

1.2 "Collision Estimating Database" means the electronic database containing the "Motor Crash Estimating Guides Collision Estimating Database" published by Motor Information Systems, a unit of Hearst Business Publishing, Inc. ("Hearst").

1.3 "Data" means data that is supplied by CUSTOMER to be incorporated or used with the Programs and/or Services.

1.4 ""Documentation" means those instructions and help manuals pertaining to the Programs and/or Services furnished and/or made accessible by CCC, as may be updated and revised from time-to-time by CCC.

1.5 "Enhancement(s)" means computer program modifications, updates or additions, other than Maintenance Modifications that may be integrated with the Programs and/or Services that are generally made available to CCC customers without charge; provided, however, that Enhancements do not include new Program and/or Services features which will be made available to CUSTOMER at CCC's then current published prices.

1.6 "Error(s)" means a defect in a Program and/or Service that prevents it from functioning in substantial conformity with the Documentation.

1.7 "Maintenance Modification(s)" means computer software changes to be integrated with the Programs and/or Services to correct any Errors therein, but that do not alter the functionality of the Programs and/or Services or add new functions thereto.

1.8 "Product Schedule(s)" means one (1) or more product schedules that are attached hereto and by reference incorporated herein.

1.9 "Program(s)" means a software application licensed to CUSTOMER under this Agreement, as reflected on a Product Schedule).

1.10 "Proprietary or Confidential Information" means, with respect to a party hereto, all information or material which is either (a) marked "Confidential," "Restricted" or "Proprietary Information" or other similar marking, or (b) known by the parties to be considered confidential and proprietary. Proprietary or Confidential Information includes, but is not limited to, the Programs, Services, the Collision Estimating Database and any trade secrets related thereto. In addition, each of the terms and conditions of this Agreement, including pricing, shall constitute Proprietary or Confidential Information. Neither party shall have any obligation with respect to Proprietary or Confidential Information which: (i) is or becomes generally known to the public by any means other than a breach of the obligations of a receiving party; (ii) was previously known to the receiving party or rightly received by the receiving party from a third party; or (iii) is independently developed by the receiving party without reference to information derived from the other party; and (iv) subject to disclosure under court order or other lawful process.

1.11 "Required Platform" means the CCC minimum hardware and software requirements identified by CCC which are necessary to operate the Programs and/or Services (including all model conversions, elements and accessories).

1.12 "Services" means those software applications residing on servers owned or operated by or for the benefit of CCC to which CUSTOMER is given access under this Agreement, as reflected on a Product Schedule.

2. **License Grant; Scope of Access and Use; Collision Estimating Database Sublicense.**

2.1 License. Subject to the terms and conditions of this Agreement, during the term hereof, CCC hereby grants to CUSTOMER and CUSTOMER accepts a limited, nonexclusive, nontransferable, nonassignable, revocable, term license to use the Programs and/or Services and Documentation solely to provide third party claims services to CUSTOMER's clients, including, insurance companies, repair facilities and leasing companies, (individually, a "Client" and collectively, the "Clients") for the evaluation, processing and settling of auto physical damage claims in connection with insurance policies issued and/or serviced by Clients for vehicles located in the United States (the "Claims Services") and for no other purpose whatsoever (the "License") This License is limited to the Programs and/or Services in the Product Schedule(s) only and does not apply to other products and documentation sold or licensed by CCC.

2.2 Users. In the case of Programs, only one (1) person at a time at one (1) location may access a Program unless such Program is licensed for additional users as set forth on a Product Schedule. In the case of certain Services, a confidential password and login credential will be given to each user authorized by CUSTOMER, which may not be transferred to any other individual or entity. CUSTOMER is solely responsible for assuring the appropriateness of each user and the level of access each user should be afforded.

If at any time CCC believes a password or login credential has been compromised, CCC can change any or all passwords and/or login credentials.

2.3 Collision Estimating Database Sublicense. To the extent incorporated in a Program, CCC hereby grants, and CUSTOMER hereby accepts, on the terms and conditions contained herein, a nonexclusive, nontransferable sublicense to use or access the Collision Estimating Database (collectively, to the extent the Collision Estimating Database is incorporated into a Program, such combination shall be deemed to be a "Program"). CCC represents and warrants that it is authorized and empowered under license agreements with Hearst to grant the rights to use or access the Collision Estimating Database described herein. The Collision Estimating Database is intended to be used in conjunction with the CCC ONE Appraisal Platform ("CCC ONE") licensed hereunder, or any successor product, as an alternative electronic information source of data, inclusive or exclusive of diagrams, contained in Hearst's published printed periodicals. CUSTOMER agrees that its Collision Estimating Database sublicense shall be expressly subject and subordinate to the terms of CCC's license agreements with Hearst. Any modification hereto which affects the rights or obligations of Hearst, specifically, Hearst's right of ownership in the Collision Estimating Database, Hearst's right to restrict the use, copying, modification, distribution and transfer of its Collision Estimating Database and the term of the agreement between CCC and Hearst, shall require the written consent of Hearst, and Hearst shall not be deemed to have waived any term or provision hereof or consented to any breach of this Agreement, unless such waiver or consent shall be in writing and signed by Hearst. WITH RESPECT TO THE COLLISION ESTIMATING DATABASE, EACH UPDATING MEDIA WILL AUTOMATICALLY ERASE THE PRIOR PERIOD'S COLLISION ESTIMATING DATABASE BY VERIFYING THE USER AND SERIAL NUMBER OF EACH CCC ONE UNIT. IF THE USER AND SERIAL NUMBER ARE NOT CURRENT OR ARE INVALID, THE CCC ONE UNIT MAY RENDER BOTH THE CURRENT COLLISION ESTIMATING DATABASE AND THE COLLISION ESTIMATING DATABASE WITHIN CCC ONE INOPERATIVE. ALSO, SUPERSEDED DATA SHOULD NOT BE USED ON ANY OTHER COMPUTER AS IT MAY CAUSE DAMAGE TO SOFTWARE AND HARDWARE.

2.4 Further Limitations. As further limitations to the limited licenses granted hereunder, CUSTOMER acknowledges and agrees that it may not do any of the following:

a) Copy, translate, port, modify, or make derivative works of the Programs and/or Services or Documantation;

b) Electronically transmit the Programs from one computer to another or over a network, including the Internet;

c) Rent, sell, assign, lease, sublicense or otherwise transfer or provide access to the Programs and/or Services and Documentation or use them in any manner not expressly authorized by this Agreement ;

d) Derive or attempt to derive the source code, source files, or structure of all or any portion of the Programs and/or Services (or any applications or code used to provide the Services) by reverse engineering, disassembly, decompilation or any other means;

e) Provide a front-end or otherwise access the Programs and/or Services through equipment, locations, software or applications not authorized hereunder;

f) Compile estimate data for the purpose of creating a database

g) Access or use the Programs or Services outside of the United States and its protectorates

h) Use the Programs and/or Services and Documentation for the benefit of any entity other than CUSTOMER except to provide the Claims Services; or

i) Obligate CCC in any way or make any representations or warranties regarding the Programs and/or Services to Clients.

2.5 Intellectual Property Protection. The Programs, Services and Documentation contain material that is protected by United States copyright law and trade secret law, and by international treaty provisions. All rights not expressly granted to CUSTOMER under this Agreement are expressly reserved by CCC. CUSTOMER may not remove or modify any proprietary notice of CCC from any copy of the Programs, Services or Documentation.

2.6 Ownership. All copyrights, patents, patent rights, trade secrets, trademarks, service marks, trade names, moral rights and other intellectual property and proprietary rights in the Programs, Services, content on the CCC Portal and Documentation are and shall remain the sole and exclusive property of CCC and its licensors. Without limiting the foregoing, CUSTOMER acknowledges CCC's (or CCC's licensors') exclusive ownership of any modification, translation or adaptation of the Programs, Services and Documentation and any other improvement or development based thereon, which is suggested, developed, supplied, installed or paid for by or on behalf of CUSTOMER. CUSTOMER agrees that it will not claim or assert title to the Programs, Services or Documentation or attempt to transfer any title to any third parties. CUSTOMER acknowledges that the Collision Estimating Database is confidential and proprietary material owned and copyrighted by Hearst and certain materials within the Collision Estimating Database are owned by other CCC licensors. CUSTOMER agrees that Hearst and other CCC's licensors shall retain exclusive ownership of such Collision Estimating Database, including, without limitation, all literary property rights, copyrights, trademarks, trade secrets, trade names or service marks, including

goodwill, and that Hearst, CCC's other licensors and/or CCC may enforce such rights directly against CUSTOMER in the event the pertinent terms of this Agreement are violated.

2.7 Program Discontinuance. CCC RESERVES THE RIGHT TO DISCONTINUE PROVIDING ANY PROGRAM AND/OR SERVICE UPON SIXTY (60) DAYS PRIOR WRITTEN NOTICE TO CUSTOMER; PROVIDED, HOWEVER, CCC WILL REPLACE ANY SUCH PROGRAM AND/OR SERVICE WITH A PROGRAM OR SERVICE SIMILAR TO THE PROGRAM AND/OR SERVICE BEING REPLACED, AT NO ADDITIONAL CHARGE TO CUSTOMER, FOR THE REMAINDER OF THE TERM OF THIS AGREEMENT.

3. **Devices.** CUSTOMER shall obtain at its own expense computer and telecommunications assets sufficient to satisfy the Required Platform. CUSTOMER shall make all necessary modifications to its computer and telecommunications assets to ensure that the Programs and/or Services function properly. Operation of and maintenance of the computer and telecommunications assets is the sole responsibility of CUSTOMER.

4. **Fees; Payment.** The fees under this Agreement are set forth on the Product Schedule(s), unless otherwise set forth in an amendment to this Agreement. **CCC may increase any fees after the initial term specified herein or on the Product Schedule(s) and on an annual basis thereafte**r. Fees are exclusive of all shipping costs and applicable sales, use, excise or similar taxes assessed now or hereafter imposed. CUSTOMER agrees that its obligation to make all payments due shall be absolute and unconditional and not subject to any abatement, reduction, refund, set-off, defense or counterclaim whatsoever. Certain Programs and Services will be billed in advance and certain Programs and Services will be billed in arrears, as set forth on the Product Schedule(s). Unless specified otherwise in the Product Schedule(s), all fees are due thirty (30) days after the invoice date. Any past due amounts will be assessed a late fee accruing at the lesser of 1.5% per month or the maximum rate allowable by law.

5. **Confidentiality of Information; Protection and Security.**

5.1 Nondisclosure; Non-use. The parties agree, both during the term of this Agreement and after the expiration or termination of this Agreement to hold each other's Proprietary or Confidential Information in confidence. The parties agree not to make each other's Proprietary or Confidential Information available in any form to any third party or to use each other's Proprietary or Confidential Information for any purpose other than as specified in this Agreement. Each party agrees to take all reasonable steps so that Proprietary or Confidential Information of either party is not disclosed or distributed by its employees, agents or consultants in violation of the provisions of this Agreement.

5.2 Equitable Relief. Each party acknowledges that any use or disclosure of the other party's Proprietary or Confidential Information, other than as specifically provided for in this Agreement and other written agreements between CCC and CUSTOMER, may result in irreparable injury and damage to the non-using or nondisclosing party. Accordingly, each party hereby agrees that, in the event of use or disclosure by the other party, other than as specifically provided for in this Agreement and in other written agreements between the parties, the non-using or nondisclosing party may be entitled to equitable relief as granted by any appropriate judicial body.

6. **Expenses.** It is expressly understood and agreed that CCC is under no obligation to reimburse CUSTOMER for any expenses or costs incurred by CUSTOMER in the performance of its responsibilities under this Agreement. Any costs or expenses incurred by CUSTOMER shall be at CUSTOMER's sole risk and upon its independent business judgment that such costs and expenses are appropriate.

7. **Training, Maintenance and Support.** CCC shall provide CUSTOMER's employees with its standard implementation and training regarding the operation of the Programs and/or Services. Such training shall be conducted at mutually agreeable times and at mutually agreeable locations. In addition, CCC shall provide CUSTOMER telephone support for the Programs and/or Services. CCC's telephone support is available Monday through Friday 6:00 a.m. to 7:30 p.m. Central time and Saturday 7:00 a.m. to 2:30 p.m. Central time (except CCC holidays). CCC's telephone support hours are subject to change at any time without notice. CCC shall provide CUSTOMER with any Maintenance Modifications and Enhancements for the Programs and/or Services. CCC shall not be responsible for ensuring proper production and storage of daily backup diskettes for any data. CUSTOMER is responsible for (a) preparing and maintaining the location of the Computer Equipment in accordance with the specifications provided by CCC; (b) providing adequate personnel to assist CCC in carrying out its duties under this Agreement; and (c) installing any Enhancements or Maintenance Modifications to the Programs and/or Services. In the event CUSTOMER requests support and the problem for which CCC was called to correct is determined to have been caused by equipment or software not provided by CCC under this Agreement, CCC may bill CUSTOMER at CCC's then current time and material rates for all time and costs incurred in responding to the support request.

8. **Data.** CUSTOMER represents and warrants that it has the right to provide the Data to CCC. CUSTOMER hereby grants CCC full right and authority to use data supplied by CUSTOMER: (a) to be incorporated or used with the Programs and/or Services under this Agreement; (b) for the purpose of creating and providing reports and analysis to the CUSTOMER; (c) for any internal industry, market, and trend analysis, product improvement, and research and development by, or on behalf of, CCC and its affiliates; and (d) in de-identified form, within CCC's and its affiliates' products and services. Such use of this data may continue after the expiration or termination of this Agreement. CUSTOMER is not entitled to recreate estimates for vehicles not related to the original estimate without the advance, written consent of CCC.

9. **Disclaimer of Warranties.** EXCEPT AS PROVIDED IN SECTION 2.3 OF THIS AGREEMENT, THE PROGRAMS, SERVICES AND DOCUMENTATION ARE PROVIDED BY CCC "AS IS," WITH ALL FAULTS, AND WITHOUT WARRANTY OF ANY KIND. CCC EXPRESSLY DISCLAIMS ALL WARRANTIES, EXPRESS AND IMPLIED, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED

WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND TITLE/NONINFRINGEMENT. CCC DOES NOT WARRANT THAT THE PROGRAMS, SERVICES AND DOCUMENTATION WILL MEET CUSTOMER'S REQUIREMENTS OR THAT THE OPERATION OF THE PROGRAMS, SERVICES WILL BE UNINTERRUPTED OR ERROR FREE. CCC DOES NOT WARRANT OR MAKE ANY REPRESENTATION REGARDING THE USE OR THE RESULTS OF THE USE OF THE PROGRAMS, SERVICES OR THE DOCUMENTATION IN TERMS OF THEIR CORRECTNESS, ACCURACY, QUALITY, RELIABILITY, APPROPRIATENESS FOR A PARTICULAR TASK OR APPLICATION, OR OTHERWISE. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY CCC OR CCC'S AGENTS SHALL CREATE A WARRANTY.

10. **Limitation of Liability.** IN NO EVENT SHALL CCC, HEARST OR OTHER LICENSORS OF CCC BE LIABLE TO CUSTOMER OR ANY THIRD PARTY FOR ANY INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, INDIRECT, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES FOR LOSS OF BUSINESS, LOSS OF PROFITS, LOSS OF GOODWILL OR BUSINESS REPUTATION, BUSINESS INTERRUPTION, LOSS OF DATA, OR LOSS OF BUSINESS INFORMATION) ARISING OUT OF OR CONNECTED IN ANY WAY WITH THIS AGREEMENT, OR FOR ANY CLAIM BY ANY THIRD PARTY (INCLUDING FOR INTELLECTUAL PROPERTY INFRINGEMENT), EVEN IF CCC, HEARST OR OTHER LICENSOR OF CCC HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE TOTAL LIABILITY OF CCC AND HEARST AND OTHER LICENSORS TO CUSTOMER FOR ALL DAMAGES, LOSSES, AND CAUSES OF ACTION (WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE) SHALL NOT EXCEED THE AMOUNTS PAID BY CUSTOMER TO CCC DURING THE PRECEDING TWELVE MONTHS FOR THE PROGRAMS AND/OR SERVICES GIVING RISE TO SUCH LIABILITY.

11. **Indemnification.**

11.1 **CCC Intellectual Property Indemnification.** CCC agrees to defend CUSTOMER and CUSTOMER's officers, employees and authorized successors in interest from and against any third party action, proceeding or other such claim (each a "Third Party Claim") to the extent based on, and indemnify and hold harmless such persons and entities from any liability, loss, damage, cost or expense, including, without limitation, reasonable attorneys' fees awarded to a third party ("Losses") that are finally awarded in connection with any Third Party Claim to the extent caused by, the infringement or misappropriation of any United States copyright, trade secret, patent, trademark or service mark of a third party by CUSTOMER's use of the Programs and/or Services in a manner permitted hereunder (collectively, "Infringement Claim(s)"). CUSTOMER agrees that if its use of the Programs and/or Services or any part thereof becomes, or in CCC's opinion may become, the subject of an Infringement Claim(s), CCC will either procure the right for CUSTOMER to continue to use the Programs and/or Services, or part thereof, or replace or modify the Programs and/or Services, or part thereof, with another non-infringing item of comparable quality and performance capabilities. If neither of such alternatives is commercially reasonable, the infringing items shall be returned to CCC and CCC's sole liability to CUSTOMER shall be to refund the amounts pre-paid by CUSTOMER, if any. Notwithstanding the foregoing, CCC assumes no liability or indemnity obligation for Infringement Claim(s) arising from: (a) use of the Programs and/or Services in combination with non-CCC approved third party products, including hardware and software; (b) modifications or maintenance of the Programs and/or Services by a party other than CCC; (c) misuse of the Programs and/or Services; and (d) failure of CUSTOMER to implement any Maintenance Modifications or Enhancements to the Programs and/or Services, if the Infringement Claim(s) would have been avoided by the use of the Maintenance Modifications or Enhancements.

11.2 CUSTOMER Indemnification. CUSTOMER shall indemnify and hold harmless CCC, its parent, subsidiaries and affiliates and their respective directors, officers, employees, and agents (the "Indemnitees") from and against any and all claims, actions, demands, damages, costs, liabilities, losses and expenses, including reasonable attorney's fees (the "Claims"), and to defend the Indemnitees against any Claims relating to or arising out of CUSTOMER's use of and access to CCC's Products or Services or the provision of the Claims Services to Clients. CCC will provide CUSTOMER with prompt notice of any Claim for which it seeks indemnification, provided that the failure to do so will not excuse CUSTOMER of its indemnification obligations except to the extent prejudiced by such failure or delay. CUSTOMER will defend any such Claim and have the sole right to control the defense of such Claim. CCC will provide reasonable cooperation to CUSTOMER in defending any Claim. CCC may, at its sole expense, obtain counsel of its own choosing to monitor any Claim.

12. **Term and Termination.**

12.1 Term. This Agreement will commence on the Effective Date and continue in force for thirty-six (36) months from the initial billing (or as otherwise specified in the Product Schedule(s)), unless earlier terminated as provided herein.

12.2 **AUTOMATIC RENEWAL. The Agreement will be automatically renewed for successive terms of equivalent duration unless either party, in its discretion, notifies the other party in writing to the contrary within at least NINETy (90) days prior to the expiration of the current term. The initial thirty-six (36) month term and all subsequent renewal terms, if any, shall be referred to herein as the "Term."**

12.3 Termination. This Agreement shall terminate:

(a) In the event CUSTOMER is in default of this Agreement. An event of default shall occur if CUSTOMER fails to pay any fees or other payments required hereunder when due or perform or observe any other term or condition contained in this Agreement. Upon the occurrence of any event of default and at any time thereafter, CCC may, in its sole discretion, do any one or more of the following: (i) terminate access to the Programs and/or Services until CUSTOMER pays all outstanding fees, interest and/or other payments due hereunder; (ii) upon notice to CUSTOMER, terminate this Agreement; (iii) declare immediately due and payable, and require

CUSTOMER to pay, all amounts that are past due, currently due and to become due during the balance of the then current term of the Agreement; (iv) by written notice to CUSTOMER, demand that CUSTOMER (and CUSTOMER agrees that it shall) pay to CCC (as liquidated damages for loss of a bargain and not as a penalty) on the date specified in such notice an amount (plus interest thereon at the rate of 12% per annum from said date to the date of actual payment) equal to all unpaid fees then due and to become due and payable for the balance of the then current term of the Agreement; or (v) proceed by arbitration to enforce the terms of this Agreement or to recover damages for the breach hereof. In addition, CUSTOMER shall be liable for all legal fees and other costs and expenses resulting from CUSTOMER's defaults and exercise of CCC's remedies. No remedy shall be exclusive, and all remedies shall be cumulative and in addition to any other remedy referred to above or otherwise available to CCC at law or in equity. To the extent permitted by applicable law, CUSTOMER hereby waives any rights, now or hereafter, conferred by statute or otherwise which may limit or modify any of CCC's rights or remedies under this Section; or
(b) Upon notice by either party, immediately, if (i) a receiver is appointed for the other party or its property; (ii) the other party becomes insolvent or unable to pay its debts as they mature in the ordinary course of business or makes a general assignment for the benefit of its creditors; or (iii) any proceedings (whether voluntary or involuntary) are commenced against the other party under any bankruptcy or similar law and such proceedings are not vacated or set aside within sixty (60) days from the date of commencement thereof.
12.4 Post-Termination. From and after termination, (a) all licenses granted herein shall terminate automatically and CUSTOMER shall have no further right to use the Programs, Services, CCC Proprietary or Confidential Information or Documentation and (b) CUSTOMER shall destroy or return to CCC all copies of the Programs, CCC Proprietary or Confidential Information and Documentation, and certify in writing that all known copies, including backup copies, have been destroyed.

13. **Compliance with Law.** CUSTOMER shall comply with all applicable laws and regulations of governmental bodies or agencies in its performance under this Agreement.

14. **Assignment.**

14.1Assignment by CUSTOMER. CUSTOMER represents that it is acting on its own behalf and is not acting as an agent for or on behalf of any third party, and further agrees that it may not assign its rights or obligations under this Agreement without the prior written consent of CCC. CUSTOMER acknowledges that any attempt to assign this Agreement without such consent from CCC will be void.

14.2 Assignment by CCC. CCC may assign its rights to payments from CUSTOMER, and/or any contracted third party of CUSTOMER, to any third party. CCC may assign this Agreement to any entity acquiring or merging with CCC, or to whom CCC transfers all or substantially all of its assets, or to any entity that CCC executes a contract with that provides for such an assignment.

15. **Choice of Law/Binding Arbitration/Class Action Waiver.** This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois to the exclusion of its conflict of laws rules. The parties agree that the United Nations Convention on Contracts for the International Sale of Goods (1980) is specifically excluded from application to this Agreement. Any dispute, claim, case or controversy, whether in tort, contract, statute or otherwise, arising out of or relating to this contract, including any question regarding its existence, validity, or termination or arising out of or relating to the relationship between CUSTOMER and CCC or any of the respective agents, partners, contractors or employees thereof shall be resolved by binding arbitration. **This Agreement does not permit class arbitration or any claims brought as a plaintiff or class member in any class or representative arbitration proceeding. No arbitration will be combined with another without the prior written consent of all parties to all affected arbitrations or proceedings.** Any disputes regarding arbitrability, the scope of arbitration or the arbitrator's jurisdiction will be decided by the arbitrator. The arbitration will be administered by either (a) the American Arbitration Association under its Commercial Arbitration Rules or (b) JAMS Dispute Resolution Experts under its Comprehensive Arbitration Rules. The arbitration will be conducted by a single arbitrator in English in Chicago, Illinois. The award of the arbitrator shall be accompanied by a statement of the reasons upon which the award is based. This agreement is governed by the Federal Arbitration Act, and any award shall be subject to judicial confirmation in any court having jurisdiction. If any part of this paragraph is deemed illegal, unenforceable or invalid, then that portion will be severed and it shall not operate to invalidate any other portion of this paragraph
BY AGREEING TO THIS ARBITRATION PROVISION, THE PARTIES UNDERSTAND THAT THEY ARE WAIVING ANY RIGHT TO SUE IN COURT AND HAVE A JURY TRIAL AS WELL AS ANY RIGHT TO PARTICIPATE IN A CLASS ACTION OR IN CLASS ACTION PROCEEDINGS.

16. **Survival**. Sections 2.3 (except the first three sentences), 2.4, 2.5, 2.6, 4, 5, 6, 8, 9, 10, 11, 12.3, 12.4, 13 – 22, 24 (the last four sentences), 25 (the last six sentences), 26.3, 26.5 (the third and last sentences), 26.6, 27 (the second sentence) and 28 (the last three sentences) of this Agreement shall survive termination of this Agreement.

17. **No Waiver.** Neither party shall by mere lapse of time without giving notice or taking other action hereunder be deemed to have waived any breach by the other party of any of the provisions of this Agreement. Further, the waiver by either party of a particular breach of this Agreement by the other party shall not be construed as, or constitute, a continuing waiver of such breach, or of other breaches of the same or other provisions of this Agreement.

18. **Force Majeure.** Neither party will be liable for any failure or delay in performance under this Agreement which is due to any event beyond the reasonable control of such party, including, without limitation, fire, explosion, unavailability of utilities or raw materials, unavailability of components, labor difficulties, war, riot, act of God, export control regulation, laws, judgments or government instructions.

19. **Severability.** If any provision of this Agreement shall be held illegal, unenforceable or in conflict with any law of a federal, state or local government having jurisdiction over this Agreement, the validity of the remaining portions or provisions hereof shall not be affected thereby.

20. **Agreement Drafted by Both Parties.** This Agreement is the result of arm's length negotiations between the parties and shall be construed to have been drafted by both parties such that any ambiguities in this Agreement shall not be construed against either party.

21. **Entire Agreement/No Third Party Beneficiaries.** Each of the parties hereto acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. The parties further agree that this Agreement is the complete and exclusive statement of agreement and supersedes all proposals (oral or written), understandings, representations, conditions, warranties, covenants, and all other communications between the parties relating thereto. Only a writing that refers to this Agreement and is signed by both parties, or an electronic click-through agreement provided by CCC to CUSTOMER that CUSTOMER accepts, may amend this Agreement. CCC may amend the terms of this Agreement by posting a notice in the CCC ONE platform or by notifying CUSTOMER by email. Unless provided otherwise, the amended Agreement will be effective immediately, and CUSTOMER's continued use of the Programs and/or Services after agreeing to the amended Agreement will confirm CUSTOMER's acceptance of the changes. This Agreement is for the sole benefit of the parties hereto and except as set forth in Section 2.6 of this Agreement nothing herein, express or implied, shall give or be construed to give any rights hereunder to any third party.

22. **Counterparts/Facsimile.** This Agreement and Product Schedule(s) may be signed in two (2) or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument and may be executed by a signature page delivered by facsimile, in which case CUSTOMER shall promptly thereafter deliver its originally executed signature page to CCC. However, the failure to deliver original signature pages shall not affect the binding nature of CUSTOMER's signature. Facsimile, PDF and electronic signatures shall be deemed originals. CUSTOMER waives any objections to the admissibility of such facsimile PDF or electronic signatures in any court of law or equity.

23. **Notices.** All notices shall be in writing and delivered by hand or sent by express or overnight mail, or by registered or certified mail, postage prepaid, return receipt requested, addressed to the party to be notified as follows: ***If to CCC:*** General Manager, Automotive Market CCC Information Services Inc., 222 Merchandise Mart, Suite 900, Chicago, IL 60654, with a copy to the attention of the Legal Department at the same address; ***If to CUSTOMER:*** the contact name and address set forth in the Product Schedule(s). All notices shall be deemed given when received by the intended recipient. Either party may change its contact and/or address specified in this Section by providing notice to the other party in accordance with this Section.

24. **EMS Extract** If made available by CCC, CUSTOMER may use and disclose information extracted from an estimate which has been prepared by CUSTOMER ("EMS") by using the EMS extract feature of CCC ONE Estimating solely for the following purposes: (a) to transmit EMS from CCC ONE Estimating for internal use within a management system that CUSTOMER has licensed from a third party; (b) to transmit EMS to a third party as expressly permitted in writing in advance by the contracting entity for whom the estimate was created, including, but not limited to, the insurance company for whom the estimate was prepared or by the consumer for whose vehicle the estimate was created. In the event that CUSTOMER is transmitting the EMS pursuant to paragraph (b) above, CUSTOMER agrees to keep all written agreements from insurance companies and consumers authorizing the use and disclosure of EMS and the identity of all third parties to whom EMS is disclosed to by CUSTOMER. During the term of this Agreement and for a period of twelve (12) months following the expiration or termination of this Agreement, CCC shall have the right to cause an audit and/ or inspection to be made of such records in order to verify CUSTOMER's compliance with this Section. CUSTOMER hereby represents and warrants that CUSTOMER will not share EMS without obtaining the requisite authorizations and hereby agrees to indemnify and hold CCC harmless against all liability to third parties and expenses (including reasonable attorneys' fees and costs) arising from the extraction, use or disclosure of all or any part of EMS. CCC may, at its option, conduct and control the defense and all related settlement negotiations in any such third party action as described herein, and CUSTOMER promises to fully cooperate with such defense at its own expense. The parties agree that Sections 2.7 and 23 do not apply to this Section. CCC RESERVES THE RIGHT TO DISCONTINUE PROVIDING EMS FOR ANY REASON AND AT ANY TIME, WITHOUT NOTICE.

25. **CCC Secure Share Network** ("Secure Share") If made available by CCC, via Secure Share, CUSTOMER will be able to configure CCC ONE Estimating to enable CUSTOMER to share certain data extracted from estimates that have been prepared by CUSTOMER ("BMS") with a third party via that third party's successfully registered Secure Share software application. CUSTOMER agrees that it will only enable transmission of BMS to third parties as expressly permitted in writing in advance by the contracting entity for whom the estimate was created, including, but not limited to, the insurance company for whom the estimate was prepared, or the consumer for whose vehicle the estimate was created. CUSTOMER agrees to retain all written agreements from the third party authorizing the transmission of BMS. During the term of this Agreement and for a period of twelve (12) months following the expiration or termination of this Agreement, CCC shall have the right to cause an audit and/or inspection to be made of such records in order to verify CUSTOMER's compliance with this Section. CUSTOMER hereby represents and warrants that CUSTOMER will not share BMS without obtaining the requisite authorizations and agrees to indemnify and hold CCC harmless against all liability to third parties and expenses (including reasonable attorneys' fees and costs) arising from the extraction, use or disclosure of all or any part of BMS. CCC may, at its option, conduct and control the defense and all related settlement negotiations in any such third party action, and CUSTOMER promises to fully cooperate with such defense at its own expense. Sections 2.7 and 24 do not apply to this Section. CCC reserves the right determine or change, at its sole discretion, the data elements and the format in which BMS is provided. CCC RESERVES THE RIGHT TO DISCONTINUE PROVIDING SECURE SHARE TO CUSTOMER AND/OR TO ANY THIRD PARTY APPLICATION FOR ANY REASON AND AT ANY TIME

26. **CCC ONE Appraisal Platform** (Applicable if CCC ONE is licensed as specified in a Product Schedule)

26.1 Scope of Access and Use. Access to and use of CCC ONE is granted solely to the number of CUSTOMER's employees falling within the range from one (1) to the number specified on the Product Schedule(s) (individually, the "CCC ONE Authorized User" and collectively, the "CCC ONE Authorized Users"). **Each CCC ONE Authorized User may access and use CCC ONE (a) solely at the CUSTOMER repair facility location where the CCC ONE Authorized User is located (the "Site"); (b) only for CUSTOMER's internal business in order to evaluate, process and settle claims and damage and repair estimates for that Site and (c) for repair management if expressly authorized in a Product Schedule. Notwithstanding the foregoing, each CCC ONE Authorized User may access and use CCC ONE remotely ("Off-Site"), but may not write estimates and supplements Off-Site.** In the event that CUSTOMER desires to write estimates and supplements Off-Site, CUSTOMER must enter into a separate license agreement with CCC for Mobile Estimating.

26.2 Collision Estimating Database. The Collision Estimating Database included with CCC ONE (and any Enhancements or Maintenance Modifications thereto) may only be installed by CUSTOMER on one (1) computer located at either CUSTOMER's headquarters or at one (1) location identified in the Product Schedule(s) (the "Computer"). The CCC ONE Authorized Users shall access the Collision Estimating Database from the Computer, but may not download the Collision Estimating Database on to their computers.

26.3 Risks of Use. CUSTOMER acknowledges and agrees that it is solely responsible for all risks associated with the access and use of CCC ONE. Without limiting the foregoing, CUSTOMER is solely responsible for adequate protection of software and hardware used in connection with CCC ONE, and CCC will not be liable for any loss or damage to CCC ONE, other software or hardware that CUSTOMER may suffer in connection with installing or using CCC ONE.

26.4 Confidential Credential and Passwords. A confidential invitation key (the "Credential") will be given to CUSTOMER. CUSTOMER shall use the Credential solely to set up the initial CCC ONE Authorized User (the "Initial User"). The Initial User shall set up any other CCC ONE Authorized Users and give each CCC ONE Authorized User temporary passwords (the "Temporary Password"), which may not be transferred to any other individual or entity. CUSTOMER shall ensure that each CCC ONE Authorized User replaces the Temporary Password with his/her own password immediately upon receipt of the Temporary Password. CUSTOMER is solely responsible for (a) assuring the appropriateness of each CCC ONE Authorized User; (b) the level of access each CCC ONE Authorized User should be afforded and (c) immediately deactivating any CCC ONE Authorized User that is no longer employed by CUSTOMER. CUSTOMER shall immediately notify CCC of any confidentiality or security breach, including but not limited to any time CUSTOMER believes a Credential, Temporary Password or password has been compromised. If at any time CCC believes a Credential, Temporary Password or password has been compromised, CCC can change any or all Credentials, Temporary Passwords or passwords. CUSTOMER is responsible for maintaining the secrecy of its CCC ONE Authorized User names, passwords, Credential and any account information and shall instruct each CCC ONE Authorized User not to disclose or transfer the foregoing to any individual or entity.

26.5 Work Files. "Work Files" as the term is used herein, include electronic copies of documents, such as estimates, reports, images, and supplements. Provided CCC uses commercially reasonable efforts to protect Work Files from being damaged or misappropriated, CCC shall have no liability for lost or damaged Work Files. Work Files will be stored by CCC for a minimum of six (6) months from the date of the last Work File activity, except as otherwise set forth in this Section, and may thereafter be purged from CCC's system. Upon request from CUSTOMER within thirty (30) days after the date of termination or expiration of this Agreement, CCC shall provide access to CCC ONE for a period not to exceed 30 days at no charge for the sole purpose of permitting CUSTOMER to print any available Work Files, Work File related documents and/or reports, and CUSTOMER agrees it shall not access CCC ONE after the date of termination or expiration of this Agreement for any other purpose whatsoever. Accessing CCC ONE for any other purpose shall be grounds for immediate termination of CUSTOMER's access. CCC shall not be liable to CUSTOMER for CUSTOMER's failure to request access to the Work Files as set forth herein.

25.6 Audit. During the term of this Agreement and for one (1) year thereafter, CUSTOMER will maintain all appropriate books and records, including, but not limited to, documents related to the delivery and use of CCC ONE (the "Records") and CCC shall have a right to conduct an audit of such Records to determine CUSTOMER's compliance with the terms set forth in Section 26 of this Agreement. Such audit may be conducted by CCC and/or a third party designated by CCC. CUSTOMER will provide CCC with access to its Records and any additional information reasonably requested by CCC. Prompt adjustment and payment will be made by CUSTOMER to compensate CCC for any errors or omissions identified by the audit.

27. **Motorcycle Data.**(Applicable if CUSTOMER is licensing CCC ONE Appraisal Essentials or CCC ONE Appraisal Perform with motorcycle estimating from CCC as specified in a Product Schedule) MOTORCYLE DATA IS PROVIDED BY THIRD PARTY MOTORCYCLE VENDORS AND THEIR AFFILIATES (COLLECTIVELY, THE "MOTORCYCLE VENDORS"). IN NO EVENT SHALL THE MOTORCYCLE VENDORS BE LIABLE TO CUSTOMER FOR DAMAGES, INCLUDING, BUT NOT LIMITED TO, DIRECT, SPECIAL, INCIDENTAL, INDIRECT, EXEMPLARY, CONSEQUENTIAL OR ANALOGOUS DAMAGES OR FOR LOSS OF PROFITS, LOSS OF BUSINESS, LOSS OF DATA OR THE LIKE; EVEN IF THE MOTORCYCLE VENDORS HAVE BEEN ADVISED OF THE POSSIBILITY OF ANY OR ALL OF THE FOREGOING TYPES OF DAMAGES. CUSTOMER ACKNOWLEDGES THAT THE PROVISION OF MOTORCYLE DATA IS DEPENDENT ON AGREEMENTS WITH THE MOTORCYCLE VENDORS. IN THE EVENT THAT SUCH AN AGREEMENT TERMINATES OR EXPIRES, (A) MOTORCYCLE DATA SHALL NOT INCLUDE THE MOTORCYCLE VENDOR THAT IS A PARTY TO SUCH AGREEMENT AS OF THE TERMINATION DATE THEREOF; AND/OR (B) CCC MAY

TERMINATE THE MOTORCYCLE DATA LICENSE UPON FIFTEEN (15) DAYS PRIOR WRITTEN NOTICE, WITHOUT LIABILITY TO CUSTOMER.

28. **Field Certification Program** (Applicable if CUSTOMER is participating in CCC's Field Certification Program). From time to time, CUSTOMER may participate in CCC's Field Certification Program solely to determine the usability of pre-release versions of CCC ONE (the "Pre-Release Versions"). CUSTOMER understands and agrees that (a) the Pre-Release Versions may contain bugs, defects and errors and CCC is not obligated to correct any such bugs, defects or errors; (b) CCC is not obligated to generally release the Pre-Release Versions in their present form or any similar product; (c) CCC owns any information, suggestions and feedback CUSTOMER provides concerning the Pre-Release Versions and any modifications made to the Pre-Release Versions and may use any such information and feedback CUSTOMER provides in any manner and for any purpose; and (d) CUSTOMER will not disclose the test results, feedback and other information associated with the Pre-Release Version to any third person without CCC's prior written consent, except to CUSTOMER's employees who must be provided the Pre-Release Versions in order to participate in the Field Certification Program. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN THIS AGREEMENT, CUSTOMER UNDERSTANDS AND AGREES THAT CCC PROVIDES THE PRE-RELEASE VERSIONS ON AN "AS IS" BASIS WITHOUT ANY WARRANTY OF ANY KIND, EITHER EXPRESSED OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF NONINFRINGEMENT OF THIRD PARTY RIGHTS, AND ANY IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. THE ENTIRE RISK AS TO THE QUALITY AND PERFORMANCE OF THE PRE-RELEASE VERSIONS AND DOCUMENTATION IS CUSTOMER'S. IN NO EVENT WILL CCC BE LIABLE TO CUSTOMER FOR ANY DAMAGES, INCLUDING, WITHOUT LIMITATION, ANY DIRECT, COMPENSATORY, GENERAL, SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES ARISING OUT OF THE USE OR INABILITY TO USE THE PRE-RELEASE VERSIONS, INCLUDING, BUT NOT LIMITED TO, LOSS OF REVENUES, PROFITS OR DATA, DELAY, DATA BEING RENDERED INACCURATE, FILE CORRUPTION OR LOSS, SOFTWARE OR HARDWARE DAMAGE, LOSSES SUSTAINED BY CUSTOMER OR THIRD PARTIES, OR A FAILURE OF THE PRE-RELEASE VERSIONS TO OPERATE WITH ANY OTHER SOFTWARE, EVEN IF CCC HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

IN WITNESS WHEREOF, the CUSTOMER has caused this Agreement to be duly executed by its authorized representatives as set forth below:

JASON CHEN	DocuSigned by: JASON CHEN 083A27B4F2E0411...		Business Manager	3/13/2018
Printed Name	**CUSTOMER Signature**		**Title**	**Date**
	CCC information Services Inc.		**Title**	**Date**

CCC Information Services Inc.
222 Merchandise Mart Plaza,
Suite 900
Chicago, Illinois 60654

Product Schedule to Automotive Services Master License Agreement

Quote Number: Q-87346
Order Type: ASG
Product Upgrade New Term

Company Name	JA APPRAISAL	Sales Representative	Barry McShaw

Monthly Pricing

Account Name	No. of Users	Term	Billing	Products (Program)	One-Time Fees	Subscription Amount
JA APPRAISAL	6	12	Monthly	CCC ONE Appraisal Platform Gateway Package Estimating Aftermarket Documents Communications Recall Tire RPS		$859.00
Total						$859.00

Notes: 12 month discount for user upgrade
new price effective May 1st, 2018

For those Programs billed in advance, the first two months' fees, implementation fees and shipping charges will be added to the initial invoice. Applicable taxes will be added to all invoices. This Schedule is subject to approval by an authorized officer of CCC. This Schedule is in effect for the term specified herein. If Customer is licensing Pathways Mobile Estimating ("PME") Customer agrees not to use PME at any address where repair work is performed by the Customer, other than the address where the host unit referenced above is located.

JASON CHEN	DocuSigned by: JASON CHEN 083A27B4F2E0411...		Business Manager	3/13/2018
Printed Name	**CUSTOMER Signature**		**Title**	**Date**
	CCC information Services Inc.		**Title**	**Date**

One. True. Partner.

CCC Information Services Inc.
222 Merchandise Mart Plaza,
Suite 900
Chicago, Illinois 60654

Customer Schedule to Automotive Services Master License Agreement

Quote Number: Q-87346
Order Type: ASG
Product Upgrade New Term

Quote To:		Bill To:		Ship To:	
Customer:	JA APPRAISAL	Customer:	JA APPRAISAL	Customer:	JA APPRAISAL
Doing Business As:	JA APPRAISAL	Doing Business As:	JA APPRAISAL	Doing Business As:	JA APPRAISAL
Primary Contact:	JASON CHEN	Primary Contact:	JASON CHEN	Primary Contact:	JASON CHEN
Phone Number:	(973) 687-3997	Phone Number:	(973) 687-3997	Phone Number:	(973) 687-3997
Email:	jaappraisalco@gmail.com	Email:	jaappraisalco@gmail.com	Email:	jaappraisalco@gmail.com
Address::	4600 Adeline St.Unit 116	Address:	4600 Adeline St. Unit 116	Address:	4600 Adeline St. Unit 116
City:	EMERYVILLE	City:	EMERYVILLE	City:	EMERYVILLE
State:	CA	State:	CA	State:	CA
Zip:	94608	Zip:	94608	Zip:	94608
Country:	US	Country:	US	Country:	US
Federal ID No:		Federal ID No:		Federal ID No:	
		Location ID:	I84265		

Enrolled in EFT/ACH Information:	If "Yes" is selected, Customer acknowledges that Customer has signed the Electronic Funds Transfer Authorization Agreement and agrees to its terms.

The Undersigned authorizes all parties referenced herein to release credit and financial information requested by CCC in order to process Customer's order.

JASON CHEN	DocuSigned by: JASON CHEN 083A27B4F2E0411...		Business Manager	3/13/2018
Printed Name	**CUSTOMER Signature**		**Title**	**Date**
	CCC information Services Inc.		**Title**	**Date**

EXHIBIT 2

KeyCite Yellow Flag - Negative Treatment
Distinguished by Dugas-Filippi v. JP Morgan Chase, N.A., N.D.Ill., September 4, 2014

2005 WL 2338813
Only the Westlaw citation is currently available.
United States District Court,
N.D. Illinois, Eastern Division.

Michael ANTONELLI, Plaintiff,
v.
Tina SHERROW, et al. Defendants.

No. 02 C 8714.
|
Sept. 21, 2005.

Attorneys and Law Firms

Michael Carmie Antonelli, Forrest City, AR, pro se.

Patrick Walter Johnson, United States Attorney's Office, Chicago, IL, for Defendants.

MEMORANDUM OPINION AND ORDER

NORDBERG, J.

***1** The plaintiff, a federal prisoner, has brought this *pro se* civil action pursuant to the Federal Tort Claims Act, 28 U.S.C. § 2671, *et seq.* and *Bivens v. Six Unknown Federal Narcotics Agents,* 403 U.S. 388, 91 S.Ct. 1999, 29 L.Ed.2d 619 (1971). The plaintiff claims that the defendants, the United States Government, two federal agents, and an Assistant U.S. Attorney for the Northern District of Illinois, wrongfully seized a computer belonging to the plaintiff from his ex-wife's home and attempted to perpetrate a fraud on the court in the ensuing civil proceedings. This matter is before the court for consideration of the defendants' combined motions to dismiss and for summary judgment, as well as the plaintiff's cross-motion for summary judgment. For the reasons stated in this order, the defendants' motions are granted and the plaintiff's motion is denied.

The two Special Agents with the Bureau of Alcohol, Tobacco, Firearms and Explosives have moved for summary judgment. Summary judgment "shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed.R.Civ.P. 56(c); *Celotex Corp. v. Catrett,* 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); *Prime Northgate Plaza Ltd. Partnership v. Lifecare Acquisitions Corp.,* 985 F.Supp. 815, 817 (N.D.Ill.1997). In determining whether factual issues exist, the court must view all the evidence and draw all reasonable inferences in the light most favorable to the non-moving party. *Walker v. Northeast Regional Commuter Railroad Corp.,* 225 F.3d 895, 897 (7th Cir.2000).

However, Rule 56(c) "mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex,* 477 U.S. at 322. "Where the record taken as a whole could not lead a rational trier of fact to find for the non-moving party, there is no 'genuine issue for trial." ' *Chiaramonte v. Fashion Bed Group, Inc.,* 129 F.3d 391, 393 (7th Cir.1997), *cert. denied,* 523 U.S. 1118, 118 S.Ct. 1795, 140 L.Ed.2d 936 (1998). The court may grant summary judgment if facts are in dispute, so long as those facts are not outcome determinative. *Matter of Wildman,* 859 F.2d 553, 556 (7th Cir.1988); *Nash v. DeTella,* No. 00 C 2784, 2001 WL 1160840, *2 n. 5 (N.D.Ill. Oct.2, 2001) (Zagel, J.)

While Fed.R.Civ.P. 56 governs the parties' summary judgment obligations, Local Rule 56.1 (N.D.Ill.) reflects "an attempt to make the parties' respective summary judgment obligations explicit." *See Waldridge v. American Hoechst Corp.,* 24 F.3d 918, 921 (7th Cir.1994). Local Rule 56.1(b) requires a party opposing a summary judgment motion to file a memorandum of law, any materials or affidavits referred to in Fed.R.Civ.P. 56(e), and a response to the movant's statement of facts. Local Rule 56.1(b)(1)-(3). This response

> ***2** shall contain ... a response to each numbered paragraph in the moving party's statement,

> including, in the case of any disagreement, specific references to the affidavits, parts of the record, and other supporting materials relied upon and a statement consisting of short numbered paragraphs, of any additional facts that require the denial of summary judgment, including references to the affidavits, parts of the record, and other supporting materials relied upon.

Local Rule 56.1(b)(3)(A)-(B). Failure to properly controvert a moving party's statement of facts results in the moving party's version of the facts being deemed admitted. Local Rule 56.1(b)(3)(B). Strict enforcement of Local Rule 56.1's requirements has been consistently upheld by the Seventh Circuit, as the court is not required to "scour the record in search of evidence to defeat a motion for summary judgment." *Hall v. Bodine Elec. Co.,* 276 F.3d 345, 354 (7th Cir.2002) (internal quotations omitted).

The plaintiff should be well versed in summary judgment motions; the U.S. Party/Case Index reflects some 144 cases in which he has been a party. Nevertheless, the plaintiff has failed to comply with the requirements of Local Rule 56.1(b). His response to the defendants' motion does not include a specific statement of facts with citations to the record; instead, he has provided a largely argumentative, narrative response. The plaintiff's failure to comply with the Local Rules is not excused by his *pro se* status. *See Stevens v. Navistar Int'l Transp. Corp.,* 244 F.Supp.2d 906, 910 (N.D.Ill.2002) (holding that even though the court reads a *pro se* plaintiffs pleadings liberally, *pro se* status does not excuse a failure to comply with Local Rule 56.1). In any event, the basic, material facts regarding the seizure of the plaintiff's computer are not in dispute; the purpose of the federal agents' visit to Ms. Antonelli is irrelevant to the question of whether they properly took possession of the computer.

Nevertheless, because the plaintiff is proceeding *pro se,* the court has considered the factual assertions he makes in his opposing brief, as well as in his belatedly filed cross-motion for summary judgment, but only to the extent that the plaintiff could properly testify about the matters asserted. A witness may not testify to a matter unless evidence is introduced sufficient to support a finding that the witness has personal knowledge of the matter. Fed R. Evid. 602.

FACTS

The plaintiff, Michael Antonelli, is a resident of Illinois, but has been incarcerated in federal prison since 2001. (Amended Complaint, ¶¶ 3, 14.) The defendants Tina Sherrow and Jeanne Sobol were employed as Special Agents with the United States Bureau of Alcohol, Tobacco, Firearms and Explosives [hereinafter, "BATF"] at the time of the events giving rise to this action. (*Id.,* p. 2, ¶ B.) The defendant Patrick Johnson is an assistant U.S. Attorney for the Northern District of Illinois. (Defendants' Answer, p. 7.)

***3** The following facts are uncontested for purposes of this motion (or there is no genuine dispute requiring a trial): In or about September 2001, prior to surrendering to authorities, the plaintiff delivered a computer he owned to his ex-wife, Nancy Antonelli, for use by Ms. Antonelli and her family while the plaintiff was incarcerated. (Amended Complaint, p. 3, ¶¶ 14–15.) Ms. Antonelli, her son, and her son's friend used the computer occasionally but eventually stopped using it and placed it in the attic of their home. (Defendants' Exhibit B, Deposition of Nancy Antonelli, at pp. 34–38.) [1]

In 2002, the defendants Sobol and Sherrow were investigating a bombing in the Chicago area. (Amended Complaint, p. 6, ¶ 48.) On or about May 1, 2002, Sobol and Sherrow visited Ms. Antonelli at her home and asked if they could interview her about the plaintiff's possible involvement in the bombing. [2] (Defendants' Exhibit C, Affidavit of Nancy Antonelli, ¶ 3.) Ms. Antonelli agreed to answer questions and was interviewed for approximately an hour. (N. Antonelli Deposition, p. 43). The interview took place at a picnic table outside, on her patio. (*Id.,* p. 44.) Ms. Antonelli has obtained a G.E.D. and has taken about ten college courses. (*Id.,* pp. 16–17.) Ms. Antonelli currently works as a technical assistant at Federal Signal Corporation. (*Id.,* p. 18.) Her job duties include acting as a liaison between engineers designing products and the manufacturing personnel. (*Id.,* p. 23.)

During the interview, Ms. Antonelli informed the agents that the plaintiff had given her a computer for the family's use while he was incarcerated. (*Id.,* p. 88; Defendants' Exhibit C, Affidavit of Nancy Antonelli, ¶ 4.) Ms. Antonelli additionally stated that the computer was in her attic because she no longer used it. (N. Antonelli Deposition, pp. 50, 88; N. Antonelli Affidavit, ¶ 5.)

The agents asked Ms. Antonelli for permission to take the computer and search it. (Antonelli Affidavit, ¶ 5.) Ms. Antonelli responded that she did not want to bother to retrieve the computer from the attic; that it was not hers to give; that she did not feel "it was right" to turn it over to the officers; and that, besides, she had previously searched the computer and found nothing on it. (N. Antonelli Deposition, pp. 52–53, 91; N. Antonelli Affidavit, ¶ 5.)

The agents indicated that they would try to get a search warrant for the computer. (N. Antonelli Deposition, p. 54; N. Antonelli Affidavit, ¶ 6; Plaintiff's Exhibit K, # 3.) Ms. Antonelli then threw up her hands in frustration, saying, "Nobody is coming in my house. I haven't done a thing. I'm not involved with him." (N. Antonelli Deposition, p. 55.) She added that she was "not going to allow people in to tear [up her] house," which she rents, and that she had been through embarrassment enough. (*Id.,* p. 56.) She then agreed to give the computer to the agents, telling them that she did not want it back. (*Id.,* pp. 54–55.)

***4** Ms. Antonelli maintains that she would not have consented to the search of the computer if the agents had not mentioned the possibility of a search warrant. (N. Antonelli Affidavit, ¶ 8.) Based on what she had seen on television and a previous search by local police officers, Ms. Antonelli feared that if the agents obtained a search warrant, they would kick in her door and ransack her home. (N. Antonelli Deposition, pp. 70–75.) However, Ms. Antonelli admits that the defendants said nothing during the interview to suggest that they would kick in her door, search the home, or take anything other than the computer. (*Id.*)

Ms. Antonelli asked the agents to come back in a day or two to pick up the computer, saying that it would take her a while to retrieve it from the attic. (N. Antonelli Deposition, pp. 55–57; N. Antonelli Affidavit, ¶ 7.) The agents agreed, ended the interview, and left. (N. Antonelli Deposition, p. 57.)

On May 2, 2002, Sherrow returned to Ms. Antonelli's home to pick up the computer. (N. Antonelli Deposition, p. 59–60). Sherrow gave Ms. Antonelli a receipt for the property. (*Id.; see also* Defendants' Exhibit D, "Receipt for Property and Other Items.")

At neither of these two encounters did either Sobol or Sherrow raise their voices, threaten Ms. Antonelli, or attempt to physically or verbally intimidate her. (N. Antonelli Deposition, pp. 67, 75).[3] They spoke in "conversational tones." (*Id.*) The agents did not threaten Ms. Antonelli's children. (*Id.,* p. 69.) Ms. Antonelli cannot say that she felt coerced into relinquishing the computer. (*Id.,* p. 113.)

In a certified letter dated July 5, 2002, several months after the agents took the computer, the plaintiff sent Sherrow a letter demanding the computer's return to Ms. Antonelli. (Amended Complaint, ¶ 28.) The plaintiff also sent letters to the Director of the BATF and the Inspector General of the Department of the Treasury demanding the computer's return. (Plaintiff's Exhibits M and N.) However, Ms. Antonelli herself never requested its return. (N. Antonelli Deposition, p. 99.)

The plaintiff initiated this action in December 2002, naming only Agent Sherrow and the United States as defendants in the original complaint.

On April 18, 2003, after the BATF had completed its search of the computer, Sherrow returned the computer to Ms. Antonelli. (Plaintiff's Exhibit K, ¶ 6.) The computer was returned in the same condition it had been in when it was taken eleven months earlier. (N. Antonelli Deposition, pp. 78, 82.)[4]

On or about April 24, 2003, the plaintiff filed an administrative claim regarding the search and seizure of his computer. (Defendants' Exhibit F, ¶ 5.) The plaintiff has admittedly never filed an administrative claim regarding the defendant Johnson's conduct. (Plaintiff's Response to Defendants' Combined Motions, final paragraph of p. 3.)

On July 14, 2004, the plaintiff filed an amended complaint, adding Special Agent Sherrow and AUSA Johnson as defendants.

DISCUSSION

***5** No material facts are in dispute, and the defendants Sherrow and Sobol have shown that they are entitled to judgment as a matter of law on the plaintiff's claims against them. Furthermore, even accepting the factual allegations in the first amended complaint as true, the court finds that the plaintiff has failed to state either an actionable *Bivens* claim against the defendant Johnson or a cognizable Federal Tort Claim against the United States. Accordingly, the defendants' combined motions to dismiss and for summary judgment are granted and the plaintiff's cross-motion for partial summary judgment is denied.

I. Plaintiff's *Bivens* Claims Against Special Agents Sherrow and Sobol (Counts I–IV)

The motion for summary judgment filed by the defendants Sherrow and Sobol is granted. No material facts are in dispute and the defendants have established that they are entitled to judgment as a matter of law. Even viewing the record in the light most favorable to the plaintiff, no reasonable person could find that the defendants committed any constitutional violation or state tort when they took possession of the plaintiff's computer.

First, the plaintiff's claims against Agent Sobol are untimely. The statute of limitations for Section 1983 actions filed in Illinois is two years. *See* 735 ILCS § 5/13–202; *Henderson v. Bolanda,* 253 F.3d 928, 931 (7th Cir.2001), *citing* *Ashafa v. City of Chicago,* 146 F.3d 459, 462 (7th Cir.1998). The plaintiff's claims against Sobol are based upon the seizure of his computer in May 2002; however, he did not add her as a defendant until he filed an amended complaint on July 8, 2004.[5] Because the plaintiff waited more than two years to file suit against Sobol, his claims against her are time-barred.

The plaintiff asserts that he "unequivocally did not know the name of Agent Sobol" until after he conducted discovery. However, in the absence of efforts on the part of the defendants to conceal their identity from the plaintiff, he cannot avail himself of Rule 15(c)'s provisions allowing for "relation back" to the original complaint. In this circuit, a plaintiff cannot invoke the relation back principles of Rule 15(c) to name new defendants after the statute of limitations has expired. *See* *King v. One Unknown Federal Correctional Officer,* 201 F.3d 910, 914–16 (7th Cir.2000) (plaintiff's belated identification of proper defendant in a *Bivens* action would not relate back to timely-filed complaint). "It is equally well established that Rule 15(c)(3) does not permit relation back where ... there is a lack of knowledge of the proper party." *Baskin v. City of Des Plaines,* 138 F.3d 701, 704 (7th Cir.1998) (internal citations omitted).

Regardless, irrespective of concerns of timeliness, the plaintiff has no viable cause of action against the defendants Sobol and Sherrow because the agents obtained valid, third-party consent from Ms. Antonelli to take the computer.

***6** While a warrantless search ordinarily violates the Fourth Amendment, *see* *Payton v. New York,* 445 U.S. 573, 586, 100 S.Ct. 1371, 63 L.Ed.2d 639 (1980), a well settled exception to this general rule permits authorities to conduct a search without a warrant if they obtain voluntary consent from: (a) the individual whose property is to be searched, *Schneckloth v. Bustamonte,* 412 U.S. 218, 222, 93 S.Ct. 2041, 36 L.Ed.2d 854 (1973); (b) a third party possessing common authority or joint control over the premises, *Florida v. Jimeno,* 500 U.S. 248, 249–50, 111 S.Ct. 1801, 114 L.Ed.2d 297 (1991); or (c) an individual with the apparent authority to consent to the search. *Illinois v. Rodriguez,* 497 U.S. 177, 187, 110 S.Ct. 2793, 111 L.Ed.2d 148 (1990); *see also* *United States v. Saadeh,* 61 F.3d 510, 517 (7th Cir.1995).

As noted above, voluntary consent may be given by a third party who possesses common authority over the property. *United States v. Matlock,* 415 U.S. 164, 169–71, 94 S.Ct. 988, 39 L.Ed.2d 242 (1974); *United States v. Aghedo,* 159 F.3d 308, 310–11 (7th Cir.1998). "The consent of one who possesses common authority over the premises or effects is valid as against the absent, nonconsenting person with whom that authority is shared." *Matlock,* 415 U.S. at 170. Similarly, where a party authorizes the joint use of property, the joint user has the authority to consent to the search of the entire property. *United States v. Strache,* 202 F.3d 980, 985 (7th Cir.2000); *Frazier v. Cupp,* 394 U.S. 731, 739, 89

S.Ct. 1420, 22 L.Ed.2d 684 (1969). It does not matter if the person who gives consent does not own the item in question; the issue is whether the consenting individual had common authority over the item. *United States v. Brown,* 328 F.3d 352, 356, n. 1 (7th Cir.2003), *cert. denied,* 540 U.S. 1113, 124 S.Ct. 1044, 157 L.Ed.2d 902 (2004) ("[u]se of and access to the property are the touchstones of authority") (citations omitted).

In this case, it is undisputed that the plaintiff left his computer with his ex-wife for her and her family to use while he was incarcerated. Under these circumstances, Ms. Antonelli had actual authority to consent to the search and seizure of the computer. *Compare United States v. Smith,* 27 F.Supp.2d 1111, 1115 (C.D.Ill.1998) (consent search upheld where housemate allowed police to search computer in bedroom which housemate occasionally used in owner's absence); *United States v. Robinson,* 479 F.2d 300, 302 (7th Cir.1973) (girlfriend could allow police to search defendant's property left in girlfriend's house).

Furthermore, even assuming *arguendo* that Ms. Antonelli lacked actual authority, she had apparent authority to consent to the seizure of the computer. In determining whether an individual has apparent authority, the issue is whether the individual who allows the search projects "an aura of authority," and whether it was reasonable for the police to believe the individual had the authority to consent. *United States v. Saadeh,* 61 F.3d 510, 517 (7th Cir.1995). Although the plaintiff argues that he had not given Ms. Antonelli permission to use the hard drive and that he demanded the computer's return after discovering that it had been seized, those details do not vitiate Ms. Antonelli's actual or apparent authority to consent to the search of the entire computer, including the hard drive she was allegedly not supposed to use. *See Frazier,* 394 U.S. at 739 (by allowing a third party to use one compartment of duffel bag, the owner assumed the risk that the third party would let others search the entire bag).

***7** There is no triable issue as to whether Ms. Antonelli's consent was voluntary. In assessing whether a consent to search was voluntary, the court examines several factors, including: (1) the consenting individual's age, intelligence, and education; (2) whether the person was advised of his or her constitutional rights; (3) how long the person was detained before giving consent; (4) whether the consent was immediate or was prompted by authorities' repeated requests; (5) whether any physical coercion was used to gain consent; and (6) whether the person was in police custody when she gave her consent. *United States v. Raibley,* 243 F.3d 1069, 1075–76 (7th Cir.), *cert. denied,* 534 U.S. 876, 122 S.Ct. 175, 151 L.Ed.2d 121 (2001). It is true, as the plaintiff points out, that in the context of a criminal case, the government bears the burden of proving by a preponderance of the evidence that consent was freely and voluntarily given. *United States v. Grap,* 403 F.3d 439, 443 (7th Cir.2005). However, in a civil rights action, the plaintiff carries the ultimate burden of proof that a consent to search was involuntary. *Valance v. Wisel,* 110 F.3d 1269, 1278–79 (7th Cir.1997).

Here, the plaintiff has failed to make a triable showing that Ms. Antonelli consented under duress to the taking of the computer. Ms. Antonelli is an adult with a college education and a professional job; her deposition suggests an above average intelligence. Ms. Antonelli was not herself under investigation. She was not detained in any way. She had freely agreed to speak to the federal agents in a conversation that took place on her patio and that lasted approximately forty-five minutes. At no time did the defendants raise their voices or threaten Ms. Antonelli in any way; at most, they told her that they would seek a search warrant if she refused consent. In addition, after consenting to the search and seizure, Ms. Antonelli did not turn the computer over until the next day; thus, she had ample time to reconsider her consent or to consult an attorney. Indeed, only the plaintiff-and not Ms. Antonelli-claims that the consent was involuntary.

Baseless threats to obtain a search warrant may render consent involuntary. *United States v. White,* 979 F.2d 539, 542 (7th Cir.1992), *citing United States v. Talkington,* 843 F.2d 1041, 1049 (7th Cir.1988). When the expressed intention to obtain a warrant is genuine, however, and not merely a pretext to induce submission, it does not invalidate consent. *White,* 979 F.2d at 539, *citing United States v. Duran,* 957 F.2d 499, 502 (7th Cir.1992), *inter alia.* In this case, the totality of the circumstances show that Ms. Antonelli's consent was voluntary, albeit grudging.

There is no evidence that the defendants intended to coerce Ms. Antonelli through empty threats. Ms.

Antonelli stated in her deposition that there was some type of exchange between the agents where one asked the other, "Can we get a search warrant?" and the second agent responded, "Yes." (N. Antonelli Deposition, p. 54.) Under the circumstances of this case, that parley did not approach the level of a threat. The defendants' mere allusion to the possibility of a search warrant did not rise to the level of coercion, notwithstanding Ms. Antonelli's subjective fears about the potentially intrusive nature of such a search.

***8** Ms. Antonelli undoubtedly experienced the vague fear and discomfort that many individuals would feel speaking with law enforcement officers; it is also understandable that she resented being dragged into a criminal investigation concerning her ex-husband. *See* N. Antonelli Deposition at p. 105: When the AUSA deposing Ms. Antonelli asked, "Are you saying I'm intimidating you?" she responded, "I'm sick of the whole situation.... Doesn't involve me." "Just the fact that they [agents] were there" at her home and asking questions about a man she "didn't have anything to do with" made her feel harassed and indignant. (*Id.,* pp. 68, 77.) However, the record does not support an inference that her will was overborne by the agents. *Compare* *United States v. White,* 979 F.2d 539, 542 (7th Cir.1992) (fact that suspect was in her own living room rather than in custody was evidence that there was no undue coercion; furthermore, an expressed intention to obtain a search warrant if refused consent does not necessarily negate consent); *see also* *United States v. Evans,* 27 F.3d 1219, 1231 (7th Cir.1994). The plaintiff's assertion that the defendants resorted to the threat of a search warrant as pretext is entirely speculative, as the record does not reflect what evidence the agents may have gathered linking him to the bombing.

The plaintiff's conspiracy claim against Special Agents Sherrow and Sobol likewise fails. There can be no cause of action for conspiracy if there is no underlying constitutional violation. *Thurman v. Homewood Police Officers,* No. 03 C 8950, 2005 WL 1564975, at *4 (N.D.Ill. Jun.02, 2005) (Moran, J.), *citing Lesser v. Braniff Airways, Inc.,* 518 F.2d 538, 540 (7th Cir.1975). For the reasons discussed in preceding paragraphs, no jury could conclude based on the evidence that the defendants infringed on the plaintiff's constitutional rights in searching and seizing his computer. Consequently, there can be no actionable claim for conspiracy.

In sum, no reasonable finder of fact could find that Ms. Antonelli's consent to the search of the computer was involuntary. Nor could a reasonable person conclude that Ms. Antonelli lacked actual or apparent authority to consent to the taking. Accordingly, summary judgment is granted in favor of the defendants Sobol and Sherrow.

II. Plaintiff's Claims Against Assistant U.S. Attorney Patrick Johnson (Count V)

In Count V, the plaintiff charges that AUSA Patrick Johnson violated the plaintiff's right to due process by attempting to induce Nancy Antonelli to perjure herself in this case. The defendant has moved to dismiss that count for failure to state a claim.

It is well established that *pro se* complaints are to be liberally construed. *Haines v. Kerner,* 404 U.S. 519, 520, 92 S.Ct. 594, 30 L.Ed.2d 652 (1972), *reh'g denied,* 405 U.S. 948, 92 S.Ct. 963, 30 L.Ed.2d 819 (1972); *see also* *McCormick v. City of Chicago,* 230 F.3d 319, 325 (7th Cir.2000). They can be dismissed for failure to state a claim only if it appears "beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Haines,* 404 U.S. at 521; *Zimmerman v. Tribble,* 226 F.3d 568, 571 (7th Cir.2000). Fact pleading is not necessary to state a claim for relief. *Thompson v. Washington,* 362 F.3d 969, 970–71 (7th Cir.2004). To satisfy the notice pleading requirements of Fed.R.Civ.P. 8(a)(2), the plaintiff need only state his legal claim and provide "some indication ... of time and place." *Id.* at 971.

***9** When considering whether to dismiss a complaint for failure to state a claim upon which relief can be granted, the court takes the allegations in the complaint as true, viewing all facts—as well as any inferences reasonably drawn therefrom—in the light most favorable to the plaintiff. *Autry v. Northwest Premium Services, Inc.,* 144 F.3d 1037, 1039 (7th Cir.1998). Dismissal should be denied whenever it appears that a basis for federal jurisdiction in fact exists or may exist and can be stated by the plaintiff. *Jones v. Edgar,* 3 F.Supp.2d 979, 980 (C.D.Ill.1998).

Here, even accepting the plaintiff's factual allegations as true, the court finds as a matter of law that the plaintiff has no viable claim against the defendant Johnson. An attempt to violate constitutional rights is not actionable; there must be an actual violation of the right. *Andree v. Ashland County,* 818 F.2d 1306, 1311 (7th Cir.1987). "[T]he mere attempt to deprive a person of his [constitutional] rights is not, under usual circumstances, actionable under section 1983." *Holt Cargo Systems, Inc. v. Delaware River Port Authority,* 20 F.Supp.2d 803, 834 (E.D.Pa.1998), *quoting Andree.* The plaintiff cannot recover damages against Johnson for attempting to persuade Ms. Antonelli to lie.

Furthermore, a claim based on perjured testimony is barred by absolute immunity. *Briscoe v. Lahue,* 460 U.S. 325, 103 S.Ct. 1108, 75 L.Ed.2d 96 (1983); *House v. Belford,* 956 F.2d 711, 720 (7th Cir.1992). "Even a prosecutor's knowing use of perjured testimony at trial, while it may require reversal of the conviction ... nevertheless falls within the scope of absolute immunity." *Rankins v. Winzeler,* No. 02 C 50507, 2003 WL 21058536, *4 (N.D.Ill. May 9, 2003) (Reinhard, J.). Consequently, the plaintiff's claim that the defendant Johnson attempted to induce the plaintiff's ex-wife to commit perjury is dismissed pursuant to Fed.R.Civ.P. 12(b)(6) for failure to state a claim. [6]

III. The Plaintiff's Claims Under the Federal Tort Claims Act (Counts VII–X)

The record does not make clear whether the plaintiff completely exhausted administrative remedies regarding the seizure of his computer prior to filing his first amended complaint. The Federal Tort Claims Act [hereinafter, "FTCA"] mandates that "[a]n action shall not be instituted ... unless the claimant shall have first presented the claim to the appropriate Federal agency and his claim shall have been finally denied by the agency in writing...." 28 U.S.C. § 2675(a); *McNeil v. United States,* 508 U.S. 106, 107, 113 S.Ct. 1980, 124 L.Ed.2d 21 (1993); *Carter v. Social Sec. Field Office,* No. 02 C 5526, 2004 WL 609316, at *4 (N.D.Ill. Mar.22, 2004) (Guzmán, J.).

In the case at bar, the plaintiff filed an administrative claim regarding the seizure of his computer about five months after he initiated this action. Neither party has conclusively established whether the plaintiff completed the appeal process after filing a claim with the BATF. The court will assume for purposes of this motion that the plaintiff did exhaust the administrative process prior to filing his amended complaint and that his claim is therefore reviewable in federal court. *See Barnes v. Briley,*—F.3d.—, 420 F.3d 673, 2005 WL 2008226, at *4 (7th Cir. slip op. Aug. 23, 2005) (prisoner plaintiff satisfied the PLRA exhaustion requirement and thus was able to raise new, properly exhausted claims in his amended complaint). Nevertheless, the court finds the plaintiff's FTCA claims to be without arguable merit.

A. Abuse of Process

***10** Under Illinois law, the tort of abuse of process requires proof of two elements: (1) the existence of an ulterior motive or purpose; and (2) some act in the use of the legal process not proper in the regular course of the proceedings. *International Union of Operating Engineers v. Lowe Excavating Co., Inc.,* No. 98 C 7956, 1999 WL 350650, *3 (N.D.Ill. May 21, 1999) (Kocoras, J.), *citing Podolsky v. Alma Energy, Corp.,* 143 F.3d 364, 372 (7th Cir.1998); *Neurosurgery and Spine Surgery, S.C. v. Goldman,* 339 Ill.App.3d 177, 183, 274 Ill.Dec. 152, 790 N.E.2d 925 (Ill.App.2003). Because the tort of abuse of process is not favored under Illinois law, the elements must be strictly construed. *Goldman,* 339 Ill.App.3d at 183, 274 Ill.Dec. 152, 790 N.E.2d 925. "An actionable tort does not exist unless there is some improper use of the process of the court." *Johnson v. Collins,* No. 98 C 3516, 2003 WL 21038626, at *10 (N.D.Ill. May 07, 2003) (Andersen, J.).

As discussed in preceding paragraphs, the search and seizure of the plaintiff's computer was accomplished pursuant to Ms. Antonelli's consent, not pursuant to a search warrant or any other court authorization. Likewise, the communications between AUSA Johnson and Ms. Antonelli were in furtherance of the routine defense of this case. The plaintiff has failed to demonstrate that the government or government officials abused the legal process in any manner.

B. Trespass (Count VIII) and Conversion (Count IX)

The plaintiff's alternative tort theories of conversion and trespass to property are equally without foundation.

Trespass to chattel is defined as "the act of committing, without lawful justification, any act of direct physical interference with a chattel possessed by another." *Black's Law Dictionary* 1509 (7th ed.1999). Conversion is defined as "the wrongful deprivation of one who has a right to the immediate possession of the object unlawfully held." *Republic Tobacco, L.P. v. North Atlantic Trading Co., Inc.,* 254 F.Supp.2d 985, 1006 (N.D.Ill.2002), *quoting Fonda v. General Cas. Co.,* 279 Ill.App.3d 894, 899, 216 Ill.Dec. 379, 665 N.E.2d 439 (Ill.App.1996).

To state a prima facie cause of action for conversion or trespass to chattels, the plaintiff must establish the following elements: (1) the defendants' unauthorized or wrongful assumption of control, dominion or ownership of the plaintiff's property; (2) the plaintiff's right in the property; (3) the plaintiff's right to immediate possession; and (4) the plaintiff's demand for possession. *Republic Tobacco,* 254 F.Supp.2d at 1006; *see also Minuti v. Johnson,* No. 02 C 4551, 2003 WL 260705, *4 (N.D.Ill. Feb.5, 2003) (Zagel, J.), *citing Nelson v. Sotheby's Inc.,* 115 F.Supp.2d 925, 929 n. 2 (N.D.Ill.2000). To establish trespass to chattel, the plaintiff must also show that the dispossession resulted in damages. *Najieb v. William–Chrysler–Plymouth,* No. 01 C 8295, 2002 WL 31906466, at *10 (N.D.Ill.Dec.31, 2002) (Aspen, J.), *relying on Restatement (Second) of Torts* §§ 217–218, 221–222. "In recent years, trespass to personal property, which had been largely relegated to a historical note in legal textbooks, has reemerged as a cause of action in Internet advertising and e-mail cases." *Sotelo v. DirectRevenue, LLC,* No. 05 C 2562, 2005 WL 2095107, *8 (N.D.Ill. Aug.8, 2005) (Gettleman, J.).

> ***11** The defining element of conversion, the one that distinguishes it from a trespass to chattels, is the extent of interference with the owner's property rights. If the damage is minor, in duration or severity, plaintiff may only recover for the diminished value. But if the damage is sufficiently severe, plaintiff may recover full value. Conversion is akin to a forced judicial sale.
>
> *In re StarLink Corn Products Liability Litigation,* 212 F.Supp.2d 828, 844 (N.D.Ill.2002)

In this case, the plaintiff cannot demonstrate either trespass or conversion. The court is satisfied that Nancy Antonelli's voluntary relinquishment of the computer rendered the government taking authorized and rightful. Moreover, the plaintiff could not claim immediate possession of the computer because he was incarcerated. Finally, the plaintiff cannot establish damages because the computer was returned about a year later in the same condition in which it had been turned over to Sherrow and Sobol. Any deprecation in value of the computer was caused by its age, and not by any destructive actions on the part of government officials. The plaintiff's claims under the Federal Tort Claims Act are all baseless.

CONCLUSION

In sum, for all of the foregoing reasons, the court finds that no outcome-dispositive facts are in dispute and that the defendants Sherrow and Sobol are entitled to judgment as a matter of law. Accordingly, the clerk is directed to enter summary judgment in favor of Sherrow and Sobol and against the plaintiff pursuant to Fed.R.Civ.P. 56. The plaintiff's remaining claims against the United States and AUSA Patrick Johnson are dismissed pursuant to Fed.R.Civ.P. 12(b)(6) for failure to state a cognizable claim. The plaintiff's cross-motion for partial summary judgment is denied. The clerk is directed to enter final judgment in this case.

If the plaintiff wishes to appeal this dismissal, he may file a notice of appeal with the court within thirty days of the entry of judgment. Fed. R.App. P. 4(a)(4). Because the plaintiff has "struck out" pursuant to 28 U.S.C. § 1915(g) and this case does not involve imminent danger of serious physical injury, the notice of appeal must be accompanied by the $255 appellate filing fee.

IT IS THEREFORE ORDERED that the plaintiff's motion for partial summary judgment [docket # 110] is denied. IT IS FURTHER ORDERED that the defendants' motions to dismiss [docket # 75] and for summary judgment [docket # 77] are granted. The case is terminated. The parties are to bear their own costs.

All Citations

Not Reported in F.Supp.2d, 2005 WL 2338813

Footnotes

1 Neither party has submitted the cited pages 34–38 of the deposition; however, the court will accept this statement as true since the matter is uncontested.

2 The plaintiff's subjective believe that the defendants were trying "to pin ... some sort of bombing on him (any kind)" does not create a genuine issue of fact. Even ignoring the fact that there is no evidence whatsoever in the record to support that assertion, the plaintiff's characterization of the nature of the interview is irrelevant for purposes of determining the propriety of the seizure of his computer.

3 The plaintiff states, without any citation to evidence in the record, that Sherrow and Sobol did, in fact, intimidate Ms. Antonelli. However, unsupported statements in a brief are not evidence and cannot be given any weight. *See, e.g., In the Matter of Morris Paint and Varnish Co.,* 773 F.2d 130, 134 (7th Cir.1985); *Buck v. Lake County Sheriff,* No. 03 C 1740, 2004 WL 2983966, *1 n. 1 (N.D.Ill.Dec.23, 2004) (Gottschall, J.). The plaintiff, who was not present during the agents' interview with Ms. Antonelli, is in no position to contradict his ex-wife's sworn deposition testimony.

4 Again, the court cannot find either pages 78 or 82 of the deposition transcript among either party's exhibits. But again, the plaintiff does not dispute that the computer was returned undamaged. He claims only depreciation in resale value.

The plaintiff also demands additional discovery to ascertain what information was gleaned from the government's search of the computer. That question, however, is wholly irrelevant to the issues at hand-that is, whether the agents improperly seized and searched the computer.

5 The court is treating the complaint as "filed" on the day it was dated and signed rather than the day it was actually received by the Clerk. Under the "mailbox rule," prisoner pleadings are considered filed when given to the proper prison authorities for mailing, and not when received by the district court clerk. *See, e.g., Jones v. Bertrand,* 171 F.3d 499, 501 (7th Cir.1999), *relying on Houston v. Lack,* 487 U.S. 266, 108 S.Ct. 2379, 101 L.Ed.2d 245 (1988).

6 The plaintiff seeks the opportunity to put his wife on the stand at trial. However, aside from the fact that the plaintiff already had occasion to cross-examine his wife during her deposition, no amount of testimony could nullify the defendant Johnson's entitlement to absolute immunity.

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246 Fed.Appx. 381
This case was not selected for
publication in West's Federal Reporter.
See Fed. Rule of Appellate Procedure 32.1
generally governing citation of judicial
decisions issued on or after Jan. 1, 2007.
See also U.S.Ct. of App. 7th Cir. Rule 32.1.
United States Court of Appeals,
Seventh Circuit.

Michael C. ANTONELLI, Plaintiff–Appellant,
v.
Tina M. SHERROW, et al., Defendants–Appellees.

No. 05–4476.
|
Submitted June 28, 2007. *
|
Decided July 5, 2007.

Synopsis

Background: Prisoner brought suit under *Bivens* and the Federal Tort Claims Act (FTCA), alleging federal agents violated his Fourth Amendment rights when they seized a computer that he had given to his ex-wife to use, and sued assistant United States Attorney who defended case. The United States District Court for the Northern District of Illinois, John A. Nordberg, J., 2005 WL 2338813,granted summary judgment to defendants on the Fourth Amendment claims and dismissed other claims. Prisoner appealed.

Holdings: The Court of Appeals held that:

[1] prisoner could not have reasonably expected that ex-wife would recognize files as private and thus withhold her consent to search of whole computer by federal agents;

[2] agents' threat to obtain a search warrant for computer did not render ex-wife's consent to search involuntary; and

[3] prisoner failed to exhaust his remedies, as was required before filing claim under FTCA.

Affirmed.

West Headnotes (5)

[1] Searches and Seizures
Family members

Prisoner, who gave his ex-wife use of computer without password-protecting files or even informing her that any files were off-limits, could not have reasonably expected that she would recognize them as private and thus withhold her consent to search of whole computer by federal agents.

3 Cases that cite this headnote

[2] United States
Prisons

Prisoner's written objections to the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) after ATF agents seized computer that prisoner had given to his ex-wife to use could not overcome qualified immunity to liability under the Fourth Amendment, because the then clearly established law was that a timely objection by a non-consenting joint user who was actually present did not override the other user's consent to search. U.S.C.A. Const.Amend. 4.

Cases that cite this headnote

[3] Searches and Seizures
Knowledge of rights;warnings and advice

Federal agents' threat to obtain a search warrant for computer that prisoner had given to his ex-wife to use during his imprisonment did not render ex-wife's consent to search involuntary, where agents, who were investigating prisoner's possible involvement in a crime, were not insincere when they promised to get a warrant, and agents did not physically threaten ex-wife, did not have her in custody, and allowed her a day to reconsider her consent. U.S.C.A. Const.Amend. 4.

Cases that cite this headnote

[4] Federal Civil Procedure

Time for consideration of motion

Granting summary judgment to federal agents on Fourth Amendment claim, before granting prisoner motion to compel, was not error, where prisoner did not explain in his motion how information he sought would help him show a genuine issue of material fact nor did he file an affidavit explaining why he needed additional discovery. U.S.C.A. Const.Amend. 4; Fed.Rules Civ.Proc.Rule 56(f), 28 U.S.C.A.

Cases that cite this headnote

[5] United States

Form and sufficiency

Letters that prisoner sent to officials of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), demanding that they return computer to his ex-wife, did not qualify as claims under the Federal Tort Claims Act (FTCA), because they did not request money damages and, thus, prisoner failed to exhaust his remedies, as was required before filing claim under FTCA. 28 U.S.C.A. § 2675(a); 28 C.F.R. § 14.2(a).

3 Cases that cite this headnote

***382** Appeal from the United States District Court for the Northern District of Illinois, Eastern Division. No. 02 C 8714. John A. Nordberg, Judge.

Attorneys and Law Firms

Michael C. Antonelli, Inez, KY, pro se.

Thomas P. Walsh, Office of the United States Attorney, Chicago, IL, for Defendants–Appellees.

Before Hon. FRANK H. EASTERBROOK, Chief Judge, Hon. JOHN L. COFFEY, Circuit Judge, Hon. DANIEL A. MANION, Circuit Judge.

ORDER

****1** Michael Antonelli brought suit under *Bivens v. Six Unknown Named Agents of the Fed. Bureau of Narcotics,* 403 U.S. 388, 91 S.Ct. 1999, 29 L.Ed.2d 619 (1971), alleging that two ATF agents violated his rights under the Fourth Amendment when they seized a computer that he had given to his ex-wife to use while he was serving a prison sentence. He also brought claims under the Federal Tort Claims Act, 28 U.S.C. § 2671, *et seq.,* based on the same incident and sued the Assistant United States Attorney who defended the case for violating his right to due process during the proceedings below. The district court granted summary judgment to the defendants on the Fourth Amendment claims and dismissed the other claims under Federal Rule of Civil Procedure 12(b)(6). We affirm.

In late 2001 Antonelli was preparing to begin a sentence in federal prison. Before reporting to prison, he gave his ex-wife, Nancy Antonelli a computer that he owned so that she and her children could use it while he was incarcerated, which they did. After Antonelli had begun serving his sentence, ATF agents Tina Sherrow and Jeanne Sobol interviewed Mrs. Antonelli at her home about her ex-husband and his possible involvement in a bombing in the Chicago area. During the interview, Mrs. Antonelli revealed that her ex-husband had left her the computer to use while he was in prison. The agents asked Mrs. Antonelli if she would turn it over to them. Mrs. Antonelli was initially reluctant, explaining that she did not want to retrieve the computer from her attic where she had stored it, that she had searched the computer and found no files, and that the computer "wasn't hers to give." After the agents responded that they could get a search warrant for the computer, Mrs. Antonelli changed her mind but asked the agents to come back later so that she could retrieve it from the attic. The agents agreed, and Agent Sherrow returned a day or so later to pick up the computer.

***383** Antonelli was incarcerated for this entire time, but he learned from his ex-wife that she had given the computer to the ATF. He then wrote to several people at the ATF, including Agent Sherrow, telling them that Mrs. Antonelli had "no access to the hard-drive" of the computer and that she did not have his permission to allow anyone to inspect the hard drive. He demanded that they

return the computer to Mrs. Antonelli. Six months after he wrote his last letter, and 11 months after the ATF first obtained it, Agent Sherrow returned the computer to the ex-wife in undamaged condition.

Antonelli sued Agents Sherrow and Sobol for violating his rights under the Fourth Amendment when they took his computer without a warrant. He also sued the United States under the FTCA, arguing that the agents' actions amounted to trespass to chattels, conversion, and abuse of process. During the proceedings in the district court, Patrick Johnson, the AUSA defending the case, contacted Mrs. Antonelli and discussed preparing an affidavit for her to sign. According to Antonelli, he tried to get her to swear to facts that were untrue. Mrs. Antonelli ultimately signed an affidavit prepared by her ex-husband stating that she told the agents that Antonelli had given her the computer to use but she did not want to give it to them or feel that it was right for her to do so and that the agents changed her mind by mentioning a search warrant. She faxed this affidavit to AUSA Johnson with a note asking him to stop intimidating her. This incident led Antonelli to amend his complaint to add AUSA Johnson as a defendant with a claim that Johnson violated his right to due process by attempting to get Mrs. Antonelli to commit perjury.

****2** The district court granted the defendants' motion for summary judgment on the Fourth Amendment claims, concluding that Mrs. Antonelli had mutual use of and control over the computer and as such had authority to consent to the ATF's search and seizure of it. The court then dismissed Antonelli's FTCA claims, primarily because it decided that Mrs. Antonelli's consent meant that the agents' taking of the computer was authorized. Finally the court dismissed the claim against AUSA Johnson, determining that he had absolute immunity and in any case could not be held liable for merely attempting to violate Antonelli's rights.

We review the grant of summary judgment *de novo* and will uphold the decision if, viewing all facts in the light most favorable to the non-moving party, there is no genuine issue of material fact and the movant is entitled to judgment as a matter of law. *Washington v. Haupert,* 481 F.3d 543, 546–47 (7th Cir.2007). Antonelli's principal argument on appeal is that the district court erred in finding that Mrs. Antonelli had authority to consent to the ATF's taking of the computer.

A consensual search and seizure of property without a warrant does not violate the Fourth Amendment. *United States v. Matlock,* 415 U.S. 164, 171, 94 S.Ct. 988, 39 L.Ed.2d 242 (1974); *United States v. Groves,* 470 F.3d 311, 318 (7th Cir.2006). Consent need not be given by the target of the search, or even the owner of property, but may be given by anyone who has joint access to and control of the property for most purposes. *Matlock,* 415 U.S. at 171 & n. 7, 94 S.Ct. 988; *Groves,* 470 F.3d at 318–19; *see* *United States v. Brown,* 328 F.3d 352, 356 (7th Cir.2003) (leaseholder of apartment could not consent to its search because he did not actually live in or use apartment). Antonelli does not contest that Mrs. Antonelli had joint access to and control of the computer generally. Indeed, Antonelli himself had no access to the computer and little control over it as ***384** he was incarcerated. Instead Antonelli principally argues that his ex-wife had no authority to consent to a search because she had no access to the hard drive. We assume that Antonelli really means that his ex-wife had no access to files that he saved on the hard drive as she would have had access to the hard drive itself to use the computer at all.

Several other circuits have addressed the issue of a third party's authority to consent to a search of a shared computer when the third party does not have access to all areas of the computer. In general, these courts have decided that when one user has protected files with a password that the other user does not know, the second user cannot consent to a search of the password-protected files. *United States v. Buckner,* 473 F.3d 551, 554 (4th Cir.), *cert. denied,* 550 U.S. 913, 127 S.Ct. 2119, 167 L.Ed.2d 830 (2007); *Trulock v. Freeh,* 275 F.3d 391, 403 (4th Cir.2001). On the other hand, when the joint users share access to the computer's files, either one can consent to a search of the whole computer. *See* *United States v. Morgan,* 435 F.3d 660, 663–64 (6th Cir.2006); *United States v. Andrus,* 483 F.3d 711, 719–22 (10th Cir.2007).

****3** **[1]** **[2]** Antonelli, who has the burden of showing that his ex-wife's consent was invalid, *see* *Valance v. Wisel,* 110 F.3d 1269, 1279 (7th Cir.1997), has presented no evidence that there were password-protected files on the computer or that he even told Mrs. Antonelli that

certain files were private. Instead, he suggests that Mrs. Antonelli's failure to detect unspecified files when she searched the computer is evidence of their inaccessibility. But without even an assertion that Antonelli password-protected files, her failure shows only the incompleteness of her search, not the inaccessibility of files. Because Antonelli gave his ex-wife use of the computer without password-protecting files or even informing her that any files were off-limits, he could not reasonably expect that she would recognize them as private. *See* *United States v. Shelton,* 337 F.3d 529, 536–37 (5th Cir.2003) (defendant gave up his reasonable expectation of privacy in his house with respect to his estranged wife when defendant did not change locks or do anything to restrict her access to house). And Antonelli's written objections to the ATF after the computer's seizure cannot overcome qualified immunity to constitutional liability because the then clearly established law was that a timely objection by a non-consenting joint user who is actually present does not override the other user's consent. *See* *Georgia v. Randolph,* 547 U.S. 103, 126 S.Ct. 1515, 1520 n. 1, 164 L.Ed.2d 208 (2006).

[3] Antonelli also argues that his ex-wife's consent was not voluntary because the agents suggested that they would get a search warrant when Mrs. Antonelli initially expressed reluctance about turning the computer over. However a threat to obtain a search warrant does not render consent involuntary unless the threat is baseless or not genuine. *United States v. Scheets,* 188 F.3d 829, 840 (7th Cir.1999). Antonelli concedes the agents were investigating his possible involvement in a crime, and there is no evidence that the agents were insincere when they promised to get a warrant. In addition, it is undisputed that the agents did not physically threaten her, did not have her in custody, and allowed her a day to reconsider her consent, all factors indicating valid consent. *See* *United States v. Renken,* 474 F.3d 984, 987 (7th Cir.2007) (absence of physical coercion, extreme pressure and custodial detention are factors in assessing voluntariness), *petition for cert. filed,* (U.S. May 22, 2007) (No. 06–11673).

***385** **[4]** Antonelli complains in his appellate brief that he was unable to defend against the summary judgment motion because the district court did not grant his motion to compel discovery. But he did not explain in his motion how the information he sought would help him show a genuine issue of material fact nor did he file an affidavit explaining why he needed additional discovery. *See* Fed.R.Civ.P. 56(f); *Kaufman v. McCaughtry,* 419 F.3d 678, 686 (7th Cir.2005); *Woods v. City of Chicago,* 234 F.3d 979, 990 (7th Cir.2000). Therefore the district court did not err in granting summary judgment before granting the motion to compel.

****4** **[5]** This brings us to Antonelli's FTCA claims. The defendants maintain that Antonelli failed to exhaust these claims because he did not file an administrative claim with the ATF until April 2003—well after he filed his lawsuit in December 2002. The FTCA requires that a plaintiff present his claim to the appropriate federal agency and receive a written denial before beginning his lawsuit. 28 U.S.C. § 2675(a); *McNeil v. United States,* 508 U.S. 106, 111–12, 113 S.Ct. 1980, 124 L.Ed.2d 21 (1993); *Palay v. United States,* 349 F.3d 418, 425 (7th Cir.2003). The district court assumed that Antonelli had exhausted, relying on *Barnes v. Briley,* 420 F.3d 673 (7th Cir.2005), but *Barnes* involved new FTCA claims that were raised for the first time in the amended complaint. *Id.* at 678. Antonelli's FTCA claims were raised in his original complaint—before he filed his administrative claim. The amended complaint merely added the claim against AUSA Johnson. Antonelli's original complaint does assert that he exhausted his FTCA claims when he sent the letters to ATF officials demanding that they return the computer to his ex-wife. But these letters do not qualify as claims under the FTCA because they do not request money damages. *See* 28 C.F.R. § 14.2(a). Accordingly, Antonelli has not exhausted his remedies, and the district court should have dismissed the FTCA claims for this reason. *Perez v. Wis. Dep't of Corr.,* 182 F.3d 532, 536 (7th Cir.1999).

As for Antonelli's due process claim against AUSA Johnson, he does not challenge either basis the district court offered—immunity and failure to state a claim—for dismissing this claim. He has thus waived any argument about the dismissal of these claims. *See* *Andy's Rest. & Lounge, Inc. v. City of Gary,* 466 F.3d 550, 553 n. 1 (7th Cir.2006). Furthermore Antonelli concedes in his appellate brief that Mrs. Antonelli did not actually commit perjury. Because he was not harmed by Johnson's actions, his due process claim against Johnson necessarily

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fails. *See* *Buckley v. Fitzsimmons,* 20 F.3d 789, 794–95 (7th Cir.1994).

For the above reasons, we AFFIRM.

All Citations

246 Fed.Appx. 381, 2007 WL 1958637

Footnotes

* After an examination of the briefs and the record, we have concluded that oral argument is unnecessary. Thus the appeal is submitted on the briefs and the record. *See* Fed. R.App. P. 34(a)(2).

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2015 WL 2208423
Only the Westlaw citation is currently available.
United States District Court,
N.D. Illinois, Eastern Division.

City of Chicago, a municipal corporation, Plaintiff,
v.
Purdue Pharma L.P., Purdue Pharma Inc., The Purdue Frederick Company, Inc., Teva Pharmaceutical Industries, Ltd., Teva Pharmaceuticals USA, Inc., Cephalon, Inc., Johnson & Johnson, Janssen Pharmaceuticals, Inc., Ortho–McNeil–Janssen Pharmaceuticals, Inc. n/k/a Janssen Pharmaceuticals, Inc., Janssen Pharmaceutica, Inc. n/k/a Janssen Pharmaceuticals, Inc., Endo Health Solutions, Inc., Endo Pharmaceuticals, Inc., Actavis PLC, Actavis, Inc., Watson Pharmaceuticals, Inc. n/k/a Actavis, Inc., Watson Laboratories, Inc., Actavis LLC, and Actavis Pharma, Inc. f/k/a Watson Pharma, Inc., Defendants.

No. 14 C 4361
|
Signed May 8, 2015

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MEMORANDUM OPINION AND ORDER

HON. JORGE L. ALONSO, United States District Judge

***1** The City sues defendants Purdue Pharma L.P., Purdue Pharma Inc., The Purdue Frederick Company, Inc., (collectively, "the Purdue defendants"), Teva Pharmaceutical Industries, Ltd., Teva Pharmaceuticals USA, Inc., Cephalon, Inc. (collectively, the "Teva defendants"), Johnson & Johnson, Janssen Pharmaceuticals, Inc., Ortho–McNeil–Janssen Pharmaceuticals, Inc. now known as Janssen Pharmaceuticals, Inc., Janssen Pharmaceutica, Inc. now known as Janssen Pharmaceuticals, Inc. (collectively, "the Janssen defendants"), Endo Health Solutions, Inc., Endo Pharmaceuticals, Inc. (collectively, "the Endo defendants"), Actavis plc, Actavis Inc./Watson Laboratories, Inc. [1], Actavis LLC, and Actavis Pharma, Inc. (collectively, "the Actavis defendants") for their alleged violations of the Chicago Municipal Code and state law in connection with their marketing of certain drugs. The case is before the Court on defendants' motions to dismiss pursuant to Federal Rule of Civil Procedure ("Rule") 12. For the reasons set forth below, the Court grants in part and denies in part defendants' joint motion to dismiss and grants the other motions.

Facts

The Purdue defendants manufacture, promote, and sell in Chicago, among other places, opium-like painkillers ("opioids"), including OxyContin and Dilaudid. (1st Am.Compl.("FAC") ¶¶ 3, 27, 28.) The Teva defendants manufacture, promote, and sell in Chicago, among other places, opioids including, Actiq and Fentora. (*Id.* ¶¶ 32–34.) The Janssen defendants manufacture, promote, and sell in Chicago, among other places, opioids including Duragesic and Nucynta. (*Id.* ¶¶ 37–38.) The Endo defendants manufacture, promote, and sell in Chicago, among other places, opioids, including Opana, Percodan, and Percocet. (*Id.* ¶¶ 40–41.) The Actavis defendants manufacture, promote, and sell in Chicago, among other places, opioids, including Kadian and generic versions of Duragesic and Opana. (*Id.* ¶¶ 43–44.)

Opioids have been regulated as controlled substances by the U.S. Drug Enforcement Administration since 1970. (*Id.* ¶ 53.) "The labels for scheduled opioid drugs carry black box warnings of potential addiction and '[s]erious, life-threatening, or fatal respiratory depression,' the result of an excessive dose, which may slow breathing to fatal levels." (*Id.*) As a result, in the 1970s and 1980s, "generally accepted standards of medical practice dictated that opioids should only be used short-term, for instance, for acute pain, pain relating to recovery from surgery, or for cancer or palliative care." (*Id.* ¶ 73.)

By the 1990s, defendants had the ability to produce massive quantities of opioids cheaply, but the market for them was small. (*Id.* ¶ 3.) Consequently, they developed a common marketing plan designed to persuade patients to request, doctors to write, and healthcare payors like the City to pay for more opioid prescriptions. (*Id.* ¶¶ 80–83, 89.) With the help of consultants, defendants set out to create the perception of a scientific exchange in medical literature by commissioning studies that discussed and cited other studies they had commissioned, all of which concluded that long-term use of opioids for chronic pain was appropriate. (*Id.* ¶¶ 84–89.)

***2** Though the Food and Drug Administration ("FDA") requires drug companies to obtain approval of drug labels, which includes promotional materials disseminated about the drug, *see* 21 U.S.C. § 321(k), (m), the FDA generally does not review "unbranded" promotional materials, *i.e.,* materials that promote the use of a type of drug but do not identify any particular drug by name. (*Id.* ¶¶ 98, 100–03.) Accordingly, "to avoid regulatory scrutiny and gain legitimacy, Defendants created, supported, and directed a network of Front Groups to collectively promote the treatment of chronic pain using opioid products over other alternatives." (*Id.* ¶ 104.)

Defendants also disseminated their message through ostensibly neutral publications. (*Id.* ¶ 108.) For example, the Janssen and Teva entities contracted with a medical publishing firm, Conrad & Associates, LLC to produce unbranded materials on opioids that listed professional groups, such as the American College of Physicians, as partners, though the content of the materials was drafted by a medical writer hired by the consultants and paid by defendants. (*Id.*) The materials were also reviewed, edited and approved by defendants' compliance staff. (*Id.*)

Another facet of defendants' marketing campaign was promoting a small circle of doctors who favored treating chronic pain with opioids as experts on opioid use. (*Id.* ¶ 115.) These doctors, referred to as key opinion leaders ("KOLs"), "have written, consulted on, edited, and lent their names to books and articles, and given speeches and CMEs [continuing medical education programs] supportive of chronic opioid therapy." (*Id.* ¶ 116.) They have also served on committees that developed treatment guidelines encouraging the use of opioids for chronic pain and on the boards of pro-opioid advocacy groups and societies that develop, select, and present continuing medical education programs. (*Id.* ¶¶ 116–131.) In return for their support of defendants' pro-opioid message, the KOLs received money, prestige, recognition, research funding, and publishing opportunities, which allowed them to exert even more influence in the medical community. (*Id.*)

Defendants also "commissioned, edited and arranged for the placement of favorable articles in academic journals." (*Id.* ¶ 134.) They "coordinated the timing and publication of manuscripts, abstracts, posters/oral presentations, and educational materials in peer-reviewed journals and other publications to support the launch and sales of their drugs." (*Id.* ¶¶ 135–43.) Defendants also worked "to discredit or bury negative information" by publishing negative review articles, letters to the editor, commentaries, case-study reports, and newsletters. (*Id.* ¶¶ 144–46.)

Defendants also used favorable professional and patient advocacy organizations as marketing tools. (*Id.* ¶¶ 148–54.) Defendants' KOLs served as board members of these organizations, which sponsored conferences and other events at which the pro-opioid message was presented. (*Id.*) In addition, organizations like the Federation of State Medical Boards, the American Academy of Pain Medicine, the American Pain Society, the American Geriatrics Society and others, which were seeded with KOLs and funded by defendants, developed guidelines that promoted the use of opioids for treatment of chronic pain. (*Id.* ¶¶ 156–168, 188–212.)

Among the other marketing methods defendants used to promote their message were continuing medical education programs ("CMEs") and direct-to-consumer marketing. "Defendants sponsored CMEs that were

delivered thousands of times, ... [which] focus on opioids to the exclusion of alternative treatments, inflate the benefits of opioids, and frequently omit or downplay their risks and adverse effects." (*Id.* ¶¶ 174, 178–82.) They also used third parties, like the American Pain Society, to create websites that promote opioids directly to patients. (*Id.* ¶¶ 184–87.)

***3** In addition to targeting patients generally, defendants marketed opioids to specific patient populations, including elderly patients, those who receive worker's compensation benefits, and veterans. (*Id.* ¶¶ 225–40.) They also marketed their own specific drugs to prescribers in Chicago and elsewhere through one-on-one visits with doctors and group events with featured speakers. (*Id.* ¶¶ 273–87.)

Defendants' marketing materials: (1) incorrectly state that opioids improve function (*id.* ¶¶ 244, 246–47); (2) conceal the link between long-term opioid use and addiction (*id.* ¶¶ 244, 248–55); (3) falsely state that the risk of addiction can be managed (*id.* ¶¶ 244, 256–60); (4) falsely describe the signs of addiction as "pseudoaddiction" (*id.* ¶¶ 244, 261–62); (5) falsely state that withdrawal from opioids is easily managed (*id.* ¶¶ 244, 263–64); (6) misrepresent the dangers from higher doses of opioids (*id.* ¶¶ 244, 265–67); and (7) falsely understate the adverse effects of opioids and overstate the risks of nonsteroidal anti-inflammatory drugs ("NSAIDs") (*id.* ¶¶ 244, 268–72, 288–318).

"The City provides ... prescription drugs coverage ... to its employees and retirees .... under various health plans that the City self-insures." (*Id.* ¶ 326.) There is "a preferred provider organization ('PPO') for employees, a health maintenance organization ('HMO') for employees, a plan that covers retirees who are not yet on Medicare, and a plan that provides supplemental coverage to those retirees who are on Medicare." (*Id.* ¶ 326.) "The City's applicable health plans provide benefits for all medically necessary services associated with opioids, including treatment related to any adverse outcomes from chronic opioid therapy, such as overdose or addiction treatment." (*Id.* ¶ 330.) The plans cover "Medically Necessary" prescriptions, *i.e.,* those that are "customary for the treatment or diagnosis of an Illness or Injury, and [are] consistent with generally accepted medical standards." (*Id.* ¶ 332.) Drugs that are not medically necessary or are prescribed for a purpose not approved by the FDA are excluded from coverage under the City's plans. (*Id.*) At all times relevant to this suit, the City has paid directly for prescription drugs under the PPO, and periodically from July 2006 to the present, it has paid directly for prescription drugs under the HMO plan. (*Id.* ¶¶ 327–28.) Defendants' marketing program:

> caused doctors and pharmacies to submit, and the City to pay claims to its health plans that were false by: (a) causing doctors to write prescriptions for chronic opioid therapy based on deceptive representations regarding the risks and benefits of those drugs; (b) causing doctors to certify that these prescriptions and associated services were "medically necessary"; (c) causing claims to be submitted for drugs that were promoted for off-label uses and misbranded, and therefore not FDA-approved; and (d) distorting the standard of care for treatment of chronic pain so that doctors would feel not only that it was appropriate, but required, that they prescribe opioids long-term to treat chronic pain.

(*Id.* ¶ 331; *see id.* ¶¶ 332–38.) It also caused patients covered by the City's insurance to incur additional injuries from overdoses and addiction, which caused the City to incur additional costs. (*Id.* ¶¶ 341–44.)

The City also provides worker's compensation benefits, including prescription drug coverage, through a self-insured program. (*Id.* ¶ 345.) By law, the City is required to pay for "all the necessary first aid, medical and surgical services, and all necessary medical and hospital services thereafter incurred, limited, however, to that which is reasonably required to cure or relieve from the effects of ... accidental [work-related] injur[ies]." 820 Ill. Comp. Stat. 305/8(a). The program "covers all costs associated with opioids, including treatment related to any adverse outcomes from chronic opioid therapy, such as addiction treatment." (FAC ¶ 347; *see id.* ¶ 358.)

***4** Defendants' marketing program:

caused doctors and pharmacies to submit, and the City to pay claims to its workers' compensation program that were false by: (a) causing doctors to write prescriptions for chronic opioid therapy based on deceptive representations regarding the risks and benefits of those drugs; (b) causing doctors to certify that these prescriptions and associated services were "[m]edically appropriate, so that expected health benefits (such as, but not limited to, increased life expectancy, improved functional capacity, prevention of complications, relief of pain) materially exceed the expected health risks" or "reasonably required to cure ... the effects of [an] accidental injury"; and (c) distorting the standard of care for treatment of chronic pain so that doctors would feel not only that it was appropriate, but required, that they prescribe opioids long-term to treat chronic pain.

(*Id.* ¶ 348.)

Discussion

I. *Primary Jurisdiction Doctrine*

Defendants first contend that this case should be stayed or dismissed pursuant to the primary jurisdiction doctrine. That doctrine "is concerned with promoting proper relationships between the courts and administrative agencies charged with particular regulatory duties." *Ryan v. Chemlawn Corp.,* 935 F.2d 129, 131 (7th Cir.1991). The doctrine applies when: (1) "in a suit involving a regulated firm but not brought under the regulatory statute itself, an issue arises that is within the exclusive original jurisdiction of the regulatory agency to resolve"; or (2) "the court and agency have concurrent jurisdiction to decide an issue, or only the court has the power to decide it," and the court seeks the agency's advice on an issue that "extend[s] beyond the conventional experiences of judges or fall[s] within the realm of administrative discretion." *Arsberry v. Illinois,* 244 F.3d 558, 563–64 (7th Cir.2001) (quotation omitted). "There is no fixed formula" for applying the doctrine, and " 'the decision whether to [do so] depends upon a case by case determination of whether, in view of the purposes of the statute involved and the relevance of administrative expertise to the issue at hand, the court ought to defer initially to the administrative agency.' " *Bradford Sch. Bus Transit v. Chi. Transit Auth.,* 537 F.2d 943, 949 (7th Cir.1976) (quoting *Feliciano v. Romney,* 363 F.Supp. 656, 674 (S.D.N.Y.1973)).

Defendants argue that this case falls in the second category because the central issue to be decided is whether opioids should be prescribed to treat chronic, non-cancer pain, a determination best left to the FDA. (Defs.' Jt. Mot. Dismiss at 11–12, ECF No. 229No. 229.) In reality, however, the issue is not whether opioids are prescribed appropriately but whether they are marketed truthfully; specifically, whether defendants misrepresented the risks, benefits and superiority of opioids to treat long-term, chronic pain. (FAC ¶¶ 8–9; *see, e.g., id.* ¶¶ 250, 252, 260, 262–67 (risk of addiction, overdose, death); ¶¶ 64–65, 247 (benefits of opioids); ¶¶ 270–71 (superiority of opioids).) Courts are equipped to adjudicate such claims. *See, e.g., In re Horizon Organic Milk Plus DHA Omega–3 Mktg. & Sales Practice Litig.,* 955 F.Supp.2d 1311, 1349 (S.D.Fla.2013) ("Plaintiffs' claims rest on the determination of whether WhiteWave's brain health representations on its products' labeling, in its advertisements, and on its website are false and/or misleading and whether customers purchased WhiteWave's products in reliance on these representations.... This is not a technical area in which the FDA has greater technical expertise than the courts—as every day courts decide whether conduct is misleading.") (alterations and quotations omitted); *In re Bextra & Celebrex Mktg. Sales Practices & Prod. Liab. Litig.,* No. M: 05–1699 CRB, 2006 WL 2374742, at *12 (N.D.Cal. Aug. 16, 2006) ("The issue is not whether Celebrex has fewer GI complications than other over-counter NSAIDs; the FDA has already determined that it does not. The issue is whether contrary to the FDA's findings, Pfizer nonetheless falsely claimed that Celebrex was superior. Courts and juries frequently decide similar false advertising claims.").

***5** The cases defendants cite do not dictate a different result. In *Weinberger v. Bentex Pharmaceuticals, Inc.,* 412 U.S. 645 (1973), drug companies sought a declaration that their drugs were not " 'new drugs' within the meaning ... of the Federal Food, Drug, and Cosmetic Act." *Id.* at 647. The Supreme Court held that the primary jurisdiction doctrine applied because determining whether a drug was "new" within the meaning of that statute was an "issue[ ] peculiarly

suited to initial determination by the FDA." *Id.* at 653–54; *see* *Imagenetix, Inc. v. Frutarom USA, Inc.,* No. 12CV2823–GPC(WMC), 2013 WL 6419674, at *4 (S.D.Cal. Dec. 9, 2013) (holding that the primary jurisdiction doctrine applied because the issue underlying plaintiff's breach of warranty claims was whether a probiotic product was a drug or a dietary supplement within the meaning of the Food, Drug, and Cosmetic Act). Similarly, in *Tutoki v. Celebreeze,* 375 F.2d 105 (7th Cir. 1967), the primary jurisdiction doctrine applied because the relief plaintiffs sought, a declaration that a cancer drug had been improperly denied to out-of-state patients, assumed that the drug should be approved for shipment by the FDA, a determination "[t]he district court ha[d] neither the facilities nor the expertise" to make. *Id.* at 107. In this case, however, plaintiff's claims can be adjudicated without deciding whether opioids should be prescribed for chronic, non-cancer pain. Thus, the primary jurisdiction doctrine does not apply. [2]

II. *Personal Jurisdiction*

Actavis plc, Actavis, Inc., and Teva Ltd. move to dismiss plaintiffs' claims against them for lack of personal jurisdiction. Federal courts sitting in diversity may exercise personal jurisdiction over nonresident defendants only if the forum-state court would have such jurisdiction. *Hyatt Int'l Corp. v. Coco,* 302 F.3d 707, 713 (7th Cir.2002). Illinois courts can "exercise jurisdiction on any ... basis now or hereafter permitted by the Illinois Constitution and the Constitution of the United States." 735 Ill. Comp. Stat. 5/2–209(c). Because the state and federal standards are not substantively different, *Hyatt,* 302 F.3d at 715, the Court will address only the federal.

This Court can constitutionally exercise personal jurisdiction over defendants if they have sufficient "minimum contacts" with this state "such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.' " *Id.* at 716 (quoting *Int'l Shoe Co. v. Washington,* 326 U.S. 310, 316 (1945)). If a defendant has "continuous and systematic general business contacts with the forum," it is subject to that forum's general jurisdiction and can be sued there for any cause of action. *RAR, Inc. v. Turner Diesel, Ltd.,* 107 F.3d 1272, 1277 (7th Cir.1997) (quotation omitted); *see* *Daimler AG v. Bauman,* 134 S.Ct. 746, 750 (2014) ("[A] court may assert jurisdiction over a foreign corporation 'to hear any and all claims against [it]' only when the corporation's affiliations with the State in which suit is brought are so constant and pervasive 'as to render [it] essentially at home in the forum State.' " (quoting *Goodyear Dunlop Tires Operations, S.A. v. Brown,* 131 S.Ct. 2846, 2851 (2011)). For a corporation, "the paradigm for[a]" for the exercise of general jurisdiction are its "place of incorporation and principal place of business." *Bauman,* 134 S.Ct. at 760 (quotation omitted). If a defendant's purposeful contacts with the forum are more limited, it is subject to the forum's specific jurisdiction and can be sued there only if the suit arises out of those specific contacts. *RAR, Inc.,* 107 F.3d at 1277.

A. Actavis plc & Actavis, Inc.

***6** Actavis plc is an Irish corporation with its principal place of business in Ireland. (FAC ¶ 43.) Actavis, Inc. is a Nevada corporation with its principal place of business in New Jersey. (*Id.*) Both are holding companies and neither has offices or employees in Illinois. (*See* Actavis' Mot. Dismiss, Ex. 1, 1st Hirt Decl. ¶¶ 5, 10, ECF No. 221–1No. 221–1; *id.,* Ex. 2, 2d Hirt Decl. ¶¶ 8–9, ECF No. 221–2No. 221–2.) Given these facts, neither is so " 'at home' " in Illinois as to be subject to this Court's general jurisdiction. *Bauman,* 134 S.Ct. at 760 (quoting *Goodyear,* 131 S.Ct. at 2851).

The City, however, argues, that both companies are subject to the Court's specific jurisdiction because Actavis, Inc. purposefully directed its marketing activities at Illinois and its contacts with this jurisdiction can be imputed to Actavis plc. Though Actavis, Inc. avers that it does not direct advertising for opioids to or solicit sales of opioids from Illinois (*see* Actavis' Mot. Dismiss, Ex. 2, 2d Hirt Decl. ¶ 10, ECF No. 221–2No. 221–2), its documents belie that contention. Specifically, the documents show that Actavis, Inc.'s predecessor, Actavis Group, tracked the number of prescriptions for Kadian, Actavis' opioid product, written by Illinois doctors and ranked the doctors by the number of prescriptions they wrote. (*See* Mem. Law Opp'n Actavis' Mot. Dismiss,

Dolesh Decl. ¶¶ 9, 10, ECF No. 253–1No. 253–1; *id.,* Ex. 5, Prescriber Ranking, ACTAVIS065671, ECF No. 253–6No. 253–6; *id.,* Ex. 6, Kadian Prescribers ACTAVIS0650365, ECF No. 253–7No. 253–7.) They also show that Actavis kept a "target list" of Illinois doctors and marketed to them by participating in a CME at Northwestern Memorial Hospital and offering a $50.00 co-pay program to them. (*See* Mem. Law Opp'n Actavis' Mot. Dismiss, Dolesh Decl. ¶¶ 11–12, 15–16; *id.,* Ex. 7, 2011 Target List, ACTAVIS0821795, ECF No. 253–8No. 253–8; *id.,* Ex. 8, Ex. Request & Approval Form, ACTAVIS0005258–61, ECF No. 253–9No. 253–9; *id.,* Ex. 11, Kadian $50 CoPay Card 2010 Physician Ranking Report, ACTAVIS0666775, ECF No. 253–12No. 253–12; *id.,* Ex. 12, Target List, ACTAVIS0663383, ECF No. 25313No. 25313.) Because the claims in this suit arise from Actavis, Inc.'s marketing efforts, these contacts are sufficient to give the Court specific jurisdiction over Actavis, Inc. *See* *Burger King Corp. v. Rudzewicz,* 471 U.S. 462, 472 (1985) (stating that the exercise of specific jurisdiction is proper when defendant "has purposefully directed his activities at residents of the forum and the litigation results from alleged injuries that arise out of or relate to those activities.") (quotations, citations and footnote omitted); *Felland v. Clifton,* 682 F.3d 665, 674 (7th Cir.2012) (stating, in the context of a common-law fraud claim, "[w]here a plaintiff's claim is for an intentional tort, 'the inquiry focuses on whether the conduct underlying the claim[ ] was purposely directed at the forum state.' ") (quoting *Tamburo v. Dworkin,* 601 F.2d 693, 702 (7th Cir.2010)).

The situation is different, however, for Actavis plc because there is no evidence that it marketed opioids to Illinois residents. The City nonetheless contends that the Court has personal jurisdiction over Actavis plc because the contacts of its subsidiary, Actavis, Inc., can be imputed to it. "[P]ersonal jurisdiction cannot be premised on corporate affiliation or stock ownership" unless "corporate formalities are [not] substantially observed" or "the parent ... exercise[s] an unusually high degree of control over the subsidiary." *Cent. States, Se. & Sw. Areas Pension Fund v. Reimer Express World Corp.,* 230 F.3d 934, 943 (7th Cir.2000). The City alleges "[u]pon information and belief, [that] Actavis plc exercises control over the [ ] marketing and sales efforts and profits from the sale of Actavis products" by Actavis, Inc. (FAC ¶ 43.) But it offers no facts to support that allegation or to counter Actavis plc's declarations that: (1) it "owns shares of companies that manufacture prescription drugs but does not finance or control the daily affairs of those companies, including their marketing or sales operations in Illinois"; and (2) its "books, tax returns, and financial statements are kept separate from those of its subsidiaries, which operate independent of Actavis plc." (*See* Actavis' Mot. Dismiss, Ex. 1, 1st Hirt Decl. ¶¶ 7–8, ECF No. 221–1No. 221–1.) Thus, Actavis, Inc.'s contacts cannot be imputed to Actavis plc on a control theory.

***7** Alternatively, the City argues that Actavis plc is the successor-in-interest to Actavis, Inc., and as such can be charged with Actavis Inc.'s contacts. *See* *Purdue Research Found. v. Sanofi–Synthelabo, S.A.,* 338 F.3d 773, 784 (7th Cir.2003) ("In the corporate successor context, the successor corporation has chosen to stand in the shoes of its predecessor and has chosen to accept the business expectations of those who have dealt previously with that predecessor. Therefore, it can be expected to be haled into the same courts as its predecessor."). One company is the successor of another if, among other things, "the transaction amounts to a consolidation, merger, or similar restructuring of the two corporations" or "the purchasing corporation is a 'mere continuation' of the seller." *Upholsterers' Int'l Union Pension Fund v. Artistic Furniture of Pontiac,* 920 F.2d 1323, 1325–26 (7th Cir.1990). The transaction that created Actavis plc combined Actavis, Inc. and Warner Chilcott plc and made each a subsidiary of Actavis plc. *See* Actavis plc 2013 Form 10–k at 3, *available at* http:// www.sec.gov/Archives/edgar/data/1578845/000119312514066242/d648811d10k.htm (describing the transaction). Nonetheless, the record suggests that Actavis plc simply continued the business of Actavis, Inc. The consolidation transaction, for example, converted each Actavis, Inc. common share into one Actavis plc share. *See id.* Actavis, Inc.'s U.S. headquarters were at "Morris Corporate Center III, 400 Interpace Parkway, Parsippany, NJ," and its officers were Paul M. Bisaro, Sigurdur O. Olafsson, G. Frederick Wilkinson, Robert A. Stewart, R. Todd Joyce, David A. Buchen, Charles M. Mayr, and Patrick J. Eagan. *See* Actavis, Inc. 2012 Form 10—k at 3, 77, *available at* http:// www.sec.gov/Archives/edgar/data/884629/000119312513082059/d448020d10k.htm. Actavis plc's "administrative headquarters" are at "Morris Corporate Center III, 400 Interpace Parkway,

Parsippany, NJ," and it retained all of Actavis, Inc.'s officers in the same positions. *See* Actavis plc 2013 Form 10–k at 4, 98, *available at* http://www.sec.gov/Archives/ edgar/data/1578845/000119312514066242/d648811d10k.htm. Actavis plc has the same website as Actavis, Inc., *see id.* at 4; Actavis plc 2013 Form 10–k at 3, and the Actavis plc 2013 Form 10–k states that "[r]eferences throughout [the document] to 'we' 'our,' 'us,' the 'Company' or 'Actavis' refer to financial information and transactions of Watson Pharmaceuticals, Inc. prior to January 23, 2013, Actavis, Inc. from January 23, 2013 until October 1, 2013 and Actavis plc subsequent to October 1, 2013." Actavis plc 2013 Form 10–k at 3. Though this evidence does not definitively establish that Actavis plc is Actavis, Inc.'s successor, and thus subject to the Court's jurisdiction, it is sufficient to make a prima facie case of jurisdiction, which defeats Actavis plc's motion. *See* *Purdue Research Found.,* 338 F.3d at 782–83.

B. Teva Pharmaceutical Industries, Ltd.

Teva Pharmaceuticals, Ltd. ("Teva, Ltd."), an Israeli corporation with its principal place of business in Israel, owns Cephalon and Teva Pharmaceuticals USA, Inc. ("Teva USA"), both of which are Delaware corporations with their principal places of business in Pennsylvania. (FAC ¶¶ 31–32.) Though Teva, Ltd. declares that it operates independently of its subsidiaries (*see* Mem. Law Supp. Teva's Mot. Dismiss, Ex. A, West Decl. ¶¶ 4–5, ECF No. 225–1No. 225–1), the City contends that the subsidiaries' only purpose is to conduct Teva, Ltd.'s business, and thus their contacts with Illinois can be imputed to Teva, Ltd. *See* *Cent. States,* 230 F.3d at 940. The City's evidence for that contention is that: (1) Teva, Ltd.'s CEO told investors shortly after Cephalon was acquired that the two companies had combined their sales forces; (2) a pharmaceutical industry newsletter written shortly after the acquisition states that "Teva implemented a series of unusually robust price increases [25%] for several of Cephalon's branded meds"; (3) the websites for Cephalon's Actiq and Fentora products display Teva, Ltd.'s logo (but Cephalon's copyright); (4) the Teva, Ltd. website touts its, *i.e.,* Cephalon's, opioid products; (5) and Teva, Ltd.'s SEC filings include information about Cephalon. *See* http:// seekingalpha.com/article/315684–teva–pharmaceuticals–management–presents–at–nasdaq–omx–27th–investor–program–transcript?page=4; http://www.fiercepharma.com/story/teva–jacks–prices–cephalon–legacy–brands/2011–12–07 (quotation omitted); http://www.tevapharm.com/our_products/specialty_ products/pain_killers/; http://www.fentora.com/; http://www.actiq.com/; Teva Pharmaceutical Industries Ltd., Form 20–f, *available at*, http:// www.sec.gov/Archives/edgar/data/818686/000119312515039151/d831284d20f.htm. These facts are not sufficient to suggest that Teva, Ltd. controls Cephalon to such a degree that Cephalon's contacts with Illinois can be imputed to Teva, Ltd. Therefore, the Court grants Teva, Ltd.'s motion to dismiss for lack of personal jurisdiction.

III. *Failure to State a Claim*

On a Rule 12(b)(6) motion to dismiss, the Court accepts as true all well-pleaded factual allegations of the complaint, drawing all reasonable inferences in plaintiff's favor. *Hecker v. Deere & Co.,* 556 F.3d 575, 580 (7th Cir.2009). "[A] complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations" but must contain "enough facts to state a claim for relief that is plausible on its face." *Bell Atl. Corp. v. Twombly,* 550 U.S. 544, 570 (2007). Moreover, claims alleging fraud must be pleaded "with particularity"; that is, they must "provide the who, what, when, where, and how" of the fraud. Fed.R.Civ.P. 9(b); *Borsellino v. Goldman Sachs Grp., Inc.,* 477 F.3d 502, 507 (7th Cir.2007) (quotations omitted).

A. Consumer Fraud—Counts One & Two

***8** In Count One, the City alleges that defendants violated § 2–25–90 of the Chicago Municipal Code ("Code"), which provides that:

No person shall engage in any act of consumer fraud, unfair method of competition, or deceptive practice while conducting any trade or business in the city. Any conduct constituting an unlawful practice under the Illinois Consumer Fraud and Deceptive Business Practices Act ... or any section of this Code relating to business operations or consumer protection, shall be a violation of this section. In construing this section, consideration shall be given to court interpretations relating to the Illinois Consumer Fraud and Deceptive Business Practices Act, as amended. In construing this section, consideration shall

also be given to the interpretations of the Federal Trade Commission and the federal courts relating to Section 5(a) of the Federal Trade Commission Act, 15 U.S.C.A., Section 45....

The Illinois Consumer Fraud and Deceptive Business Practices Act ("ICFA") prohibits:

> Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception, fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact, or the use or employment of any practice described in Section 2 of the "Uniform Deceptive Trade Practices Act" ... in the conduct of any trade or commerce....

815 Ill. Comp. Stat. 505/2. "The elements of a claim under [ICFA] are: (1) a deceptive act or practice by the defendant; (2) the defendant's intent that the plaintiff rely on the deception; and (3) the occurrence of the deception during a course of conduct involving trade or commerce." *Robinson v. Toyota Motor Credit Corp.*, 775 N.E.2d 951, 960 (Ill.2002); *see People ex rel. Madigan v. United Constr. of Am., Inc.*, 981 N.E.2d 404, 411 (Ill.App.Ct.2012) (stating that "the Attorney General may litigate a violation [of ICFA] and seek injunctive and other relief" without showing actual damages).

Defendants contend that only misrepresentations made in advertisements are actionable under § 2–25–090. (*See* Defs.' Jt. Mot. Dismiss at 39, ECF No. 229No. 229.) The ICFA, which the Code section cites as an interpretative guide, defines "advertisement" as "the attempt by publication, dissemination, solicitation or circulation to induce directly or indirectly any person to enter into any obligation or acquire any title or interest in any merchandise," and "trade" and "commerce" as "the advertising, offering for sale, sale, or distribution of ... article, commodity, or thing of value ... includ[ing] any trade or commerce directly or indirectly affecting the people of [Illinois]." 815 Ill. Comp. Stat, 505/1(a), (f). The City alleges that the unbranded materials are indirect attempts by defendants to persuade doctors to prescribe and consumers to purchase their opioid products. (*See, e.g.,* FAC ¶¶ 98–108.) That is sufficient to implicate § 2–25–090.

In Count Two, the City alleges that defendants violated § 4–276–470 of the Code, which prohibits any person from:

> ***9** [A]ct[ing], us[ing] or employ[ing] any deception, fraud, false pretense, false promise or misrepresentation, or ... conceal[ing], suppress [ing] or omit[ting] any material fact with intent that others rely upon such concealment, suppression or omission, in connection with the sale, for cash or on credit, or advertisement of any merchandise, whether or not any person has in fact been misled.

Defendants contend that the Corporation Counsel lacks standing to enforce § 4–276–470 because the Code vests the Department of Business Affairs and Consumer Protection ("Department") with that power. *See* Code § 4–276–640 (stating that the Department shall enforce the provisions of Code chapter 4). However, the Code also expressly permits the Department to turn over the prosecution of consumer fraud to the Corporation Counsel:

The powers and duties of the commissioner and the department shall be as follows:

> ....
>
> to investigate complaints to ascertain whether any person or business has engaged in, is engaging in, or is about to engage in, any illegal, fraudulent or other deceptive practice that violates any law or regulation in connection with the advertisement or sale for cash or on credit of any merchandise to any consumer, and to institute an action with the department of administrative hearings in order to

determine liability and seek remedies authorized by this Code or to report forthwith to the corporation counsel, the state's attorney, the attorney general and such other governmental agency as may have jurisdiction over or an interest in the subject matter, the name and place of business of all persons suspected of having engaged in such fraud, false pretense, misrepresentation or any other deceptive practice.

See § 2–25–50(b)(15)(ii). The Court, thus, rejects the standing argument.

Defendants also argue that prescription drugs fall outside the ambit of § 4–276–470. This argument is based on the Code's definition of "merchandise" as, among other things, "commodities," and "consumer commodity" as:

[A] consumer item that is consumed and replaced by consumers on a regular basis, ... includ[ing], but ... not limited to ...

(1) Food, beverages (including liquor), other items intended for consumption by humans or animals and all substances or ingredients to be added to food;

(2) Paper, metal, and plastic products, including but not limited to napkins, facial tissues, toilet tissues, foil wrap, plastic wrap, paper toweling, wrapping paper, cordage, disposable diapers, and disposable plates;

(3) Detergents, solvents, waxes, soaps and other cleansing agents, sponges and similar cleaning accessories, and lubricants;

(4) Non-prescription drugs, personal care items, including female hygiene products, bandages, and toiletries; and

(5) Household products, including light bulbs, disposable cameras, batteries, camera supplies, candles, tape, and adhesives.

The term "consumer commodity" shall not include:

(1) Unpackaged fresh produce;

(2) Individual items under three cubic inches in size;

(3) Individual items weighing less than three ounces; and

(4) Individual items priced under fifty cents.

Code § 4–276–005. Because prescription drugs are not included in the list of commodities, defendants contend such drugs are not covered by § 4–276–470.

The Court disagrees. The Illinois courts have emphasized that "the maxim of *expressio unius est exclusio alterius,*" *i.e.,* the expression of one thing excludes another, "is not a rule of law but ... a mere rule of statutory construction which is used by the courts in arriving at the real intention of the legislature where such intention is not clearly manifest from the language itself." *Dick v. Roberts,* 133 N.E.2d 305, 308 (Ill.1956); *see* *Paxson v. Bd. of Educ. of Sch. Dist. No. 87,* 658 N.E.2d 1309, 1315 (Ill.App.Ct.1995) ("[T]he maxim Expressio unius est exclusio alterius is only a rule of construction ... and should never be applied to defeat the purpose of a statute."). Here, it is clear from the legislature's use of the phrase "includ [ing], but ... not limited to" in the definition of "commodity" that the term includes all "item[s] that [are] consumed and replaced by consumers on regular basis," not just those enumerated in the ordinance. *See* *Paxson,* 658 N.E.2d at 1315 ("[I]t is generally improper to conclude that entities not specifically enumerated are excluded when the legislature uses the word 'including.' "). Because prescription drugs fall into that category, they are subject to § 4–276–470.

***10** Defendants also argue that the ordinance does not apply to their products because opioids are sold by prescription, not "at retail." *See* § 4–276–005 (defining "advertisement" as "any offer to sell a commodity to the public at retail"). The ordinance does not define the term "retail." However, the common and ordinary understanding of the word "retail" is "to sell (something) to customers for their own use." http://www.merriam-webster.com/dictionary/retail; *see* http:// dictionary.reference.com/browse/retail?s=t (defining "retail" as "the sale of goods to ultimate consumers, usually in small quantities (opposed to wholesale)."); *see also* *Senese v. Vill. of Buffalo Grove,* 890 N.E.2d 628, 630 (Ill.App.Ct.2008) ("A determination of legislative intent begins with the language of the statute, which must be given its 'plain, ordinary, and popularly understood meaning.' ") (quoting *Alvarez v. Pappas,* 890 N.E.2d 434, 434 (Ill.2008)). Given that definition, prescription drugs are sold at retail. *See id.* (" 'Where the language is clear and unambiguous, the statute must be given effect as written without resort to further aids

of statutory construction.' ") (quoting *Alvarez,* 890 N.E.2d 434).

Even if their products are subject to the consumer fraud ordinances, defendants contend that the Count One and Two claims fail because the misrepresentations they are alleged to have made are not actionable as a matter of law. Defendants assert, for example, that the FAC's "central allegation is that [they] falsely represented that opioid products are safe and effective for long-term treatment of chronic pain." (Defs.' Jt. Mot. Dismiss at 20, ECF No. 229No. 229.) As discussed above, however, that is not what the City claims. Defendants also assert that any claim based on lack of clinical testing cannot survive because " 'lack of substantiation [can] be deceptive only when the comparative claim at issue implies that there is substantiation for the claim.' " (*Id.* at 22) (quoting *Bober v. Glaxo Wellcome, PLC,* 246 F.3d 934, 939 n.2 (7th Cir.2001)). Yet that is exactly what the City alleges. (*See* FAC ¶ 147 (alleging that defendants falsely implied that the representations about their products were supported by scientific evidence).) Similarly, defendants argue that any claims based on misrepresentations about the risks of abuse and addiction are foreclosed by the FDA-approved labels for their products because the labels disclose those risks. (Defs.' Jt. Mot. Dismiss at 23, 38, ECF No. 229No. 229.) But, as the cases cited by defendants illustrate, drug labels do not preclude fraud claims based on misrepresentations of the label information, which is what the City alleges. *Travelers Indemn. Co. v. Cephalon, Inc.,* 32 F.Supp.3d 538, 552 (E.D.Pa.2014) (dismissing fraud claims because "no facts alleged in the Amended Complaint suggest that Cephalon concealed or misrepresented the content of the [labels]"); *Ind./Ky./Ohio Reg'l Council of Carpenters Welfare Fund v. Cephalon, Inc.,* No. 13–7167, 2014 WL 2115498, at *6 (E.D.Pa. May 21, 2014) ("Fentora's 'Black Box' warning label, available to potential prescribing physicians, clearly identifies the dangers of abuse and respiratory depression that form the basis of the Fund's concerns, and there is no allegation that the Defendants concealed this information."). In short, the Court rejects defendants' argument that their alleged misrepresentations cannot be the basis for any fraud-based claim.

The Court now turns to the specific allegations the City makes against each defendant.

1. The Actavis entities

The City alleges that each of the Actavis entities, *i.e.,* Actavis plc, Actavis, Inc., Actavis LLC, Actavis Pharma, Inc., Watson Pharma, and Watson Laboratories, Inc., conducted in-person marketing with Chicago doctors, and starting in 2010 trained its sales representatives to falsely tell doctors that: (a) patients with chronic, non-cancer pain function better on opioid therapy; (b) long-acting opioids are less likely to cause addiction than short-acting opioids; (c) patients can be effectively screened for addiction risk; (d) aberrant patient behavior like drug seeking and pill hoarding are signs of pseudoaddiction, not addiction; (e) it is easy to withdraw from opioid use; (f) opioid doses should be continually increased until a patient reports "adequate analgesia"; and (g) opioids are safer than other forms of pain medication because they have no dosage ceiling. (FAC ¶¶ 43, 247, 252, 260, 262, 264, 267, 271, 275, 366.) In addition, each Actavis entity allegedly distributed an advertisement in 2010 that said non-cancer patients function better with chronic opioid therapy, and a patient education brochure in 2007 that said patients without a predisposition to addition are unlikely to become addicted to opioids and implied that addiction was unrelated to increased opioid doses. (*Id.* ¶¶ 247, 252, 267.) The City further alleges that the Actavis entities made these misrepresentations during the course of selling their opioid products to Chicago doctors and advertising them to Chicago consumers and intended for the doctors and consumers to rely on them. (*Id.* ¶¶ 44, 246, 275, 366.) What the City does not allege, however, is the name of any Chicago doctor or consumer to whom any Actavis entity made an alleged misrepresentation, when the misrepresentation was made, or how. Absent that information, the City has not stated claims against the Actavis entities for violations of Code §§ 2–25–90 and 4–276–470.

2. The Cephalon Entities

***11** The City alleges that the two Cephalon entities that remain in this suit, *i.e.,* Cephalon and Teva USA, "used speaker programs" in unidentified locations to market their opioids and: (1) at an unspecified time, "sponsored and facilitated the development of a guidebook, *Opioid Medications and REMS: A Patient's Guide* " that falsely says patients without a family history of addiction do

not commonly become addicted to opioids; (2) in 2007, "sponsored [the American Pain Foundation's] *Treatment Options: A Guide for People Living with Pain,*" which falsely says that addiction is rare, and quality of life improves with long-term opioid use; (3) "sponsored the Federation of State Medical Board's *Responsible Opioid Prescribing* (2007)" and distributed it to 10,000 doctors in unspecified locations, which falsely says that long-term use of opioids improves functioning and that behavior like pill hoarding is a sign of pseudoaddiction, not addiction; (4) "sponsored a CME [continuing medical education program] ..., *Optimizing Opioid Treatment for Breakthrough Pain,* offered ... from September 28, 2007 through December 15, 2008" that falsely says nonopioids are less effective than opioids because of dosing limits. (FAC ¶¶ 33–34, 247, 252, 262, 267, 271, 285.) The City also alleges that the Cephalon entities sell their opioid products and distribute savings cards for them in Chicago. (*Id.* ¶¶ 33–34.) The City does not, however, explain what editorial control, if any, is entailed in "sponsoring" or "facilitating" materials or events. Moreover, it does not allege when, how, and to whom in Chicago the Cephalon entities made any alleged misrepresentations or distributed the contested materials. Absent such allegations, the City has not stated claims against the Cephalon entities for violations of Code §§ 2–25–90 and 4–276–470.

Alternatively, the City alleges that the Cephalon entities violated these ordinances by "market[ing] [their] opioids [*i.e.,* Actiq and Fentora] for chronic non-cancer pain despite having labels that specifically limited their use to cancer pain in opioid-tolerant individuals." (FAC ¶ 288.) With respect to these claims, the City alleges that: (1) the FDA has approved Actiq and Fentora "**ONLY** for the management of breakthrough cancer pain in patients with malignancies who are already receiving and who are tolerant to opioid therapy for their underlying persistent cancer pain"; (2) the drugs' labels state that " '[t]his product must not be used in opioid non-tolerant patients because life-threatening respiratory depression and death could occur at any dose in patients not on a chronic regimen of opioids. For this reason ACTIQ is contraindicated in the management of acute or postoperative pain.' "; (3) in 2007 and 2008, the Cephalon entities sponsored three CMEs, which taught that "there was no sound basis for the distinction between cancer and non-cancer 'breakthrough pain' "; (4) in 2008, the FDA rejected Cephalon's supplemental new drug application seeking approval of Fentora for the treatment of non-cancer breakthrough pain; (5) "[o]n March 26, 2009, the [FDA] issued a Warning Letter to Cephalon, telling Cephalon that its promotional materials for Fentora .... 'misleadingly broaden[ed] the indication for Fentora by implying that any patient with cancer who requires treatment for breakthrough pain is a candidate for Fentora therapy ... when this is not the case.' "; (6) Cephalon markets Actiq and Fentora primarily to doctors who do not specialize in cancer. (*Id.* ¶¶ 292, 297, 303–06, 309, 311, 312–13) (emphasis in original). Again, however, the City alleges no facts that connect the alleged misrepresentations specifically to Chicago doctors or consumers. Accordingly, the off-label consumer fraud claims fail as well.

3. The Endo Entities

The City alleges that each of the Endo entities, *i.e.,* Endo Health Solutions, Inc. and Endo Pharmaceuticals, Inc., "relie[s] heavily on in-person marketing ... to Chicago doctors" and: (1) "sponsor[ed]" two websites, painknowledge.com and PainAction.com, that falsely say opioids improve function, people do not usually become addicted to them, doses do not have to be continually increased, and omit significant risks of opioid use; (2) at an unspecified time, distributed ads for Opana ER that falsely say chronic pain patients who take the drug are able to do physically demanding work; (3) distributed to its sales force the Federation of State Medical Boards' *Responsible Opioid Prescribing* (2007), which falsely says that opioid use improves function and that drug seeking and other aberrant patient behaviors are a sign of pseudoaddiction, not addiction; (4) falsely implied in its 2012 ads for Opana ER that the drug is more difficult to abuse than other opioids; (5) at an unspecified time, "sponsored a CME [continuing medical education program] published by [the American Pain Foundation's] National Initiative of Pain Control, of which Endo was the sole funder, entitled *Persistent Pain in the Older Adult,*" which falsely says that older people are less likely to abuse opioids than younger people and withdrawal symptoms can be avoided; (6) at an unspecified time, "distributed an education pamphlet ... entitled *Living with Someone with Chronic Pain,*" which falsely says most people on opioids do not develop an addiction; (7) at an unspecified time, "distributed a patient education pamphlet ... entitled *Understanding Your Pain: Taking Oral Opioid Analgesics,*" which falsely

implies that patients who take opioids for pain will not become addicted to them and that there is no ceiling on opioid dosage; (8) "contracted with the American Geriatrics Society to produce a CME [continuing medical education program] promoting the 2009 guidelines for the *Pharmacological Management of Persistent Pain in Older Persons,* which falsely say that the risk of addiction for older people is very low; (9) "paid for a 2007 supplement available for continuing [medical] education credit .... entitled *Pain Management Dilemmas in Primary Care: Use of Opioids,*" and distributed 96,000 copies of it, which falsely says that patients can be effectively screened for addiction risk and that those at high risk can still safely receive chronic opioid therapy; and (10) distributed copies of a book entitled *Avoiding Opioid Abuse While Managing Pain* (2007), which falsely says that doctors should regard drug seeking and other aberrant patient behavior as signs of pseudoaddiction, not addiction. (FAC ¶¶ 40–41, 247, 252, 260, 262, 267, 271, 276.) Again, however, the City does not explain what editorial control, if any, the Endo entities had over materials they allegedly sponsored or funded. Further, it does not allege that the Endo entities distributed the educational materials or advertisements to Chicago doctors or consumers, that Chicago doctors attended the continuing medical education programs, that Chicago doctors or consumers visited the websites or otherwise indicate when, how, and to whom the alleged misrepresentations were made. Without such allegations, the City has not stated viable §§ 2–25–90 and 4–276–470 claims against the Endo entities.

4. The Janssen Entities

***12** The City alleges that each of the Janssen entities, *i.e.,* Janssen Pharmaceuticals, Inc. and Johnson & Johnson, sells opioids in Chicago through personal visits to doctors and through speaker programs held in the City and that they: (1) "sponsored a patient education guide entitled *Finding Relief: Pain Management for Older Adults* (2009)," which was distributed by its sales force and says that opioids are rarely addictive, make it easier for people to live normally, do not have dosage limits, and have mild side effects, particularly as compared to NSAIDs; (2) "sponsored" a website in 2009, *Let's Talk Pain,* that claims opioids allow a patient "to continue to function" and that pseudoaddiction is different from addiction; (3) "provided grants to [the American Pain Foundation] to distribute *Exit Wounds* to veterans, which teaches that opioid medications '*increase* your level of functioning' " and says that people who are not predisposed to addiction are unlikely to become addicted; (4) "contracted with the American Geriatrics Society to produce a CME [continuing medical education program] promoting the 2009 guidelines for the *Pharmacological Management of Persistent Pain in Older Persons,*" which "falsely claim that 'the risks [of addiction] are exceedingly low in older patients with no current or past history of substance abuse' "; (5) "currently runs a website, Prescriberesponsibly.com ..., which claims that concerns about opioid addiction are "overstated.' " (FAC ¶¶ 37–38, 247, 252, 262, 267, 271, 279, 366) (emphasis in original). Again, there are no allegations about these entities' editorial control over materials they allegedly sponsored or funded or about where or when the Janssen entities made these alleged misrepresentations to Chicago doctors or consumers. Thus, the City has not stated claims against the Janssen entities for violations of Code §§ 2–25–90 and 4–276–470.

5. The Purdue Entities

The City alleges that each of the Purdue entities, *i.e.,* Purdue Pharma L.P., Purdue Pharma Inc., and The Purdue Frederick Company, "engaged in in-person marketing to doctors in Chicago and operated speakers bureau programs that included Chicago prescribers." (FAC ¶¶ 27, 29, 281.) It also alleges that these entities: (1) ran ads in 2012 promoting OxyContin for long-term pain without saying that there was no evidence of its long-term efficacy; (2) "sponsored [the American Pain Foundation's] *A Policymaker's Guide to Understanding Pain & Its Management,* which inaccurately claims that 'multiple clinical studies' have shown that opioids are effective in improving daily function, psychological health, and health-related quality of life for chronic pain patients," says that less than 1% of kids who take opioids get addicted, that pseudoaddiction can be distinguished from true addiction, and suggests that withdrawal is easy; (3) sponsored and distributed at least 17,200 copies of the American Pain Foundation's *Treatment Options: A Guide for People Living with Pain* (2007), which falsely teaches that opioids improve the quality of pain patients' lives, have little addiction risk, and have " 'no ceiling dose' " and exaggerates the overdose death rate associated with NSAIDs; (4) "sponsored *Exit Wounds* (2009), which falsely teaches veterans that

opioid medications '*increase* your level of functioning' " and that addiction is unlikely in people who are not predisposed to it; (5) "sponsored the Federation of State Medical Boards' *Responsible Opioid Prescribing* (2007), which falsely describes functional improvement as the goal of a long-term opioid use and says drug-seeking behavior is a sign of pseudoaddiction, not addiction; (6) "published a prescriber and law enforcement education pamphlet in 2011 entitled *Providing Relief, Preventing Abuse,*" which falsely suggests that opioids can be abused only by snorting or injecting them and attributes drug seeking behavior to pseudoaddiction; (7) at an unspecified time, "funded [a] study ... [that falsely] claimed ... [there is] 'evidence that the risk of psychological dependence or addiction is low in the absence of a history of substance abuse' "; (8) "contracted with the American Geriatrics Society to produce a CME promoting the 2009 guidelines for the *Pharmacological Management of Persistent Pain in Older Persons,*" which falsely claims that the rate of addiction in older people with no history of substance abuse is very low; (9) has a website, "*In the Face of Pain* (inthefaceofpain.com), which states that policies that 'restrict[ ] [opioid] access to patients with pain who also have a history of substance abuse' and 'requir[e] special government-issued prescription forms for the only medications that are capable of relieving pain that is severe' [are] 'at odds with' best medical practices" and that a patient whose doctor will not give him enough opioids, should find another one who will; (10) "sponsored a 2012 CME [continuing education program] taught by a Chicago-based key opinion leader entitled *Chronic Pain Management and Opioid Use: Easing Fears, Managing Risks, and Improving Outcomes,*" that falsely contends addiction screening is effective; (11) "sponsored" a 2011 webinar entitled *Managing Patients' Opioid Use: Balancing the Need and Risk,* which falsely tells prescribers that screening tools, urine tests, and patient agreements have the effect of preventing opioid abuse and overdoses; (12) in 2005, posted a pamphlet on its website, *Partners AgainstPain.com,* titled *Clinical Issues in Opioid Prescribing,* which distinguished pseudoaddiction from addiction; and (13) sponsored a CME [continuing medical education program] issued by the American Medical Association in 2003, 2007, 2010, and 2013, *Overview of Management Options,* that says NSAIDs and other nonopioids are unsafe at high doses. (*Id.* ¶¶ 247, 252, 260, 262, 264, 267, 271) (emphasis in original). Though most of these allegations suffer from the same flaws as those leveled against the other entities, the allegations that, starting in 2005 and continuing to the present, the Purdue entities made misstatements about opioids on their own websites with the intention that Chicago doctors and consumers rely on those misrepresentations are sufficient to state claims against the Purdue entities for violations of Code §§ 2–25–90 and 4–276470.

B. Fraud Claims—Counts Three to Seven & Nine

***13** In Count Three, the City alleges that defendants violated §§ 1–21–010 and 1–21–020 of the Code, which prohibit any person from aiding and abetting another to "knowingly make[ ] a false statement of material fact to the city in violation of any statute, ordinance or regulation, or ... knowingly make[ ] a false statement of material fact to the city in connection with any application, report, affidavit, oath, or attestation." Violators are liable for penalties "plus up to three times the amount of damages which the city sustains because of the ... violation," and "the city's litigation and collection costs and attorney's fees." § 1–21–010(a). For the purposes of these sections:

> a person knowingly makes a false statement of material fact when that person (i) makes a statement of material fact with actual knowledge that the statement was false, or (ii) makes a statement of material fact with knowledge of facts or information that would cause a reasonable person to be aware that the statement was false when it was made, or (iii) signs, certifies, attests, submits or otherwise provides assurances, or causes any other person to sign, certify, attest, submit or otherwise provide assurances, that a statement of material fact is true or accurate in deliberate ignorance or reckless disregard of the truth or falsity of the statement. For purposes of this section, a person who fails to make a reasonable investigation to determine the accuracy, truthfulness or completeness of any material fact acts in deliberate ignorance or

> reckless disregard of the truth or falsity of the material fact.

§ 1–21–010(d).

In Counts Four and Five, the City alleges that defendants conspired to and violated § 1–22020 of the Code, which imposes liability on any person who:

> (1) knowingly presents, or causes to be presented, to an official or employee of the city a false or fraudulent claim for payment or approval;
>
> (2) knowingly makes, uses, or causes to be made or used, a false record or statement to get a false or fraudulent claim paid or approved by the city;
>
> (3) conspires to defraud the city by getting a false or fraudulent claim allowed or paid.

See § 1–22–10 (defining "claim" to include "any request or demand, whether under a contract or otherwise, for money or property which is made by a city contractor, grantee, or other recipient if the city is the source of any portion of the money or property which is requested or demanded, or if the city will reimburse such contractor, grantee, or other recipient for any portion of the money or property which is requested or demanded.").

Count Six alleges that defendants violated § 1–20–20 of the Code, which states that:

> Any person who causes the city or its agents to incur costs in order to provide services reasonably related to such person's violation of any federal, state or local law, or such person's failure to correct conditions which violate any federal, state or local law when such person was under a legal duty to do so, shall be liable to the city for those costs. This liability shall be collectible in the same manner as any other personal liability.

Count Seven alleges that defendants violated the Illinois Insurance Fraud Statute, which states:

> (a)(1) A person commits insurance fraud when he or she knowingly obtains, attempts to obtain, or causes to be obtained, by deception, control over the property of an insurance company or self-insured entity by the making of a false claim or by causing a false claim to be made on any policy of insurance issued by an insurance company or by the making of a false claim or by causing a false claim to be made to a self-insured entity, intending to deprive an insurance company or self-insured entity permanently of the use and benefit of that property.
>
> ***14** ....
>
> A person who knowingly obtains, attempts to obtain, or causes to be obtained, by deception, control over the property of any insurance company by the making of a false claim or by causing a false claim to be made on a policy of insurance issued by an insurance company, or by the making of a false claim or by causing a false claim to be made to a self-insured entity, intending to deprive an insurance company or self-insured entity permanently of the use and benefit of that property, shall be civilly liable to the insurance company or self-insured entity that paid the claim or against whom the claim was made or to the subrogee of that insurance company or self-insured entity in an amount equal to either 3 times the value of the property wrongfully obtained or, if no property was wrongfully obtained, twice the value of the property attempted to be obtained, whichever amount is greater, plus reasonable attorney's fees.

720 Ill. Comp. Stat. 5/17–10.5(a)(1), (e)(1).

Count Nine is a common-law fraud claim, which requires the City to allege that each defendant made a false statement of material fact, knowing that it was false or with reckless disregard for its truth or falsity, to induce the City's reliance, the City relied on the statement, and it was injured as a result. *Small v. Sussman,* 713 N.E.2d 1216, 1221 (Ill.App.Ct.1999).

The City alleges that the misrepresentations and omissions defendants made in marketing their opioids caused doctors to submit to and receive payment from the City for false and fraudulent claims because: (1) the City's health and worker's compensation plans limit prescription coverage to drugs that are "medically necessary" or

"reasonably required" and are dispensed for an FDA-approved purpose; (2) but for defendants' false and misleading statements about opioids, doctors would not have deemed opioids to be "medically necessary" or "reasonably required" to treat City employees' and retirees' chronic pain, and thus would not have given them opioid prescriptions for that purpose; and (3) between January 2007 and June 2014, the City paid 22,000 claims for opioids that had been prescribed for three or more consecutive months, *i.e.,* for chronic pain rather than acute pain; and (4) if doctors had not been deceived into writing such opioid prescriptions, the City would not have had to pay for the prescriptions or for the additional costs associated with opioids, *e.g.,* treatment for addiction and overdoses. (FAC ¶¶ 320, 324, 330–38, 340–54, 358–59; *id.,* Exs. A & B, Claims Charts.) What the City does not allege, however, is the identities of doctors who, as a result of one or more of defendants' alleged misrepresentations, prescribed opioids for chronic pain to a City-insured patient or worker's compensation recipient whose claim for that prescription the City paid, or any other details about such claims. Absent such allegations, the City has not stated claims for violation of §§ 1–20–20, 1–21–010, 1–21–020, 1–22–020 of the Code or the Illinois Insurance Fraud statute against defendants.

C. Civil Conspiracy—Count Eight

***15** In Count Eight, the City alleges that defendants are liable for conspiring to violate the Code sections and statutes on which its substantive claims are based. Because the substantive claims are only viable against the Purdue entities, and the City does not allege that Purdue entities conspired with one another, the conspiracy claim also fails. *See* *Adcock v. Brakegate, Ltd.,* 645 N.E.2d 888, 894 (Ill.1994) ("Civil conspiracy consists of a combination of two or more persons for the purpose of accomplishing by some concerted action either an unlawful purpose or a lawful purpose by unlawful means."); *Indeck N. Am. Power Fund, L.P. v. Norweb PLC,* 735 N.E.2d 649, 662 (Ill.App.Ct.2000) ("[A] conspiracy is not an independent tort. Where, as here, a plaintiff fails to state an independent cause of action underlying its conspiracy allegations, the claim for a conspiracy also fails.").

D. Unjust Enrichment—Count Ten

In Count Ten, the City asserts a claim for unjust enrichment, which requires, among other things, an allegation that "defendant[s] ha[ve] unjustly retained a benefit to the [City's] detriment." *HPI Healthcare Servs., Inc. v. Mt. Vernon Hosp.,* 545 N.E.2d 672, 679 (Ill.1989). As discussed above, the City has not alleged with particularity that it was harmed by defendants' actions because it does not identify the opioid prescriptions for which it paid that were written by doctors influenced by defendants' alleged misrepresentations. Thus, the unjust enrichment claim fails.

E. Subrogation—Count Eleven

In Count Eleven, the City alleges that, under both its health and worker's compensation plans, it has "a right of reimbursement or subrogation for any payment of a medical benefit provided to a Participant arising out of any injury caused by a third party." (FAC ¶ 510; *see id.* ¶ 512.) Because the City has not adequately alleged that it paid medical benefits to any plan participant for any injury caused by any defendant, the subrogation claims are dismissed.

Conclusion

For the reasons set forth above, the Court: (1) grants the Cephalon entities' motion to dismiss [224] and terminates Teva Pharmaceuticals, Ltd. as a party to this case; and (2) grants the Actavis entities' motion to dismiss [220], the Endo entities' motion to dismiss [226], and the Janssen entities' motion to dismiss [232]; and (3) grants in part and denies in part defendants' joint motion to dismiss [228], which is denied as to the claims asserted in Counts One and Two against the Purdue entities but otherwise granted. The City has thirty days from the date of this Memorandum Opinion and Order to amend the dismissed claims, if it can do so and comply with Federal Rule of Civil Procedure 11. If the City fails to do so, the Court will dismiss those claims with prejudice.

SO ORDERED.

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All Citations

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Footnotes

1 The City sues Watson Pharmaceuticals, Inc., but the record shows that Watson Pharmaceuticals, Inc. is now Actavis, Inc., having changed its name after acquiring Actavis Group in 2012. (*See* Mem. Supp. Actavis' Defs.' Mot. Dismiss, Ex. 2, 2d Hirt Decl. ¶¶ 2–5, ECF No. 221–2No. 221–2.)

2 The parties dispute whether the issue of the propriety of prescribing opioids for longterm, non-cancer pain is currently before the FDA, by virtue of its order, in response to a citizen's petition challenging the use of opioids for such pain, that opioid manufacturers conduct studies to assess "the serious risks of misuse, abuse[,] addiction, overdose, and death associated with the long-term use of opioid analgesics." (Defs.' Jt. Mot. Dismiss at 8, ECF No. 229No. 229) (quotation and alterations omitted). Even if that issue is before the FDA, however, that would not be a basis for applying the primary jurisdiction doctrine because, as discussed *supra,* that issue will not be determined in this case.

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CONTROL SOLUTIONS, LLC, a Delaware Limited Liability Company, Plaintiff,
v.
OSHKOSH CORPORATION, a Wisconsin Corporation, Defendant.
Oshkosh Corporation, a Wisconsin Corporation, Counterclaimant,
v.
Control Solutions, LLC, a Delaware Limited Liability Company, Counterclaim Defendant.

No. 10 C 121.
|
March 28, 2011.

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MEMORANDUM OPINION AND ORDER

SHARON JOHNSON COLEMAN, Judge.

***1** Plaintiff-counter defendant, Control Solutions LLC, moves to dismiss Counts II through VIII of defendant-counterclaimant Oshkosh Corporation's First Amended Counterclaim pursuant to Rule 12(b)(6) for failing to state a claim. For the reasons that follow, the motion is granted.

Background

The following facts are taken as true for the purposes of this motion. Control Solutions designs and manufactures "control and user interface devices" for use in a variety of commercial, medical and military applications. The particular component at issue in this case is Control Solutions' power door system designed for armored vehicles. Oshkosh designs and manufactures armored vehicles and is owner of the common-law and federally-registered "OSHKOSH" trademark in connection with its trucks and tactical vehicles.

In December 2008, the U.S. Army solicited bids for a new vehicle, the Mine Resistant Ambush Protected ("MRAP") All Terrain Vehicle ("M–ATV"). The vehicle was designed to be outfitted with armor kits to upgrade the protection on the doors. The doors on these vehicles are very heavy and require powered assistance to operate safely. Control Solutions built and installed a prototype power door system on some of Oshkosh's prototype vehicles, which Oshkosh used to bid on the Army contract. On June 30, 2009, the Army awarded Oshkosh the contract to manufacture the M–ATV. The Army also awarded to Oshkosh the separate contract to manufacture the armor up-grade kits for the doors. Oshkosh began producing the finished MATVs, but did not use Control Solutions' power door systems. Control Solutions filed the instant lawsuit claiming breach of contract. Oshkosh answered the complaint and filed the counterclaim that is the subject of the motion currently under consideration.

Counterclaim

Oshkosh filed an eight count counterclaim, which Control Solutions now seeks dismissal of Counts II through VIII. Counts II, III, IV, and V, are brought under the Lanham Act alleging trademark infringement, unfair competition, false designation of origin, dilution, and false advertising. The remaining Counts VI, VII, VII, involve the same allegations brought under Illinois law.

Control Solutions moves to dismiss arguing that: (1) Oshkosh has failed to state a claim for false advertising, unfair competition, and false designation of origin (Counts III, V, VIII) because Oshkosh does not plead with sufficient particularity to satisfy the heightened pleading standard of Rule 9(b); (2) Counts II through VIII fail to sufficiently allege damages; (3) the Lanham Act claims (Counts II–V) do not allege that Control Solutions used any infringing mark or made any false or misleading representations "in commerce" within the

meaning of the Act; (4) Oshkosh lacks standing to assert false advertising (Count V) and fails to allege that Control Solutions engaged in "commercial advertising"; (5) the alleged trademark infringement (Count II) is protected by the fair use doctrine; (6) Oshkosh's trademark does not qualify for dilution protection because it is not "famous" within the meaning of the Lanham Act; (7) Oshkosh's state law claims fail for the same reasons as its federal claims.

Legal Standard

***2** When considering a motion to dismiss pursuant to Rule 12(b)(6), the court must accept as true all well-pleaded allegations (*Bell Atlantic Corp. v. Twombly,* 550 U.S. 544, 59, 127 S.Ct. 1955, ——, 167 L.Ed.2d 929, —— (2007)), and draw all reasonable inferences in favor of the nonmoving party. *Pisciotta v. Old Nat. Bancorp,* 499 F.3d 629, 633 (7th Cir.2007). In order to withstand a motion to dismiss a complaint must provide a short and plain statement of the claim showing that the pleader is entitled to relief. Fed.R.Civ.P. 8(a). The pleader must show that it is plausible, rather than merely speculative, that he is entitled to relief. *INEOS Polymers, Inc. v. BASF Catalysts,* 553 F.3d 491, 497 (7 th Cir.2009).

Under Federal Rule of Civil Procedure 9(b), in all allegations sounding in fraud or mistake, a plaintiff must plead with specificity the who, what, where, and when of the alleged fraud or mistake. Fed.R.Civ.P. 9(b); *Fidelity Nat. Title Ins. Co. of New York v. Intercountry Nat. Title Ins. Co.,* 412 F.3d 745, 749 (7th Cir.2005). Allegations stated on information and belief are inadequate to support a fraud claim unless the facts are inaccessible to the plaintiff. *Bankers Trust Co. v. Old Republic Ins. Co.,* 959 F.2d 677, 684 (7th Cir.1992). If the facts are inaccessible to the plaintiff, the complaint must state a basis for the plaintiff's suspicion. *Id.*

Discussion

Counts III, V, and VIII, involve allegations sounding in fraud, namely unfair competition and false designation of origin, false advertising in violation of section 43(a) of the Lanham Act (15 U.S.C. § 1125(a)), and common law unfair competition.

The Lanham Act ("Act") prohibits false designation of origin, false descriptions, and dilution. 15 U.S.C. § 1125(a). Under the Act,

> "Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> > (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
> >
> > (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act." 15 U.S.C. § 1125(a).

Oshkosh's counterclaim falls short of the Rule 9(b) standard for specificity in several ways. First, Oshkosh's only allegation of misrepresentation is that, "on information and belief, on at least one occasion Control Solutions made an advertising presentation to the United States military wherein Control Solutions claimed that its power door system was being used on the Oshkosh M–ATV vehicles." (First Amended Counterclaim, Dkt. 36 at ¶ 36.) Oshkosh further alleges, "on information and belief, Control Solutions' statements to the United States military regarding the use of its power door system on the Oshkosh M–ATV vehicles are false and misleading." (FAC, Dkt. 36 at ¶ 38.) Oshkosh alleges actual confusion based on one telephone call from an "individual within the military regarding Control Solutions' presentation and its claim that Oshkosh was using its power door systems on the M–ATV" and Oshkosh had to clarify that Control Solutions' power doors did not go into the vehicles produced by Oshkosh. (FAC, Dkt. 36 at ¶ 41.)

***3** These allegations form the basis of Oshkosh's counterclaim. Since these allegations are made on

information and belief, Oshkosh must state a basis for its suspicion that these allegations occurred, which it does not. Moreover, Oshkosh fails to meet the pleading standard of Rule 9(b) because it fails to allege with particularity the who, what, where and when of the allegations. Even if this Court were to accept the "United States military" as the "who," there is no indication of where and when such a conversation allegedly took place. Additionally, a single instance of confusion has been found insufficient "confusion" to support a violation of the Act. *See* *Packman v. Chicago Tribune Co.,* 267 F.3d 628, 645 (7th Cir.2001) (holding that the district court properly discounted four phone calls as de minimis evidence of confusion). Accordingly, Counts III, V, and VIII are dismissed without prejudice.

Counts II and VI for trademark infringement under both the Lanham Act and the Illinois statute and Counts III and V for false designation of origin and false advertising must also be dismissed for failing to allege that Control Solutions "used in commerce" Oshkosh's trademark.

Section 1114(1) (a), (b), governing trademark infringement, and section 1 125(a)(1), governing false designation of origin and false advertising, apply only where the defendant uses the trademark in commerce or where the defendant uses in commerce the misrepresentation. The Act defines the phrase in section 1127:

> "The term 'use in commerce' means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—
>
> (1) on goods when—
>
> (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, *and*
>
> (B) the goods are sold or transported in commerce." (Emphasis added.) 15 U.S.C. § 1127

Here, none of the allegations in Oshkosh's counterclaim even suggest that Control Solutions used Oshkosh's trademark "in commerce" within the meaning of the Act. At most, Oshkosh claims that on one occasion Control Solutions stated that its power door systems were used on Oshkosh's M–ATV vehicles. Oshkosh does not dispute that it used Control Solutions' power door systems on some of its prototypes. There are no allegations that Control Solutions sold or transported any goods with the Oshkosh mark. Accordingly, Counts II, III, V, and VI, must be dismissed on that basis without prejudice.

In Counts IV and VII, Oshkosh alleges trademark dilution pursuant to the Lanham Act and Illinois statute. These Counts fail to allege that Oshkosh's trademark is famous, beyond merely claiming that it is famous. (FAC, Dkt. 36 at ¶ 33.) The Lanham Act (15 U.S.C. § 1125(c)) as well as the Illinois statute governing dilution (765 ILCS 1036/65) protect only "famous" marks from dilution. Under the Lanham Act a mark is famous if it is "widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." 15 U.S.C. § 1125(c). The Illinois statute enumerates several factors to guide courts in determining whether a mark is famous, including the scope of advertising and the duration and extent of use of the mark in advertising and publicity. *See* 765 ILCS 1036/65. Here, Oshkosh supplies armored vehicles to the military and, thus, is not advertising to the general public. There is no evidence that the general consuming public would in any way associate Oshkosh with armored vehicles. Therefore, Counts IV and VII are dismissed with prejudice.

***4** Although this Court has already addressed Count V for failing to comply with Rule 9(b), this Court further finds Oshkosh's false advertising claim deficient. In order to state a claim for false advertising, a plaintiff must plead with particularity: (1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a loss of goodwill associated with its products. *See* 15 U.S.C. § 1125(a)(1)(B); *Hot Wax, Inc. v. Turtle Wax, Inc.,* 191 F.3d 813, 819 (7th Cir.1999). Oshkosh fails to allege that the false statement was in commercial advertising. Instead,

Oshkosh bases its claim on a single instance of an in person "sales pitch." Such person-to-person contact is not commercial advertising under the Act. *See* *First Health Group Corp. v. BCE Emergis Corp.,* 269 F.3d 800, 804 (7th Cir.2001) (holding that "advertising is a form of promotion to anonymous recipients, as distinguished from face-to-face communication."). Therefore, Count V must also be dismissed for failing to allege that any statements were made in commercial advertising.

Control Solutions also moves to dismiss Counts II–VIII on the basis that Oshkosh has failed to adequately plead damages. This Court notes that Oshkosh has not alleged in what manner it has been damaged. (FAC, Dkt. 36 at ¶ 46, 50, 56, 60, 64, 69, 73.) However, as this Court has already dismissed Counts II, III, V, VI, VIII without prejudice, Counts IV and VII with prejudice, an additional reason for dismissal is unnecessary.

With respect to Control Solutions' argument that its use of Oshkosh's mark is allowed by the doctrine of fair use, a plaintiff need not anticipate or attempt to defuse potential defenses. *See* *Doe v. Smith,* 429 F.3d 706, 709 (7th Cir.2005).

Conclusion

Based on the foregoing, Control Solutions' Motion to Dismiss Counts II–VIII of Oshkosh's First Amended Counterclaim [43] is granted. Counts II, III, V, VI, VIII, are dismissed without prejudice, and Counts IV and VII, are dismissed with prejudice.

IT IS SO ORDERED.

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United States District Court,
N.D. Illinois,
Eastern Division.

John L. ELIAS, Plaintiff,
v.
STEWART TITLE OF ILLINOIS, National City Bank, National City Mortgage, National Lending Corporation, National Lending Corporation of Illinois, Tracee Young, Christina Ziabaras, E*Trade Financial Corporation, Federal National Mortgage Association, Green Tree Servicing LLC, and Does 1 to 100, Defendants.

No. 09 C 6773.
|
Nov. 1, 2010.

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MEMORANDUM OPINION AND ORDER

VIRGINIA M. KENDALL, District Judge.

***1** Plaintiff John Elias ("Elias") filed suit against Stewart Title of Illinois ("Stewart"), National City Bank ("NCB"), National City Mortgage ("NCM"), National Lending Corporation ("NLC"), National Lending Corporation of Illinois ("NLCIL"), Tracee Young ("Young"), Christina Ziabaras ("Ziabaras"), E*Trade Financial Corporation, Federal National Mortgage Association ("FNMA"), Green Tree Servicing LLC, and other unnamed defendants (collectively "Defendants") under the Truth in Lending Act, 15 U.S.C. 1601U.S.C. 1601 *et seq.* ("TILA") (Count I), the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ICLS 505/1 *et seq.* ("ICFA") (Count II), common law fraud (Count III), notary fraud (Count IV), civil conspiracy (Count V), and the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C.1961, *et seq.* ("RICO") (Count VI). PNC Bank ("PNC") is the successor to NCB and NCM. Count I was voluntarily dismissed with regards to Stewart but not with regards to any other defendant. Stewart and PNC separately move to dismiss Counts II, III, IV, V, and VI of Elias' Amended Complaint. For the following reasons, Stewart's Motion to Dismiss is granted. PNC's Motion to Dismiss is granted in part and denied in part. PNC's motion is granted regarding Counts I, II, III, IV, and VI. PNC's motion is granted regarding Count V for all claims except that of civil conspiracy to commit a violation of TILA, for which it is denied.

STATEMENT OF FACTS

The following facts are taken from Elias' Amended Complaint and are assumed to be true for purposes of this Motion to Dismiss. *See* *Murphy v. Walker,* 51 F.3d 714, 717 (7th Cir.1995).

Stewart is a provider of title insurance and related real estate closing services in Illinois. NLC and NLCIL, both defunct corporations, were the mortgage broker and agent, respectively, of NCB and NCM. (Compl.¶ 3.) NCB and NCM are now known as PNC. (Compl.¶ 4.)

Elias sought to refinance and take a home equity line of credit on his home in Chicago in October 2006. (Compl.¶¶ 19, 20.) Elias negotiated the refinancing and line of credit with Ziabaras, an employee and mortgage broker of NLC and NLCIL. (Compl.¶ 21.) On Friday, October 20, 2006, Ziabaras met with Elias in Elias' office to sign forms authorizing the refinancing and the line of credit. (Compl.¶ 23.) Elias was unhappy with the terms of the loans and did not sign the papers. (Compl.¶ 24.) Elias changed his mind that weekend and decided he would sign and accept the terms of the loans. (Compl.¶ 25.)

On Tuesday, October 24, 2006, Ziabaras went to Elias' house and he signed but did not date the loan documents. (Compl.¶ 26.) Pursuant to TILA, borrowers are given three days to rescind their loans without penalty. (Compl.¶¶ 29, 30.) The three day right of recision gave Elias until October 27, 2006 to rescind the loans he

negotiated with Ziabaras. (Compl.¶ 29.) However, both of Elias' loans were funded on Wednesday October 25, 2006. (Compl.¶ 28.) NCM funded Elias with $289,768.49 for the refinancing and charged settlement fees of $2,496.35. (Compl.¶ 32.) NCB funded Elias with $20,000 for his home equity line of credit and charged settlement fees of $419. (Compl.¶ 33.)

***2** The premature funding of the loans violated Elias' three-day right to rescind the loans under TILA. (Compl.¶ 29.) Elias attempted to utilize another lender, but did not because his loans had already been funded by NCB. (Compl.¶ 30.) Elias noticed that his refinancing and his home equity loan documents were both back and notarized as of Friday, even though he did not actually sign them until Tuesday, October 24, 2006. (Compl.¶ 27.) Elias informed Defendants of his wish to rescind and that he was willing and able to tender the borrowed funds back to Defendants. [1] (Compl.¶¶ 39, 40.)

Elias filed his Original Complaint on October 27, 2009. Stewart filed a Motion to Dismiss on February 20, 2010. Elias filed an Amended Complaint on May 3, 2010 and voluntarily dismissed Count I of the Amended Complaint with regards to Stewart on May 10, 2010. PNC filed a Motion to Dismiss Counts II–VI on May 27, 2010. PNC also filed a cross claim against NLC for breach of contract and express indemnity on May 27, 2010 regarding Count I.

STANDARD OF REVIEW

When considering a motion to dismiss under Rule 12(b)(6), the Court accepts as true all facts alleged in the complaint and construes all reasonable inferences in favor of the plaintiff. *See Murphy,* 51 F. 3 d at 717. To state a claim upon which relief can be granted, a complaint must contain a "short and plain statement of the claim showing that the pleader is entitled to relief." Fed.R.Civ.P. 8(a)(2). "Detailed factual allegations" are not required, but the plaintiff must allege facts that, when "accepted as true ... 'state a claim to relief that is plausible on its face.' " *Ashcroft v. Iqbal,* —U.S. ——, ——, 129 S.Ct. 1937, 1949, 173 L.Ed.2d 868 (2009) (quoting *Bell Atlantic Corp. v. Twombly,* 550 U.S. 544, 555, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007)). In analyzing whether a complaint has met this standard, the "reviewing court [must] draw on its judicial experience and common sense." *Iqbal,* 129 S.Ct. at 1950. When there are well-pleaded factual allegations, the Court assumes their veracity and then determines if they plausibly give rise to an entitlement to relief. *Id.* A claim has facial plausibility when the pleaded factual content allows the Court to draw a reasonable inference that the defendant is liable for the misconduct alleged. *See id.* at 1949.

Rule 9 provides that "[i]n all averments of fraud or mistake, the circumstances constituting fraud or mistake shall be stated with particularity." Red. R. Civ. P. 9. This heightened pleading requirement was intended to protect against the "great harm to the reputation of a business of a firm or other enterprise a fraud claim can do." *Borsellino v. Goldman Sachs Group, Inc.,* 477 F.3d 502, 507 (7th Cir.2007). To satisfy the requirements of Rule 9, a plaintiff must set forth "the who, what, when, where, and how" of the alleged fraud. *DiLeo v. Ernst & Young,* 901 F.2d 624, 627 (7th Cir.1990).

DISCUSSION

Stewart and PNC individually move to dismiss Counts II–VI of Elias' Amended Complaint.

I. Illinois Consumer Fraud Act

A. Statute of Limitations

***3** Stewart and PNC move to dismiss Elias' ICFA claim as time-barred. Actions under the ICFA "shall be forever barred unless commenced within 3 years after the cause of action accrued." 815 ILCS 505/10a(e). Under the Illinois "discovery rule," causes of action accrue when the plaintiff is "possessed of sufficient information concerning its injury to put a reasonable person on inquiry to determine whether actionable conduct was involved." *Vector–Springfield Props., Ltd. v. Cent. Ill. Light Co., Inc.,* 108 F.3d 806, 809 (7th Cir.1999). A plaintiff can plead himself out of court if he alleges facts that affirmatively show that his suit is time-barred, but a plaintiff need not negate an affirmative defense, such as the statute of limitations, in his complaint. *See Clark v. City of Braidwood,* 318 F.3d 764, 767 (7th Cir.2003).

Here, Elias claims that he signed the loan documents totaling $309,768.49 on October 24, 2006 and that his loans were funded in that amount on October 25, 2006. Elias claims the premature funding injured him because it prevented him from obtaining a mortgage on more favorable terms from another lender. Stewart and PNC argue that Elias' cause of action accrued on the day he signed the loan documents. In the alternative, PNC argues Elias' cause of action accrued on the day the loans were funded.

The signing of the loan documents on October 24, 2006 did not put Elias on notice of his injury because he was not aware of any back-dating at that time and he reasonably assumed the loans would not be funded until October 27, 2006. *See, e.g., Tammerello v. Ameriquest Mortgage Co.,* 05–CV–0466, 2006 WL 2860936 (N.D.Ill. Sept.29, 2006) (Coar, J.) (ICFA cause of action accrues at signing where the "crux" of complaint—an interest rate discrepancy—was easily ascertainable at that time). Moreover, there is no evidence that Elias, or a reasonable person in his situation, would be aware that his loans were funded before October 27, 2006. Therefore, under the "discovery rule," it is possible Elias' cause of action did not accrue until he attempted to rescind his loans on October 27, 2006, and realized they had been prematurely funded.[2] *See Clark,* 318 F.3d 764 at 768 (at the motion to dismiss stage, "the question is only whether there is *any* set of facts that if proven would establish a defense to the statute of limitations") (emphasis in original). Elias' three-year statute of limitations thus expired on October 27, 2009, the day he brought this suit, rendering it timely-filed.

B. ICFA

Neither Stewart nor PNC addresses the merits of Elias' ICFA claim in their Motions to Dismiss. In order to prevail on a claim under the ICFA, a plaintiff must prove that: (1) the defendant undertook a deceptive act or practice; (2) the defendant intended that the plaintiff rely on the deception; (3) the deception occurred in the course of trade and commerce; (4) actual damage to the plaintiff occurred; and (5) the damage complained of was proximately caused by the deception. *See Davis v. G.N. Mortgage Corp.,* 396 F.3d 869, 883 (7th Cir.2005). A complaint made pursuant to the ICFA "must be pled with the same specificity as that required under common law fraud." *Elson v. State Farm Fire and Cas. Co.,* 295 Ill.App.3d 1, 229 Ill.Dec. 334, 691 N.E.2d 807, 817 (Ill.App.Ct.1998).

***4** While the elements a plaintiff must prove under the ICFA differ slightly from those a plaintiff must prove under common law fraud, *see Davis,* 396 F.3d at 883 (plaintiffs under ICFA, unlike common law fraud, need not show actual reliance), the element of damages must be pled with specificity under both causes of action. *See, e.g., Elson,* 229 Ill.Dec. 334, 691 N.E.2d at 816. As discussed in Section II(A), *infra,* Elias is unable to demonstrate damages under the heightened pleading standard of Rule 9(b) and therefore does not adequately plead a claim under the ICFA either. Stewart's and PNC's Motions to Dismiss are thus granted as to Count I.

II. Common Law Fraud

Stewart and PNC move to dismiss Count III of Elias' Amended Complaint, alleging violations of common law fraud, for failure to plead sufficient facts under Rule 9(b) and failure to name the appropriate defendants. In order to prevail on a claim for common law fraud in Illinois, a plaintiff must prove: (1) a false statement of material fact; (2) defendant's knowledge that the statement was false; (3) defendant's intent that the statement induce the plaintiff to act; (4) plaintiff's reliance upon the truth of the statement; and (5) plaintiff's damage resulting from reliance on the statement. *See, e.g., Connick v. Suzuki Motor Co., Ltd.,* 174 Ill.2d 482, 221 Ill.Dec. 389, 675 N.E.2d 584, 591 (Ill.1996). A plaintiff must plead these claims with particularity and specify the "who, what, when, where, and how" of the fraud in his complaint. *Borsellino,* 477 F.3d at 507 (quotations and citations omitted). Allegations made "upon information and belief" are generally insufficient unless the plaintiff "states the grounds for his suspicions." *Uni*Quality, Inc. v. Infotronx, Inc.,* 974 F.2d 918, 924 (7th Cir.1992). Formulaic recitations of the cause of action do not put defendants on notice and do not meet the heightened pleading standard. *See Brooks v. Ross,* 578 F.3d 574, 582 (7th Cir.2009). Moreover, "[a]ttributing allegations to defendants as a single group is generally insufficient to meet the heightened pleading standard of Rule 9(b)." *Whitley v. Taylor Bean & Whitacker Mortgage Corp.,* 607 F.Supp.2d 885, 898 (N.D.Ill.2009) (Castillo, J.).

Here, Elias claims that Defendants, through Ziabaras, instructed him not to date the loan documents; that Ziabaras, an employee of NLC and NLCIL, knew that instruction was false and intended to induce Elias to act; that Elias relied on Ziabaras' statement; that Defendants, upon information and belief, instructed him not to date the documents so they could backdate them in an attempt to "wipe out" his three-day right to rescind. (Compl.¶¶ 68, 70–72, 74.) Elias claims to have suffered damages from an inability to seek more favorable loans from other lenders, and from the expenses he paid to defendants, including those for transaction fees, interest, closing costs, servicing fees, and notary fees. (Compl.¶ 75.)

While Elias verges on a formulaic recitation of his cause of action, he nonetheless establishes several of the heightened pleading elements. Elias explicitly names Ziabaras and describes her knowingly false instruction not to date the loan agreements. Elias claims the fraud occurred on October 24, 2006, at his home, when he was induced to sign the loan documents but not date them. Elias alleges upon information and belief that Ziabaras and PNC engaged in this conduct to prevent him from later rescinding his loans, which is an adequate ground of suspicion.

A. Damages

***5** Elias, however, fails to specify the "particular information that Rule 9 requires" regarding his damages incurred by being unable to rescind his loans. *Swanson v. Citibank, N.A.,* 614 F.3d 400, 406 (7th Cir.2010) ("a plaintiff must plead actual damages arising from her reliance on a fraudulent statement"). Elias gives no indication that the other lenders would not have charged him transaction fees, interest, closing costs, servicing fees, or notary fees. Moreover, Elias does not explicitly state the loss he incurred by accepting the NCL and NCIL loans as opposed to the loans allegedly offered by the other lenders. This loss information is within Elias' control, not the control of Defendants. *See, e.g., AEL Fin. LLC v. Tri–City Auto Salvage, Inc.,* 08–CV–4384, 2009 WL 3011211 at *6 (N.D.Ill.2009) (Dow, J.) (heightened pleading standard in Rule 9(b) may be relaxed when information is peculiarly within the control of the moving party).

In addition, Elias alleges Count III against "all Defendants" but he only explicitly names Ziabaras as the perpetrator of the fraud. As such, the fraud claim is improperly against PNC and Stewart because Ziabaras is not a party to these Motions to Dismiss. *See, e.g., Whitley* 607 F.Supp.2d at 898 (where fraud was alleged against all defendants but only explicitly named three of them, fraud counts only apply to the explicitly listed defendants).

Elias has not pled common law fraud against Stewart or PNC with the appropriate specificity required under Rule 9(b). Therefore, Stewart's and PNC's Motions to Dismiss are granted as to Count III.

III. Notary Fraud

Stewart and PNC move to dismiss Count IV of Elias' Amended Complaint, alleging notary fraud, for failure to plead sufficient facts pursuant to Rule 9(b) and failure to name the appropriate defendants. In order to prevail on a claim of notary fraud in Illinois, a plaintiff must prove the same elements as those needed to prove common law fraud. *See* Section II(A), *supra* *Borsellino,* 477 F.3d at 507 (in all averments of fraud, the circumstances constituting fraud shall be stated with particularity). Here, Elias alleges that all Defendants committed notary fraud but he only explicitly names Young, a notary. Elias claims that he never met Young, but that she forged the dates on his loan documents and backdated them to October 20, 2006. (Compl.¶¶ 77, 78.) Elias claims that Young is an employee of Stewart and that NCL and Stewart knew about and condoned the forgery in order to interfere with his right to rescind. (Compl.¶¶ 80, 81.) Elias claims damages due to his loans being prematurely funded. (Compl.¶ 79.)

Elias' notary fraud claim is less comprehensively pled than his common law fraud claim. Therefore, his notary fraud claim does not meet the heightened pleading standard set forth in Rule 9(b), particularly with regards to the damages he incurred. Moreover, Elias does not provide any facts or evidence in support of his claim that Stewart and NLC knew about the alleged forgery. While Young may have been acting within the scope of her employment duties when she dated the loans, Elias' reliance on the doctrine of respondeat superior does not create liability for Stewart because he has not adequately demonstrated that Young committed fraud. *See, e.g., Willfong v. Dean Evans Co.,* 287 Ill.App.3d 1099, 223 Ill.Dec. 479, 679 N.E.2d 1252, 1255 (Ill.App.Ct.1997) (no liability on part of principal under respondeat superior unless agent is also

liable). Stewart and PNC's Motions to Dismiss are thus granted as to Count IV.

IV. Civil Conspiracy

***6** Stewart and PNC move to dismiss Count V of Elias' Amended Complaint, alleging civil conspiracy. To state a claim for civil conspiracy under Illinois law, a plaintiff must allege facts establishing both: (1) an agreement between two or more persons to accomplish, by concerted action, either an unlawful purpose or a lawful purpose by unlawful means; and (2) an act committed in furtherance of that agreement. *See, e.g., Reuter v. MasterCard Int'l, Inc.,* 397 Ill.App.3d 915, 337 Ill.Dec. 67, 921 N.E.2d 1205, 1216 (Ill.App.Ct.2010). In addition, the plaintiff "must allege an injury caused by the defendant." *See Id.* There can be no civil conspiracy between a corporation's own officers or employees nor between a corporation and its agents. *See, e.g., Buckner v. Atl. Plant Maint., Inc.,* 182 Ill.2d 12, 230 Ill.Dec. 596, 694 N.E.2d 565, 571 (Ill.1998) (there can be no conspiracy between principal and agent). Although civil conspiracy claims are not by definition fraudulent torts, "a claim that 'sounds in fraud'—one that is premised upon a course of fraudulent conduct—can implicate Rule 9(b)'s heightened pleading requirements." *Borsellino,* 477 F.3d at 507 (Rule 9(b) applies to averments of fraud, not claims of fraud); *see also Castillo v. First City Bancorporation of Tex., Inc.,* 43 F.3d 953, 961 (5thCir.1994) (claim of civil conspiracy to commit fraud falls under Rule 9(b)). Thus, this Court must examine the plaintiff's factual allegations to determine whether Rule 9(b)'s heightened pleading standard applies. *Borsellino,* 477 F.3d at 507; *see, e.g., Martinez v. Freedom Mortgage Team, Inc. .,* 527 F.Supp.2d 827, 839 (N.D.Ill.2007) (Shadur, J.) (Rule 9(b)'s heightened specificity requirement applies whenever a claim is premised upon a course of fraudulent conduct, including claims of conspiracy to commit fraud).

Here, Elias claims Defendants combined with malice to commit the underlying acts violating TILA, ICFA, common law fraud, and notary fraud. (Compl.¶ 83.) Elias further claims, "upon information and belief," that all Defendants caused "severe economic injury" to him. (Compl.¶ 84.) Because Elias dismissed his TILA claim against Stewart, and because PNC is not challenging his TILA claim in its Motion to Dismiss, Elias' civil conspiracy claim regarding an alleged TILA violation will not be reviewed by this Court at this time.

Elias' remaining claims regarding conspiracy to violate ICFA, common law fraud, and notary fraud all "sound in fraud" and are thus all subject to Rule 9(b)'s heightened pleading standard. [3] *See* Sections I, II, III, *supra.* As such, one of the elements Elias must plead with particularity is his claim of damages. Elias' statement, that "upon information and belief" he suffered severe economic injury is not adequate to meet Rule 9(b)'s heightened pleading standard. *See Swanson,* 614 F.3d at 406 ("a plaintiff must plead actual damages arising from her reliance on a fraudulent statement").

Therefore, Elias' civil conspiracy claims regarding violations of ICFA, common law fraud, and notary fraud cannot withstand Stewart's and PNC's Motions to Dismiss. Elias' civil conspiracy claim regarding an alleged violation of TILA is not properly before the Court at this time. Stewart's Motion to Dismiss is granted regarding Count V. PNC's Motion to Dismiss is granted regarding Count V's claims regarding ICFA, common law fraud, and notary fraud. PNC's Motion to Dismiss is denied regarding civil conspiracy to commit a violation of TILA.

V. RICO

***7** Stewart and PNC move to dismiss Count VI of Elias' Amended Complaint, alleging violations of RICO. RICO is a "unique cause of action that is concerned with eradicating organized, long-term, habitual criminal activity." *Gamboa v. Velez,* 457 F.3d 703, 705 (7th Cir.2006). "While a dismissal of a RICO claim is appropriate if the plaintiff fails to allege sufficient facts to state a claim that is plausible on its face, the adequate number of facts varies depending on the complexity of the case." *Kaye v. D'Amato,* 357 Fed. App'x 706, 710 (7th Cir.2009). Allegations of fraud in a civil RICO claim are subject to the heightened pleading standard set forth in Rule 9(b). *See id.* A RICO plaintiff must prove four elements: (1) conduct; (2) of an enterprise; (3) through a pattern; (4) of racketeering activity. *See Gamboa,* 457 F.3d at 705.

A "pattern of racketeering activity" requires at least two predicate acts within a ten-year period. *See* 18 U.S.C. § 1961(5). Establishing a pattern also requires a showing

that the racketeering predicates are related and amount to or pose a threat of continued criminal activity. *See* *H.J. Inc. v. Nw. Bell Tel. Co.*, 492 U.S. 229, 239, 109 S.Ct. 2893, 106 L.Ed.2d 195 (1989) (Section 1961(5) implies that two acts may not be sufficient to establish a RICO pattern); *Gamboa,* 475 F.3d at 706 (isolated instances of criminal behavior, not presenting at least some threat of future harm, cannot meet § 1962(c)'s continuity element); *Pizzo v. Bekin Van Lines Co.,* 258 F.3d 629, 633 (7th Cir.2001) (continuity demonstrated by a company that "habitually" uses its store "as an engine of fraud").

Here, Elias again verges on a formulaic recitation of his cause of action. He claims that Defendants engaged in a pattern of racketeering activity from which they derived income and conspired to violate §§ 1962(a), (b), or (c). (Compl.¶¶ 86, 87, 90.) Elias claims that the Defendants are each enterprises for the purposes of RICO, and that they committed two predicate acts by instructing him not to date his loan documents on October 24, 2006 and by prematurely funding his loans on October 25, 2006. (Compl.¶¶ 91, 92.)

A. Pattern of Racketeering Activity

Assuming that Elias is correct in his description of the enterprises and predicate acts involved, Elias must still demonstrate a "pattern of racketeering activity" and a failure to do so is fatal to Elias' claim. Because the inducement to leave the loan documents undated and the subsequent premature funding of the loans are related, Elias must demonstrate that these predicate acts "amount to or pose a threat of continued criminal activity." *H.J.*, 492 U.S. at 239. Continuity can be "close-ended" or an "open-ended." Close-ended continuity "refers to a closed period of repeated conduct" while open-ended continuity refers to "past conduct that by its very nature projects into the future with a threat of future repetition." *Id.* at 241. "Predicate acts extending over a few weeks or months and threatening no future criminal conduct do not satisfy" the requirement of closeended continuity. *Id.* Moreover, while a minimum of two acts are required, two acts are usually insufficient. *Id.* at 238–39.

***8** Elias has not satisfied the elements of close-ended continuity because he has only sufficiently pled two predicate acts, on October 24, 2006 and October 25, 2006, the duration between which was one day apart. *See* *H.J.,* 492 U.S. at 242 (a few weeks or months between predicate acts is insubstantial and does not satisfy the continuity requirement); *Kaye,* 357 Fed. App'x at 716 (finding two predicate acts seven months apart to be insufficient); *Pizzo,* 258 F.3d at 633 (two disputes five months apart does not satisfy continuity requirement); *Midwest Grinding Co., Inc. v. Spitz,* 976 F.2d 10 16, 1024 (7th Cir.1992) (a pattern that lasted only three to four months was insufficient). Nor has Elias satisfied the elements of open-ended continuity because he has not demonstrated that there is a danger of the predicate acts recurring or that leaving loan documents undated was the "regular way" that NCB or NCM conducted business. *See* *H.J.,* 492 U.S. at 250 (threat of continuing activity may be established by showing alleged bribes were a "regular way" of conducting business or a regular way of participating in the conduct of the alleged and ongoing RICO enterprise).

Because Elias cannot demonstrate the continuity element necessary to prove a "pattern of racketeering activity," he cannot adequately support his RICO claim. As such, Stewart's and PNC's Motions to Dismiss are granted regarding Count VI.

VI. Conclusion

For the reasons stated, Stewart's Motion to Dismiss is granted. PNC's Motion to Dismiss is granted regarding Counts II, III, IV, and VI. PNC's Motion to Dismiss is granted regarding Count V for all civil conspiracy claims except those alleging a violation of TILA, for which it is denied as not properly before the Court at this time.

All Citations

Not Reported in F.Supp.2d, 2010 WL 4482102

Footnotes

1 Elias does not specify when he informed Defendants of his wish to rescind, when he became aware of the alleged back-dating, or when he attempted to utilize another lender.

2 Elias does not cite to any caselaw to support the proposition that a cause of action under the ICFA generally accrues at the end of the three-day right to rescind. Elias' reliance on *Beach v. Ocwen Fed. Bank,* 523 U.S. 410, 118 S.Ct. 1408, 140 L.Ed.2d 566 (1998) is unavailing. In *Beach,* the Supreme Court held that TILA did not permit a federal right to rescind, defensively or otherwise, after the three-year period has run. *Beach,* 523 U.S. at 419. Moreover, *Beach* made clear that a borrower may not assert a "right to rescind as an affirmative defense in a collection action brought by the lender more than three years after the consummation of the transaction." *Id.* at 411–12. Nonetheless, taking Elias' statements as true, it is possible he was not aware of the back-dating or the funding of his loans before October 27, 2006.

3 Stewart incorrectly asserts Elias can only maintain a civil conspiracy claim if he alleges a violation of TILA.

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KeyCite Yellow Flag - Negative Treatment
Declined to Extend by Edge Capture L.L.C. v. Barclays Bank PLC, N.D.Ill., August 30, 2011

2009 WL 1010426
Only the Westlaw citation is currently available.
United States District Court,
N.D. Illinois,
Eastern Division.

MaCLEAN–FOGG COMPANY, MaClean Quality Composites, L.L.C, and MaClean Investment Partners (f/k/a Bm Holdings I, L.L.C), Plaintiffs,
v.
EDGE COMPOSITES, L.L.C.
and Jason Schiers, Defendants.

Civil Action No. 08 C 6367.
|
April 14, 2009.

West KeySummary

1 **Patents**
Persons Entitled to Sue;Standing

A patent holder's affiliate companies lacked standing to sue alleged infringer for selling carbon fiber wheels. The patent holder purportedly had assigned joint ownership interest in the patent to its affiliates. However, the agreement was executed on a certain date that was weeks after the affiliates filed the amended complaint. As standing must have existed at the time the case was filed, the nunc pro tunc assignment of joint ownership interests in the patent did not provide standing to bring the patent infringement claim. 35 U.S.C.A. § 100(d).

6 Cases that cite this headnote

Attorneys and Law Firms

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MEMORANDUM OPINION AND ORDER

SUZANNE B. CONLON, District Judge.

***1** MacLean–Fogg Company ("MacLean–Fogg"), MacLean Quality Composites, L.L.C. ("MacLean Quality"), and MacLean Investment Partners ("MacLean Investment") sue Edge Composites, L.L.C. ("Edge") for patent infringement (Count I), and Jason Schiers for breach of contract (Count II) and violation of the Illinois Trade Secrets Act, 765 ILCS 1065/1, *et seq.* (Count III). Plaintiffs allege Edge's manufacture and sale of carbon fiber bicycle wheels infringes MacLean Investment's "Composite Rim" patent, and that former MacLean–Fogg employee Schiers violated a confidentiality agreement and disclosed trade secrets. Edge and Schiers move to dismiss the amended complaint for lack of subject matter and personal jurisdiction, improper venue, and failure to state a claim or, alternatively, move for a more definite statement. For the reasons set forth below, the motion to dismiss is granted.

BACKGROUND

The following facts are derived from the amended complaint. MacLean Investment owns United States patent 6,347,839, entitled "Composite Rim" ("839 patent"). Am. Compl. ¶¶ 12–13 and Ex. A. Edge manufactures and sells products, including carbon fiber wheels, that infringe the #839 patent. *Id.* ¶ 14. Edge maintains a website that sells the infringing wheels, and enables users to buy various products on-line. *Id.* ¶ 10.

Schiers is a member of Edge management, and previously worked for MacLean–Fogg. *Id.* ¶ 7 and Ex. B. Schiers signed a confidentiality agreement with MacLean–Fogg. *Id.* ¶¶ 20–21, Ex. B. The agreement provided

Schiers could not disclose confidential client lists, product specifications, production techniques, payroll and financial data, sales and marketing activity and plans, or other non-public information relating to MacLean–Fogg's operations. *Id.* ¶ 21, Ex. B. This information constitutes trade secrets. *Id.* ¶¶ 21, 25–29. Plaintiffs allege, upon information and belief, that Schiers disclosed confidential information and trade secrets. *Id.* ¶¶ 23, 28.

DISCUSSION

I. Legal Standards

A motion to dismiss may challenge subject matter jurisdiction, personal jurisdiction over defendants, or propriety of venue. Fed.R.Civ.P. 12(b)(1), (b)(2), (b)(3). All well-pleaded allegations are accepted as true, and reasonable inferences are drawn in plaintiffs' favor. But motions to dismiss for lack of subject matter jurisdiction, personal jurisdiction, and improper venue may rely on evidence outside the pleadings, such as affidavits and declarations. *Purdue Research Found. v. Sanofi–Synthlabo, S.A .,* 338 F.3d 773, 782 (7th Cir.2003) (addressing personal jurisdiction); *Sapperstein v. Hager,* 188 F.3d 852, 855 (7th Cir.1999) (addressing subject matter jurisdiction); *Citadel Group Ltd. v. Wash. Reg'l Med. Ctr.,* No. 07 C 1394, 2008 WL 5423553, at * 2 (N.D.Ill.Dec. 29, 2008) (Aspen, J.) (addressing venue). Conflicts in the parties' submissions must be resolved in plaintiffs' favor. *Purdue Research Found.,* 338 F.3d at 782; *Citadel Group,* 2008 WL 5423553, at * 2. Plaintiffs bear the burden of establishing jurisdiction and proper venue. *Purdue Research Found.,* 338 F.3d at 782; *Sapperstein,* 188 F.3d at 855; *Citadel Group,* 2008 WL 5423553, at *2.

***2** A Rule 12(b)(6) motion challenges the complaint for failure to state a claim. Fed.R.Civ.P. 12(b)(6). In ruling on a Rule 12(b)(6) motion, all well-pleaded allegations are accepted as true, and reasonable inferences are drawn in plaintiffs' favor. *Tamayo v. Blagojevich,* 526 F.3d 1074, 1081 (7th Cir.2008). The complaint need only provide a short and plain statement giving defendants fair notice of the nature and basis of each claim. *Bell Atlantic Corp. v. Twombly,* 550 U.S. 544, 127 S.Ct. 1955, 1964, 167 L.Ed.2d 929 (2007); *Tamayo,* 526 F.3d at 1081; Fed.R.Civ.P. 8(a)(2). This requires more than labels and conclusions, or a formulaic recitation of the elements of a cause of action. *Bell Atlantic Corp.,* 127 S.Ct. at 1964–65. Factual allegations must be sufficient to state a claim to relief that is plausible on its face, rather than merely speculative. *Id.* at 1965, 1974; *Tamayo,* 526 F.3d at 1083. A Rule 12(e) motion requests a more definite statement if a complaint is so vague or ambiguous that defendants cannot reasonably prepare a response. Fed.R.Civ.P. 12(e).

II. Subject Matter Jurisdiction

A. Standing

Edge argues Count I for patent infringement should be dismissed for lack of jurisdiction as to MacLean–Fogg and MacLean Quality because they do not own the #839 patent, and therefore lack standing to claim patent infringement. It is undisputed MacLean Investment owns the #839 patent. Under the Patent Act, only the patent owner or its assignee (including an exclusive licensee) has standing to bring an infringement suit. 35 U.S.C. §§ 100(d), 281; *Mentor H/S, Inc. v. Med. Device Alliance, Inc.,* 240 F.3d 1016, 1017–18 (Fed.Cir.2001). MacLean–Fogg and MacLean Quality contend without legal support that they have standing because they are MacLean Investment "affiliates." Plaintiffs do not allege or explain the relationship among these companies. Mere relation to a patentee is insufficient to confer standing. *Mars, Inc. v. Coin Acceptors, Inc.,* 527 F.3d 1359, 1367–68 (Fed.Cir.2008) (finding that patentee's subsidiary did not have standing to bring infringement suit), *modified,* 557 F.3d 1377 (Fed.Cir.2009) (mandate modified to include remand instructions regarding post-judgment interest). MacLean–Fogg and MacLean Quality's affiliation with MacLean Investment does not confer standing to sue for infringement of the #839 patent.

Plaintiffs submit an assignment and joint ownership agreement for the #839 patent. Plaintiffs' Response, Ex. D. MacLean Investment purportedly has assigned joint ownership interests in the #839 patent to MacLean–Fogg and MacLean Quality. The agreement was executed on February 5, 2009—weeks after plaintiffs filed the amended complaint (adding MacLean Investment as a

plaintiff). Standing must exist at the time the case is filed; subject matter jurisdiction may not be created retroactively by amendment. *Lujan v. Defenders of Wildlife,* 504 U.S. 555, 570 n. 4, 112 S.Ct. 2130, 119 L.Ed.2d 351 (1992). Indeed, in *Enzo APA & Son, Inc. v. Geapag A.G.,* 134 F.3d 1090, 1093–94 (Fed.Cir.1998), the Federal Circuit expressly held that a *nunc pro tunc* assignment of patent rights was insufficient to confer retroactive standing. Permitting non-owners to sue for patent infringement, provided they eventually obtain the patent rights, would risk abstract disputes and redundant litigation. *Id.* MacLean Investment's *nunc pro tunc* assignment of joint ownership interests in the #839 patent to MacLean–Fogg and MacLean Quality does not provide standing to bring the patent infringement claim against Edge. Count I for patent infringement is dismissed for lack of subject matter jurisdiction as to MacLean–Fogg and MacLean Quality.

B. Supplemental Jurisdiction

***3** Schiers argues this court lacks supplemental jurisdiction over plaintiffs' state law claims for breach of contract (Count II) and violation of the Illinois Trade Secrets Act (Count III). A district court has supplemental jurisdiction over any claim that is "so related to claims in the action within such original jurisdiction that they form part of the same case or controversy." 28 U.S.C. § 1367(a); *Hansen v. Bd. of Trs. of Hamilton Se. Sch. Corp.,* 551 F.3d 599, 607 (7th Cir.2008). State and federal claims are part of the same case or controversy if they derive from a common nucleus of operative facts. *Hansen,* 551 F.3d at 607.

Plaintiffs argue that courts have recognized the factual overlap between patent infringement and state law claims for breach of contract and misappropriation of trade secrets, citing *3D Sys. Inc. v. Aarotech Labs., Inc.,* 160 F.3d 1373 (Fed.Cir.1998), and *N. Am. Van Lines, Inc. v. Atlantic Transfer & Storage Co.,* 487 F.Supp.2d 672 (D.S.C.2007) (Duffy, J.). In *3D Systems,* the state trade libel and unfair competition claims went "hand-in-hand" with the patent infringement claim because they arose out of defendant's sales activity for rapid prototyping equipment. 160 F.3d at 1377. In *North American Van Lines,* the federal trademark infringement claims and state law breach of contact claim required interpretation of the parties' trademark licensing contract and consideration of events precipitating the contract's termination. 487 F.Supp.2d at 674–75.

Plaintiffs have not demonstrated the factual overlap between the patent infringement and the state law claims for breach of contract and violation of the Illinois Trade Secrets Act. Plaintiffs allege the state law claims "derive from Defendants' activities in manufacturing, selling, and/or offering to sell wheels." Am. Compl. ¶ 2. The patent infringement claim alleges Edge manufactures and sells carbon fiber wheels that infringe the #839 patent. *Id.* ¶ 14. The state law claims allege former employee Schiers, who is now a member of Edge management, disclosed confidential information as defined by the confidentiality agreement, and the confidential information are protected trade secrets. *Id.* ¶¶ 7, 21, 23, 28 and Ex. B. Plaintiffs do not identify the information Schiers allegedly disclosed and misappropriated. They provide no basis to support a conclusion this information relates to Edge's purported infringement of the #839 patent, or that the claims involve overlapping operative facts. Plaintiffs fail to establish supplemental jurisdiction over the state law claims. Counts II (breach of contract) and III (violation of the Illinois Trade Secrets Act) are dismissed for lack of subject matter jurisdiction.

III. Personal Jurisdiction

Edge and Schiers argue plaintiffs cannot establish personal jurisdiction because they lack minimum contacts with Illinois. Plaintiffs do not respond to Schiers' argument, and therefore fail to establish personal jurisdiction over Schiers.

***4** Federal Circuit law governs personal jurisdiction over the patent infringement claim against Edge. *Hildebrand v. Steck Mfg. Co.,* 279 F.3d 1351, 1354 (Fed.Cir.2002); *Compliance Software Sols., Corp. v. Moda Tech. Partners, Inc.,* No. 07 C 6752, 2008 WL 2960711, at *2 (N.D. Ill. My 31, 2008) (Manning, J.); *United States Gypsum Co. v. LaFarge N. Am., Inc.,* 508 F.Supp.2d 601, 641–42 (N.D.Ill.2007) (Hart. J.). Edge must be amenable to service of process under Illinois' long-arm statute, and personal jurisdiction must comport with constitutional due process. *Hildebrand,* 279 F.3d at 1354. The Illinois long-arm statute contains a "catch-all" provision allowing the exercise of personal jurisdiction on any basis

permitted by the Illinois and federal constitutions. 735 ILCS 5/2–209(c).

Jurisdiction may be specific or general. Specific jurisdiction is applicable when the lawsuit results from injuries that arise out of or are related to defendants' contacts with Illinois. *Burger King Corp. v. Rudsewicz,* 471 U.S. 462, 472–73, 105 S.Ct. 2174, 85 L.Ed.2d 528 (1985); *Red Wing Shoe Co. v. Hockerson–Halberstadt, Inc.,* 148 F.3d 1355, 1359 (Fed.Cir.1998). Edge must have purposefully directed its activities at Illinois residents. *Burger King Corp.,* 471 U.S. at 475–76; *Campbell Pet Co. v. Miale,* 542 F.3d 879, 884 (Fed.Cir.2008). The assertion of personal jurisdiction must comport with "traditional notions of fair play and substantial justice." *Int'l Shoe Co. v. State of Wash., Office of Unemployment Compensation and Placement,* 326 U.S. 310, 316, 66 S.Ct. 154, 90 L.Ed. 95 (1945); *Campbell Pet Co.,* 542 F.3d at 884.

General jurisdiction exists when a defendant maintains continuous and systematic business contacts with the forum state even when the cause of action is unrelated to the contacts. *Helicopteros Nacionales de Columbia, S.A. v. Hall,* 466 U.S. 408, 414–16, 104 S.Ct. 1868, 80 L.Ed.2d 404 (1984); *Campbell Pet Co.,* 542 F.3d at 883. Random, fortuitous, or attenuated contacts, and contacts resulting from others' unilateral activities, are insufficient to establish either specific or general jurisdiction. *Red Wing Shoe Co.,* 148 F.3d at 1359.

The parties collapse the personal jurisdiction analysis into one argument. This is not appropriate because the threshold level of minimum contacts for general jurisdiction is more stringent than that required for specific jurisdiction. *Helicopteros Nacionales de Columbia,* 466 U.S. at 414–16; *Avocent Hunisville Corp. v. Aten Int'l Co.,* 552 F.3d 1324, 1330 (Fed.Cir.2008).

MacLean Investment argues jurisdiction exists because Edge shipped infringing bicycle wheels into Illinois. Specifically, on January 16, 2009 (the day plaintiffs filed the amended complaint), Michael Dufner—MacLean–Fogg's business development director and MacLean Quality's chief financial officer—ordered an allegedly infringing set of bicycle wheels from a third-party website, WheelBuilder.com. Plaintiffs' Response, Ex. A: Michael Dufner Aff. ¶¶ 1, 3. The bicycle wheels were manufactured by Edge, and WheelBuilder.com confirmed to Dufner that it ships products to Illinois, and distributes Edge products. *Id.* ¶¶ 2–3. Dufner's order was shipped to his home in Arlington Heights, Illinois. *Id.* ¶ 5. Plaintiffs argue this shipment establishes jurisdiction, citing *Beverly Hills Fan Co. v. Royal Sovereign Corp. .,* 21 F.3d 1558 (Fed.Cir.1994). There, a Virginia district court was held to have specific personal jurisdiction over the manufacturer defendant who sold at least 52 infringing fans in Virginia through an intentionally established distribution channel in Virginia. *Id.* at 1563–65.

***5** MacLean Investment does not proffer evidence of an established distribution channel in Illinois for the bicycle wheels. WheelBuilder.com is a website operated by a California company. Defendants' Reply, Ex. C: WheelBuilder.com Website Page. A third-party, out-of-state company's lone shipment of alleged infringing bicycle wheels to plaintiffs' officer does not demonstrate personal jurisdiction. *Cf. Watchworks, Inc. v. Total Time, Inc.,* No. 01 C 5711, 2002 WL 424631, at * 5–8 (N.D.Ill. Mar.19, 2002) (Lefkow, J.) (personal jurisdiction not established in trademark infringement case where only Illinois sales of infringing products were made to plaintiff's investigator). The sale to Dufner does not demonstrate specific jurisdiction over Edge. MacLean Investment fails to establish Edge purposefully directed its activities at Illinois residents.

MacLean Investment contends its attorney, Robert Ambrose, learned from two Illinois distributors that they supply Edge products. Plaintiffs' Response, Ex. B: Robert Ambrose Aff. ¶¶ 1–3. MacLean Investment does not contend these products are the alleged infringing bicycle wheels. Edge presents evidence it has made six sales for a total of $2,154.25 to the two Illinois distributors; none of the sales were for products with composite rims. Defendants' Motion, Ex. C: Jeremy Venz (Edge's chief financial officer) Decl. ¶ 2. MacLean Investment does not establish its claim for infringement of the #839 patent arises out of or is related to the sales of Edge products in Illinois. Accordingly, specific jurisdiction over Edge has not been shown.

MacLean Investment argues jurisdiction exists because Edge maintains an interactive website that sells the infringing bicycle wheels, a website that is now disabled. MacLean Investment provides no evidentiary support for this statement. Edge disputes that its website sells or ever sold the infringing bicycle wheels. Edge maintains two websites accessible to Illinois residents. Edge contends one of the websites does not offer products for sale. The other website sells products (carbon tubing and tubing with customized specifications), but it does not sell products with composite rims. Venz Decl. ¶ 4. Edge has never sold any products directly to an Illinois resident through its websites. *Id.* MacLean Investment does not provide contrary evidence.

Under these circumstances, Edge's websites do not provide general jurisdiction. *See* *Campbell Pet Co.,* 542 F.3d at 884 (general jurisdiction over a defendant was not established by its interactive website because the website was not directed to the forum state and did not generate sales there). And Edge's isolated sales of unrelated products to two Illinois distributors do not demonstrate continuous and systematic contacts with Illinois. *Accord id.* Edge is a Utah limited liability company with its principal place of business in Utah. Am. Compl. ¶ 6. Edge is not registered to do business in Illinois and does not have offices or facilities here; does not have a registered or other agent for service of process in Illinois; does not have any assets in Illinois; and does not advertise in Illinois or solicit funds or business from Illinois residents. Venz Decl. ¶¶ 3, 5. General jurisdiction over Edge has not been established.

IV. Sufficiency of Claims

***6** Edge and Schiers argue plaintiffs fail to state a claim for patent infringement, breach of contract, or violation of the Illinois Trade Secrets Act. MacLean–Fogg and MacLean Quality fail to allege they own the #839 patent—a required element for a patent infringement claim. *McZeal v. Sprint Nextel Corp.,* 501 F.3d 1354, 1356–57 (Fed.Cir.2007). MacLean–Fogg and MacLean Quality fail to state a patent infringement claim (Count I).

Plaintiffs allege, upon information and belief, that Schiers disclosed trade secrets and confidential information in violation of his confidentiality agreement. Am. Compl. ¶¶ 23, 28. Allegations based exclusively on information and belief are insufficient unless the facts are inaccessible to the pleader, and there is a reasonable basis to suspect the facts are true. *Bankers Trust Co. v. Old Republic Ins. Co.,* 959 F.2d 677, 684 (7th Cir.1992) (applying the rule in a heightened pleading standard fraud case); *Anderson v. Cooper,* No. 92 C 5949, 1994 WL 46675, at * 1 (N.D.Ill. Feb.14, 1994) (Holderman, J.) (collecting cases). Plaintiffs do not state any grounds for their suspicion. And they do not identify the information Schiers disclosed. Under these circumstances, plaintiffs' allegations are speculative and fail to state a claim for breach of contract (Count II) or violation of the Illinois Trade Secrets Act (Count III). Plaintiffs' alternative motion for a more definite statement need not be addressed.

CONCLUSION

Count I for patent infringement is dismissed as to MacLean–Fogg and MacLean Quality for lack of standing because they do not own the #839 patent. Counts II (breach of contract) and III (violation of the Illinois Trade Secrets Act) are dismissed for lack of supplemental subject matter jurisdiction because plaintiffs fail to establish the patent infringement and state law claims involve overlapping operative facts. Specific personal jurisdiction over Edge does not exist because MacLean Investment has not established Edge sold any infringing products to Illinois residents. General personal jurisdiction over Edge does not exist because Edge has never sold any products to Illinois residents through its websites, and MacLean Investment does not demonstrate that Edge has continuous and systematic contacts with Illinois.

A serious issue is raised whether venue exists because defendants reside in Utah, and plaintiffs do not establish that the events giving rise to plaintiffs' claim occurred in this district, and the convenience of the parties and witnesses favor a transfer to the Utah district court. However, the court need not reach this issue. MacLean–Fogg and MacLean Quality fail to state a patent infringement claim because they fail to allege they own the #839 patent (Count I). Plaintiffs fail to state a claim for breach of contract (Count II) or violation of the Illinois Trade Secrets Act (Count III) because their allegations based only on information and belief that Schiers disclosed trade secrets and confidential information are insufficient.

All Citations

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2017 WL 6988661
United States District Court,
N.D. Illinois, Eastern Division.

PROMINENCE ADVISORS, INC., Plaintiff,
v.
Joseph DALTON, Defendant.

No. 17 C 4369
|
Signed 12/18/2017

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Jigar Ashwin Madia, Madia Law, Minneapolis, MN, Rishi Agrawal, The Agrawal Firm LLC, Chicago, IL, for Defendant.

OPINION AND ORDER

SARA L. ELLIS, United States District Judge

***1** This diversity action arises out of a short-lived employment arrangement between Plaintiff Prominence Advisors, Inc. ("Prominence") and its former employee, Defendant Joseph Dalton. After employing Dalton for a few months, and less than a month after entering into an employment agreement, Prominence fired Dalton. Prominence now brings this suit alleging that subsequent to Dalton's termination he breached the terms of the employment agreement by failing to return property belonging to Prominence, soliciting or encouraging one of Prominence's employees to resign from Prominence, and disparaging Prominence to that same employee (Count I). Prominence also alleges that Dalton has misappropriated Prominence's trade secrets in violation of the Defend Trade Secrets Act ("DTSA"), 18 U.S.C. § 1831 *et seq.*, (Count II), and the Illinois Trade Secrets Act ("ITSA"), 765 Ill. Comp. Stat. 1065/1 *et seq.*, (Count III). Dalton moves to dismiss [10] the breach of contract claims in Count I relating to employee solicitation and non-disparagement, and Counts II and III in their entirety. Because Prominence alleges facts from which the Court could reasonably infer that Dalton disparaged Prominence and either solicited or encouraged its employee to resign, the Court denies the motion to dismiss the breach of contract claims. Because Prominence fails to allege facts that plausibly show that Dalton misappropriated its trade secrets, the Court grants the motion to dismiss Counts II and III, without prejudice.

BACKGROUND [1]

Prominence is an Illinois company that provides tools and services related to various software programs used in the health care field. Prominence hired Dalton, a citizen of Minnesota, as its Director of Technology. The parties entered into an employment agreement (the "Agreement") in April 2016 with an effective date of January 1, 2016. As part of the agreement, and as a condition of his offer of employment, Dalton agreed to several restrictive covenants contained in the Agreement. These included a Covenant Against Competition, Non-Solicitation of Customers, and Non-Solicitation of Employees. Doc. 1-1 § 4. The Agreement also included a requirement that Dalton return all property, including confidential information belonging to Prominence, at the end of his employment. Doc. 1-1 § 10. And the Agreement contained a non-disparagement clause, barring Dalton from disparaging Prominence. Doc. 1-1 § 11.

In furtherance of its business activities, Prominence has developed and maintained confidential information related to its operations ("Confidential Information"). This Confidential Information includes customer and potential customer information, employee agreements, training and review programs and techniques, personnel data, and other electronic data. Prominence protects this Confidential Information from disclosure to third parties, and Prominence gains a competitive advantage from keeping this information secret.

***2** While Dalton was employed as the Director of Technology at Prominence, he was responsible for migrating electronic files containing Confidential Information from a cloud based system known as Aero FS to another system called DropBox. As part of the migration, Dalton backed up copies of the Confidential Information on an external hard drive. Additionally, Dalton has retained access to the DropBox folders on two of his personal devices.

Shortly after entering into the Agreement, Dalton's relationship with Prominence soured. On May 13, 2016, Prominence terminated Dalton's employment. Immediately after his termination, Dalton contacted another Prominence employee, Ben Reusser. Immediately after Dalton spoke with Reusser, Reusser informed Prominence that Dalton had contacted him and had relayed Dalton's version of events relating to the termination. Five days later, Reusser resigned from Prominence, stating that he could not reconcile what Dalton had told him about the termination with the story Prominence had told him and that he wished to continue working with Dalton.

As a result of Reusser's departure, Prominence was no longer able to perform on a high-value consulting agreement it had with Johns Hopkins, and was forced to terminate the agreement, forfeiting over $475,000 in fees.

LEGAL STANDARD

A motion to dismiss under Rule 12(b)(6) challenges the sufficiency of the complaint, not its merits. Fed. R. Civ. P. 12(b)(6); *Gibson v. City of Chicago*, 910 F.2d 1510, 1520 (7th Cir. 1990). In considering a Rule 12(b)(6) motion to dismiss, the Court accepts as true all well-pleaded facts in the plaintiff's complaint and draws all reasonable inferences from those facts in the plaintiff's favor. *AnchorBank, FSB v. Hofer*, 649 F.3d 610, 614 (7th Cir. 2011). To survive a Rule 12(b)(6) motion, the complaint must not only provide the defendant with fair notice of a claim's basis but must also be facially plausible. *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 173 L.Ed. 2d 868 (2009); *see also* *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L.Ed. 2d 929 (2007). "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Iqbal*, 556 U.S. at 678, 129 S. Ct. 1937.

ANALYSIS

I. Count I: Breach of Contract

Prominence alleges that Dalton breached Sections 4, 10, and 11 of the Agreement. Section 4 includes the restrictive covenants barring Dalton from competing with Prominence, soliciting Prominence's customers, and soliciting Prominence's employees. Section 10 requires Dalton to return all property belonging to Prominence at the end of his employment with Prominence, including Confidential Information. And Section 11 bars Dalton from disparaging Prominence in anyway. Dalton moves to dismiss Prominence's breach of contract claims arising from alleged breaches of Sections 4 and 11 for failure to allege facts sufficient to establish a breach of those provisions. Dalton concedes that Prominence adequately alleges a breach of Section 10.

As an initial matter, Prominence argues that Dalton's motion to dismiss the parts of Count I arising from his alleged breaches of Sections 4 and 11 fails because a defendant cannot partially dismiss counts, and that by conceding the claim arising from the breach of Section 10 is properly pleaded, Dalton cannot dismiss the claim arising under Sections 4 and 11. This is a misunderstanding of the law. Parties may not partially dismiss *claims.* *BBL, Inc. v. City of Angola*, 809 F.3d 317, 325 (7th Cir. 2015). But claims and counts are not the same thing. *Liston v. King.com, Ltd.*, 254 F. Supp. 3d 989, 1002 (N.D. Ill. 2017). Claims are grievances arising from particular sets of facts whereas counts are the legal theories upon which the plaintiff seeks redress for those grievances. *See Lucas v. Vee Pak, Inc.*, 68 F. Supp. 3d 870, 876 (N.D. Ill. 2014) (stating claims are "the plaintiff's grievance and demand relief, and 'counts,' [are] legal theories by which those facts purportedly give rise to liability and damages"). Defendants can move to dismiss some claims brought under a single count without moving to dismiss the entire count. *Spriesch v. City of Chicago*, No. 17 C 1952, 2017 WL 4864913, at *2 (N.D. Ill. Oct. 26, 2017). The allegations underlying Prominence's claim for breach of Section 10 are Dalton's continued possession of the hard drive and access to the DropBox. These facts are not relevant to Prominence's claims for breach of Sections 4 and 11, which are premised on Dalton's conversation with Reusser following Dalton's termination. Prominence's claims for breach of Sections 4 and 11 and Section 10 are distinct claims, founded on distinct, unrelated facts; therefore, Dalton may move to dismiss them separately.

***3** Section 4 bars Dalton from, among other things, hiring or soliciting for hire employees of Prominence or encouraging employees of Prominence to leave their employment with Prominence. Prominence alleges that Dalton breached Section 4 when he spoke with Reusser following his termination. Prominence provides no direct allegation that Dalton actually solicited Reusser or encouraged him to quit, but argues that such a solicitation or encouragement can reasonably be inferred from the fact that Reusser resigned from Prominence five days after his conversation with Dalton and stated at the time of his resignation that "he was unable to reconcile Prominence's explanation of Dalton's termination, with all of the information Dalton had shared with him; and he wanted to continue to work with Dalton." Doc. 1 ¶ 32. Drawing all reasonable inferences in favor of Prominence, the Court can reasonably infer that Dalton encouraged Reusser to leave his employment during this conversation. Therefore, Prominence plausibly states a claim that Dalton encouraged Reusser to leave his employment and join him in some future endeavor, and the Court denies Dalton's motion to dismiss Prominence claim for breach of Section 4.

Section 11 bars Dalton from disparaging Prominence to any third party. Prominence bases this claim on the same conversation between Dalton and Reusser. Again, taking all reasonable inferences in favor of Prominence, the Court can reasonably infer that during that conversation Dalton disparaged Prominence, breaching his non-disparagement obligations under the Agreement.

Dalton does not contest any of the other elements of Prominence's breach of contract claim. Therefore, because Prominence has plausibly alleged that Dalton solicited or encouraged Reusser and that Dalton disparaged Prominence in the process of doing so, Prominence adequately states a claim for breach of Sections 4 and 11 of the Agreement and the Court denies the motion to dismiss these claims.

II. Count II: Violation of the DTSA

Prominence alleges that Dalton violated the DTSA by misappropriating Prominence's trade secrets. Dalton moves to dismiss the DTSA claim arguing that Prominence has not alleged any facts to support its allegation that Dalton misappropriated its trade secrets and that Prominence did not allege what confidential information it claims Dalton misappropriated.

To state a claim for a violation of the DTSA, Prominence must allege that Dalton misappropriated a trade secret. 18 U.S.C. § 1836(b)(1) ("An owner of a trade secret that is misappropriated may bring a civil action under this subsection."). The DTSA defines a trade secret as a variety of business related information that the owner of which has taken reasonable measures to keep secret and from which the owner derives economic value from that information not being generally known or readily ascertainable by others who could gain an economic advantage from that information. 18 U.S.C. § 1839(3). For a DTSA claim to survive a motion to dismiss, a complaint need only identify the alleged trade secret in a general sense. *See, e.g.*, *Wells Lamont Indus. Grp. LLC v. Richard Mendoza & Radians, Inc.*, No. 17 C 1136, 2017 WL 3235682, at *3 (N.D. Ill. July 31, 2017) (allegation that defendant "was exposed to confidential information such as customer account information, product summaries, pricing sheets, product prototypes, product designs, and detailed sales reports" is sufficient to survive a motion to dismiss); *Mission Measurement Corp. v. Blackbaud, Inc.*, 216 F. Supp. 3d 915, 920–21 (N.D. Ill. 2016) (allegation generally referencing business models, business plans, and product development plans was sufficient). The plaintiff must also allege that this trade secret was misappropriated. Misappropriation under the DTSA is defined as "(A) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means" or "(B) disclosure or use of a trade secret of another without express or implied consent" under certain conditions. 18 U.S.C. § 1839(5). These two types of misappropriation can be categorized generally as Improper Acquisition and Improper Disclosure or Use, respectively. And "improper means" is defined as including "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means." 18 U.S.C. § 1839(6)

***4** Prominence adequately alleges the existence of a trade secret. Prominence alleges that the Confidential Information Dalton continues to possess includes:

> a. customer information, including without limitation, mailing lists, customer lists, customer files, non-public information concerning present, past or potential customers and prospects, and methods for developing and maintaining business relationships with customers and prospects;

b. prospect information, including without limitation, non-public information concerning prospects and potential partners and their contact information;

c. employee agreements as well as training and review programs and techniques;

d. personnel data of Prominence, including confidential employee information; and

e. Prominence's electronic data.

Doc. 1 ¶ 15. This type of allegation, while high-level and general in nature is sufficient to allege the existence of information protectable as a trade secret. *See Wells Lamont Indus.*, 2017 WL 3235682, at *3; *Mission Measurement Corp.,* 216 F. Supp. 3d at 920–21. Prominence also alleges that it developed and maintains the Confidential Information "at considerable effort and expense," Doc. 1 ¶ 15, and that the "Confidential Information gives Prominence a competitive advantage not enjoyed by" those who do not possess that information. *Id.* ¶ 21. Therefore, Prominence has adequately alleged the existence of a trade secret.

Prominence has not adequately alleged misappropriation, however. In the Complaint, Prominence states, "While employed by Prominence, Dalton was tasked with migrating all of Prominence's electronic files, which contained Confidential Information to DropBox from a cloud service called Aero FS." Doc. 1 ¶ 16. Prominence claims Dalton still retains access to this DropBox folder on two of his personal devices and that when Dalton performed this data migration, he backed up the Confidential Information to an external hard drive, and he still possesses this hard drive. Additionally, in its Response, Prominence states, "Dalton orally threatened Prominence management that he will leave the Company and compete against it" prior to his termination. Doc. 16 at 14. Normally, a plaintiff cannot amend a complaint with the brief opposing the defendant's motion to dismiss, *Agnew v. Nat'l Collegiate Athletic Ass'n*, 683 F.3d 328, 348 (7th Cir. 2012), but a party may "elaborate on his factual allegations so long as the new elaborations are consistent with the pleadings," *Geinosky v. City of Chicago*, 675 F.3d 743, 745 n.1 (7th Cir. 2012). Prominence does not allege that Dalton made this oral threat in its Complaint, but it not inconsistent with the complaint that Dalton would have made such a threat. Regardless, this addendum does not save the claim.

Prominence does not make any allegation that if true would amount to misappropriation. As noted above, there are two ways to misappropriate trade secrets under the DTSA: Improper Acquisition and Improper Disclosure or Use. Prominence does not allege facts showing Improper Acquisition. To the contrary, Prominence alleges that Dalton acquired the information while performing his official duties while employed by Prominence. Improper means requires alleging "theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means," 18 U.S.C. § 1839(6), Prominence does not allege any of these, or anything similar, as the means through which Dalton acquired the hard drive or DropBox access; therefore, Prominence does not adequately allege misappropriation through Improper Acquisition.

***5** Prominence also does not allege facts showing Improper Disclosure or Use. The Complaint and Response do not include any facts to support Prominence's bald allegation that Dalton disclosed the Confidential Information without authorization or consent. Prominence does not allege to whom Dalton disclosed the Confidential Information, when he did so, or any other information that if true, would tend to show that Dalton used or disclosed the information at all since his departure from employment with Prominence. Because Prominence does not allege any facts that raise a plausible inference that Dalton has misappropriated the Confidential Information, the Court grants the motion to dismiss Count II.

III. Count III: Violation of the ITSA

Prominence alleges that Dalton violated the ITSA by misappropriating the same Confidential Information above. To state a claim for misappropriation under the ITSA, Prominence must allege that the information at issue is a trade secret, it was misappropriated, and that Prominence was damaged by the misappropriation. *Covenant Aviation Sec., LLC v. Berry*, 15 F. Supp. 3d 813, 817 (N.D. Ill. 2014) (citing *Liebert Corp. v. Mazur*, 827 N.E.2d 909, 925, 357 Ill. App. 3d 265, 293 Ill. Dec. 28 (2005)). Dalton moves to dismiss this claim, arguing that Prominence does not allege that Dalton misappropriated any trade secret.

The ITSA, like the DTSA, defines misappropriation as improper acquisition or unauthorized disclosure or use. 765 Ill. Comp. Stat. 1065/2(b). Prominence alleges, on information and belief, that "Dalton has used and misappropriated Prominence's trade secrets." Doc. 1 ¶ 57. Prominence argues that its allegations that Dalton breached his employment contract by failing to return the hard drive or to delete his access to the DropBox constitute improper mean under the ITSA, which defines "improper means" as including "breach ... of a confidential relationship or other duty to maintain secrecy or limit use." 765 Ill. Comp. Stat. 1065/2(a).

A claim for misappropriation can be grounded on information and belief only if "the facts are inaccessible to the pleader, and there is a reasonable basis to suspect the facts are true." *Maclean-Fogg Co. v. Edge Composites, L.L.C.*, No. 08 C 6367, 2009 WL 1010426, at *6 (N.D. Ill. Apr. 14, 2009) (citing *Bankers Trust Co. v. Old Republic Ins. Co.*, 959 F.2d 677, 684 (7th Cir. 1992)). Here, Prominence does not allege any basis upon which the Court could reasonably suspect that Dalton disclosed, used, or improperly obtained the Confidential Information. At most, in its Response, Prominence states that before his termination Dalton threatened to quit and compete against Prominence. But Prominence does not allege that Dalton followed through on this threat or plans to follow through on this threat. Furthermore, the fact that Dalton continues to possess the Confidential Information and that this continued possession is a breach of his employment agreement also does not establish misappropriation through improper means. Prominence concedes in the Complaint that Dalton originally came into possession of the Confidential Information legitimately; the ITSA's improper acquisition prong only relates to how an individual came to possess the trade secret, not the circumstances of his continued possession. 765 Ill. Comp. Stat. 1065/2(b). The disclosure or use prong addresses misappropriation where the trade secrets were otherwise legitimately acquired, but Prominence does not allege any facts showing disclosure or use. Therefore, Prominence does not adequately allege misappropriation, and the Court grants Dalton's motion to dismiss Count III.

CONCLUSION

For the foregoing reasons, the Court denies in part and grants in part Dalton's motion to dismiss [10]. The Court denies the motion to dismiss claims under Count I and grants the motion to dismiss Counts II and III, without prejudice.

All Citations

Slip Copy, 2017 WL 6988661, 2017 IER Cases 452,581

Footnotes

1 The facts in the background section are taken from Prominence's Complaint and are presumed true for the purpose of resolving Dalton's motion to dismiss. *See* *Virnich v. Vorwald*, 664 F.3d 206, 212 (7th Cir. 2011).

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United States District Court,
N.D. Illinois, Eastern Division.

Anthony Woods, Plaintiff,
v.
Dwayne Carter, Defendant.

Case No. 15 C 9877
|
Signed 02/18/2016

Attorneys and Law Firms

Anthony Woods, Sheridan, IL, pro se.

MEMORANDUM OPINION AND ORDER

MATTHEW F. KENNELLY, District Judge

Anthony Woods has filed a *pro se* lawsuit against Dwayne Carter. Woods alleges that Carter, also known by his rap pseudonym Lil Wayne, violated copyright law by using in his raps concepts and phrases that were inspired by Woods. Woods has moved to proceed *in forma pauperis*, that is, without paying the usual filing fee. For this reason, the Court has reviewed Woods's amended complaint to determine whether it is frivolous, malicious, or fails to state a claim on which relief can be granted. 28 U.S.C. § 1915(e)(2). The Court dismisses Woods's amended complaint for the reasons stated below.

Background

Woods is an inmate at the Sheridan Correctional Center in Sheridan, Illinois. Prior to his incarceration, he recorded rap songs and distributed them on compilation albums commonly known as mixtapes. The mixtape most often referenced in Woods' complaint is called 'Mr. Thraxxx the Resume.' Woods initially 'mov[ed] it on the streets' before eventually uploading Mr. Thraxxx to the Internet for distribution. In his amended complaint, Woods asserts that his music became copyrighted at some point, but he does not discuss this point in depth. For the purposes of this decision, the Court assumes that Woods obtained a copyright registration.

Carter is an award-winning rapper from Louisiana who goes by the stage name 'Lil Wayne.' Woods alleges that Carter copied lyrics and thematic elements from Mr. Thraxxx and used them in his own songs. Woods also alleges that Carter referenced the infringement through coded language in his songs for the purpose of taunting Woods. He argues that this practice began in 2008 or 2009 and that it continued through at least 2014. Woods does not allege that he knows Carter personally, nor does he allege facts tending to show that Carter ever had the opportunity to actually listen to his music. Woods requests damages in the amount of $51.1 million as well as a public apology from Carter.

Discussion

To establish copyright infringement, a plaintiff must demonstrate 1) ownership of a valid copyright; and 2) copying of constituent elements of the work that are original. *Feist Publ'ns, Inc. v Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991); *Incredible Techs., Inc. v. Virtual Techs., Inc.*, 400 F.3d 1007, 1011 (7th Cir. 2005). Some minimal degree of creativity or the existence of intellectual production, or thought, and conception is required for copyright protection. *JCW Invs., Inc. v. Novelty, Inc.*, 482 F.3d 910, 914 (7th Cir. 2007). The element of copying 'may be inferred where the defendant had access to the copyrighted work and the accused work is substantially similar to the copyrighted work.' *Incredible Techs., Inc.*, 400 F.3d at 1011. If 'the accused work is so similar to the plaintiff's work that an ordinary reasonable person would conclude that defendant unlawfully appropriated the plaintiff's protectable expression by taking material substance and value,' the works are substantially similar. *Id.*

Woods begins his complaint by describing the alleged similarities between his song 'My Shit' and an unidentified song from Carter's album 'I Am Not a Human Being Part 2.' In particular, Woods highlights the fact that both songs feature the words 'sinsay' [1] [sic], 'bitch,' 'phones,' and 'shit.' Compl. at 1. He says that Carter uses those words in 'the same context with the same concept and feel'

of his work. *Id.* He also points to Carter's mentioning of a Rolls Royce car, arguing that the naming of the car in both songs is 'not a coincidence.' *Id.*

***2** The complaint goes on to list a number of similar allegations of copyright infringement based on simple words or broad themes. For instance, Woods alleges that one of his songs and one of Carter's songs contain lines that 'are about find [sic] a solution having a result'. *Id.* at 3. In another instance, he says 'we both mention villains and carpooling.' *Id.* Ideas, however, are not protected by copyright; only the original expression of an idea is. *See* *Feist*, 499 U.S. at 348–49; *JCW Invs.*, 482 F.3d at 917.

The Court therefore focuses on the words and phrases that Woods alleges Carter copied, together with his contention that the overall feel of the songs is the same. *Peters v. West*, 692 F.3d 629, 635 (7th Cir. 2012), involved a similar claim. A local rapper accused hip hop star Kanye West of infringing his copyright based on similarities between the two rappers' songs. Peters pointed to three alleged similarities to support his claim of copyright infringement —he said that 1) the 'hooks' of both songs were derived from the same common maxim and they implemented similar rhyme schemes; 2) the songs shared a title; and 3) both songs contained references to Kate Moss, a British model not usually featured in rap or hip hop lyrics. In that case, the Seventh Circuit held that West had not violated Peter's copyright because the songs were separated by much more than 'small cosmetic differences' and instead 'share only small cosmetic similarities.' *Peters*, 692 F.3d at 636 (quoting *JCW*, 482 F.3d at 916).

In this case, the similarities between the songs are even less significant. First of all, the isolated words and phrases that Woods cites are not protected by copyright; they are 'merely...short phrase[s] or expression[s] which hardly qualif[y] as...appreciable amount[s] of original text.' *Alberto-Culver Co. v. Andrea Dumon, Inc.*, 466 F.2d 701, 711 (7th Cir. 1972) (Stevens, J.); *Hobbs v. John*, No. 12 C 3117, 2012 WL 5342321, at *6 (N.D. Ill. Oct. 29, 2012), *aff'd*, 722 F.3d 1089 (7th Cir. 2013). Second, the words Woods cites to support his claim of copyright infringement are commonly used in popular music. Unlike the unusual naming of Kate Moss in *Peters*, references to Rolls Royce cars are relatively common in popular music in general and hip hop in particular. And unlike in *Peters*, this case does not involve two songs with identical titles—the only argument Woods makes regarding titles involves his song 'My Shit' and Carter's reference to defecation in a later song, which quite obviously does not amount to copyright infringement. Such references are so ubiquitous that they are unprotected. Finally, though Woods points to supposedly common 'bars' (rhyme schemes), rhyme schemes are not protected content because 'copyright protects actual expression, not methods of expression.' *Peters*, 692 F.3d at 636.

If musicians could sue one another for copyright infringement based only on the usage of general words like 'phone,' 'villain,' and 'Rolls Royce,' the courts would overflow with copyright infringement suits—even more so if use of the word 'bitch' were actionable, given its unfortunate ubiquity in popular music. The test for copyright infringement requires more than shared usage of commonly-used words.

Additionally, a good deal of Woods' complaint has nothing to do with copyright, with Woods alleging that Carter has used his celebrity to harass and taunt Woods. Woods points to several instances in Carter's songs where he allegedly references some aspect of Woods' life in a threatening manner. For instance, Woods describes a photo of himself dressed in a shirt that reads 'Life is a Gamble.' Compl. at 4. He then quotes a lyric from one of Carter's songs, allegedly in reference to the photo, where Carter says 'life is a gamble and I'm all about my poker chips.' Woods further alleges that Carter's next line, 'murder your associates' was intended to serve as a threat to Woods.

***3** Woods also points to a song by Canadian rapper Drake called 'The Motto,' where Carter allegedly raps, 'I wish [someone] would, like a tree in this bitch...That's my M.O., Ida B to that bitch.' Compl. 7. Woods alleges that this lyric refers to him, based on Carter's use of 'would/tree' (supposedly a play on Woods' name), and 'Ida B' (the name of Woods' childhood public housing complex). Although Woods did not attach this particular song or its lyrics to the complaint, the Court considers his extensive quoting as an incorporation-by-reference of the song, thereby allowing the Court to consider the song itself at the dismissal stage. See *Brownmark Films, LLC v. Comedy Partners*, 682 F.3d 687, 690 (2012) ('In

effect, the incorporation-by-reference doctrine provides that if a plaintiff mentions a document in his complaint, the defendant may then submit the document to the court without converting [the motion to dismiss] to a motion for summary judgment). Although the Seventh Circuit has not affirmatively extended incorporation-by-reference to audio/visual content, it has expressed that this 'makes eminently good sense... especially in light of technological changes that have occasioned widespread production of audio-visual works.' *Id.* The incorporation-by-reference doctrine works to 'prevent a plaintiff from evading dismissal...simply by failing to attach to his complaint a document that proves his claim has no merit.' *Id.* As such, the Court considers the aforementioned lyric in 'The Motto.'

Based on the Court's review of the YouTube video of 'The Motto,' the lyric in question does not actually say '...Ida B to that bitch' but instead says 'That's my M.O., add a 'B' to that shit.' *See* Drake, *The Motto (Explicit)*, YouTube (Feb. 10, 2012), https://www.youtube.com/watch?v=BYDKK95cpfM. The Court cannot see how one reasonably could interpret this as a reference to Woods. But even if Carter did say Ida B, and even if he meant to refer to Woods (which the Court finds to be an unreasonable inference), that would not pose any copyright-related problems for Carter.

In sum, Woods has failed to state a viable claim of copyright infringement. At most, his complaint identifies minor cosmetic similarities between his lyrics and Carter's. And as the Court has indicated, Carter's alleged references in his songs to details from Woods' life—which make up the bulk of Woods's complaint—are not actionable, as copyright infringement or otherwise. As such, the Court finds that Woods has failed to state a claim on which relief can be granted.

Conclusion

The Court grants Woods's motion to proceed *in forma pauperis* [dkt. nos. 3 & 5] because he has shown that he cannot afford the filing fee and also grants his motion for leave to amend his complaint [dkt. no. 10]. For the reasons stated above, the Court dismisses Woods's amended complaint pursuant to 28 U.S.C. § 1915(e). The Court denies without prejudice Woods's motion to issue subpoenas [dkt. nos. 6 & 9]; Wood may renew this motion only if the Court ultimately permits the case to proceed ahead. Unless Woods files, by no later than March 10, 2016, an amended complaint that states a viable federal claim, the Court will enter judgment dismissing this action with prejudice.

All Citations

Not Reported in F.Supp.3d, 2016 WL 640526

Footnotes

1 The Court assumes that when he uses the word 'sinsay,' Woods is using a phonetic spelling of the Japanese word used to refer to a teacher, the common anglicized version of which is 'sensei.'

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United States District Court,
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WORLDSPAN, L.P., Plaintiff,
v.
ORBITZ, LLC, Defendant.

No. 05 C 5386.
|
April 19, 2006.

Attorneys and Law Firms

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Paul Evans Chronis, Aron J. Frakes, Jeffrey J. Bushofsky, Mark Jacob Altschul, McDermott, Will & Emery LLP, Chicago, IL, for Defendant.

MEMORANDUM OPINION

GRADY, J.

***1** Before the court is defendant's motion to dismiss the complaint pursuant to Federal Rule of Civil Procedure 12(b)(6). For the reasons explained below, the motion is granted.

BACKGROUND

In this action, plaintiff Worldspan, L.P. ("Worldspan") alleges that defendant Orbitz, LLC ("Orbitz") violated the Consumer Fraud and Abuse Act and breached the contract between the parties. The complaint alleges the following facts, which are taken as true for purposes of the instant motion.

Worldspan is a company that gathers and maintains worldwide electronic travel data and provides travel agencies, travel service providers, and corporations with access to this data. Worldspan provides its customers with real-time access to schedules, fares, availability, and other travel data as well as the ability to process reservations and issue tickets for the products and services of travel suppliers such as airlines, hotels, car-rental companies, tour companies, and cruise lines. In the travel industry, Worldspan is referred to as a "computer reservations system," or CRS. As a CRS, its primary source of revenue is "segment fees," which are fees that an airline or other travel supplier pays to a CRS for each flight (or equivalent travel service) that is booked through the CRS. Worldspan passes a portion of the segment fees along to its travel agency customers in order to induce those agencies to use Worldspan's services.

The Creation of Orbitz and Its Agreement with Worldspan
Orbitz is an online travel agency that was created and developed in late 1999 and early 2000 pursuant to a partnership among five airlines: American, Continental, Delta, Northwest, and United. In order for Orbitz to launch and operate its Web site, Orbitz signed agreements with several companies, including Worldspan, to provide necessary information and infrastructure.

In August 2000, Worldspan and Orbitz entered into an "Agreement for CRS Access and Related Services" (the "Agreement"). Pursuant to the Agreement, in exchange for Orbitz's payment of a certain percentage of flight segments booked through any CRS, Worldspan agreed to provide Orbitz with (1) information about the availability of airline segments; (2) the capability to book and issue airline tickets; and (3) a shopping engine that would display to Orbitz's users a comparison of available flight routing options and pricing for international itineraries.

Also in furtherance of the launch of Orbitz's Web site, Orbitz and Worldspan in 2000 each individually entered into contracts with ITA Software, Inc. ("ITA"). Pursuant to its agreement with ITA, Orbitz paid ITA a fee for ITA to provide a shopping engine that would display to Orbitz's users a comparison of available flight routing options and pricing for domestic itineraries. Pursuant to its agreement with Worldspan, ITA in turn paid a fee to Worldspan to obtain availability and other data for Orbitz and other ITA customers.

Orbitz's Development of the "Direct Connect" Model and the Renegotiated, Amended Agreement with Worldspan
***2** Although Orbitz initially contracted with Worldspan for the use of Worldspan's services, its business model involves a reduction of dependence on CRSs. According

to the complaint, one of the primary purposes of Orbitz is to allow bookings to be made directly with certain airlines without the involvement of a CRS (such as Worldspan). These non-CRS bookings are part of Orbitz's "direct-connect" business model; the goal under this model is to obtain the data traditionally provided by a CRS through other means and then book airline tickets through direct connections to the airlines rather than through a CRS. The direct-connect model is "significant" to Worldspan because "when Orbitz books a [flight] segment directly with an airline, Worldspan does not receive any revenue whatsoever from the airline." (Complaint ¶ 17.) [1]

Shortly before the summer of 2001, Orbitz indicated its intent to proceed with its plans to implement the direct-connect model, and it began renegotiating its agreement with Worldspan-specifically, the terms under which Orbitz could use Worldspan's data in connection with the direct-connect bookings. Worldspan states that prior to and during the renegotiation process, it "made clear to Orbitz that [Orbitz] was not authorized to use Worldspan's availability data in connection with Direct Connect segments until the parties had negotiated appropriate compensation to Worldspan for such use." (*Id.* ¶ 29.)

In November 2001, Worldspan and Orbitz executed an "Amended and Restated Agreement for CRS Access and Related Services" (the "Amended Agreement"). The parties were not able to reach agreement on all terms. Section 4.4 of the Amended Agreement provided: "ITA Subscription Fee. The parties agree to use their diligent best efforts to reach a definitive agreement by December 31, 2001 whereby Orbitz shall pay Worldspan a subscription fee in exchange for access to Worldspan's availability information on air carrier seat inventory." (Complaint, Ex. A, at 9.)

During 2002, Worldspan continued to attempt to resolve "the manner in which Orbitz would be permitted to use Worldspan's availability data." (Complaint ¶ 31.) In the meantime, Orbitz moved forward with its direct-connect program. American was the first airline to become a direct-connect customer of Orbitz, in August 2002. Worldspan alleges that even though it had previously "warned" Orbitz that Orbitz could not use Worldspan's data in connection with direct-connect segments, and it had "informed" ITA that ITA could not use this data on behalf of Orbitz in connection with these segments, Orbitz "stole" this availability data for the American direct-connect flights and failed to compensate Worldspan for the data.

The First Amendment to the Amended Agreement

"In August 2002, when Worldspan learned that Orbitz was improperly using Worldspan's availability data in connection with the Direct Connect program, Worldspan informed Orbitz that its access to the Worldspan system would be terminated unless Orbitz's improper conduct ceased." (*Id.* ¶ 41.) This notice led to further negotiations between the parties regarding Orbitz's use of the availability data. The result was the "First Amendment" to the Amended Agreement. In Worldspan's view, the First Amendment altered the Amended Agreement "in at least three significant ways." (*Id.* ¶ 48.) First, Orbitz agreed to book all of its "Airline Non-Direct Connect Segments" through Worldspan. [2] (Complaint, Ex. B, § 4(a).) Second, Orbitz agreed to not "directly or indirectly acquire or use any products or services from a CRS other than Worldspan to support or use with the Orbitz Website for Airline Direct Connect Customers." (Orbitz's Memorandum in Support of Motion to Dismiss, Ex. A, First Amendment, § 4(c).) Third, the First Amendment provided that "Orbitz shall not use the Worldspan System to search for fares, rates, schedules or itineraries that involve Airline Direct Connect Segments," and required Orbitz to "discontinue all access, either directly or through ITA, to the Worldspan System" with respect to Airline Direct Connect Segments for a particular airline within ninety days of that airline becoming a participant in the Direct Connect program. (*Id.,* §§ 4(c)(vii) & 6(a).) The First Amendment further provided that in the event Orbitz (or ITA on behalf of Orbitz) continued to access Worldspan's availability data after the end of that ninety-day period, Orbitz would be required to pay Worldspan a "monthly processing fee" as specified in a schedule to the First Amendment.

The Alleged "Misconduct"

***3** The complaint alleges that, since the execution of the First Amendment, "Orbitz has repeatedly stolen Worldspan's data and violated the [Amended Agreement] and First Amendment." (Complaint ¶ 58.) First, beginning in January 2004 and continuing through at least part of February 2004, Orbitz obtained "Power Shopper" data from Worldspan when it was not authorized to do so by issuing repeated data queries during overnight periods. Second, Orbitz sent "far in excess" of the 500 queries

per day it was permitted to send to Worldspan regarding airline taxes and surcharges. Third, Orbitz improperly used Worldspan's seatmap data for direct-connect flights. Worldspan also alleges that Orbitz used Galileo, a CRS, as well as ITA, which in Worldspan's view has now become a CRS, in violation of the First Amendment.

Worldspan filed the complaint in this action on September 19, 2005. Count I is a claim for violation of the Consumer Fraud and Abuse Act, 18 U.S.C. § 1030(a)(5)(A)(iii). Counts II-IV are claims for breach of contract. In Count V, Worldspan seeks to enjoin Orbitz from accessing Worldspan's seatmap data and from using ITA and Galileo.

Orbitz now moves to dismiss the complaint. Also pending is Worldspan's motion to transfer and consolidate.

DISCUSSION

A. *Orbitz's Motion to Dismiss*

The purpose of a 12(b)(6) motion to dismiss is to test the sufficiency of the complaint, not to resolve the case on the merits. 5B Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 1356, at 354 (3d ed.2004). When evaluating such a motion, the court must accept as true all factual allegations in the complaint and draw all reasonable inferences in the plaintiff's favor. *Hentosh v. Herman M. Finch Univ. of Health Sciences,* 167 F.3d 1170, 1173 (7th Cir.1999). Dismissal is appropriate only if " 'it is clear that no relief could be granted under any set of facts that could be proved consistent with the allegations." ' *Ledford v. Sullivan,* 105 F.3d 354, 356 (7th Cir.1997).

Worldspan's only federal claim is for violation of the Computer Fraud and Abuse Act (the "CFAA"), 18 U.S.C. § 1030. Worldspan alleges that Orbitz violated § 1030(a)(5)(A)(iii), which prohibits the intentional access of a protected computer[3] "without authorization" and thereby "caus[ing] damage." The CFAA is a criminal statute, but it permits a civil action by "[a]ny person who suffers damage or loss" from conduct prohibited by the statute if the plaintiff can satisfy one of five factors. 18 U.S.C. § 1030(g). The factor relevant to Worldspan's claim is whether defendant's conduct caused "loss to 1 or more persons during any 1-year period ... aggregating at least $5,000 in value." 18 U.S.C. § 1030(a)(5)(B)(i).

Orbitz's first argument for dismissal of Count I is that the documents attached to Worldspan's complaint contradict Worldspan's allegation that Orbitz accessed Worldspan's computers "without authorization," as required by § 1030(a)(5)(A)(iii). The Amended Agreement and its amendments are attached to Worldspan's complaint and thus considered part of the pleadings.

***4** The Amended Agreement states: "During the Term of this Agreement, WORLDSPAN will provide Orbitz ... with access to the WORLDSPAN System for purposes of the operation of the Orbitz Website and in accordance with the provisions of this Agreement." (Complaint, Ex. A, at 2.) In its response to Orbitz's motion, Worldspan concedes that "Orbitz was permitted access to Worldspan's computer and the use of information found there for some purposes, but Orbitz exceeded the permitted access and misused the seat map data." Worldspan argues that it nevertheless has stated a claim for violation of the CFAA because, in its view, accessing a computer "without authorization" includes "exceeding the degree of permissible access." (Worldspan's Mem. in Opposition to Motion at 4 .)

As the Seventh Circuit has noted, see *International Airport Centers, L.L.C. v. Citrin,* 440 F.3d 418, 420 (7th Cir.2006), the CFAA explicitly distinguishes between the act of accessing a computer "without authorization" and the act of "exceeding authorized access." The CFAA provides a definition for the latter phrase. To "exceed authorized access" is "to access a computer with authorization and to use such access to obtain or alter information in the computer that the accesser is not entitled so to obtain or alter." 18 U.S.C. § 1030(e)(6).

In the complaint, Worldspan alleges that Orbitz accessed its computers "without authorization" in violation of § 1030(a)(5)(A)(iii). As noted above, § 1030(a)(5)(A)(iii) addresses the intentional access of a protected computer solely "without authorization" and not in excess of authorized access. In other words, that subsection does not prohibit "exceeding authorized access." It is significant that the language of § 1030(a)(5)(A)(iii)

contrasts with that of other subsections of the statute, which target both types of access.

Worldspan argues that case law supports its position that "unauthorized access" includes "exceeding authorized access." The cases Worldspan cites in support of its argument, however, do not stand for that proposition. They involved alleged violations of other subsections of the statute, which do prohibit "exceed[ing] authorized access," in contrast to the subsection involved here. In any event, even assuming those decisions support Worldspan's construction of the statute, we are disinclined to follow them because such an interpretation of the phrase "without authorization" would ignore the carefully-drawn statutory distinction between wholly unauthorized access and access beyond that which is authorized.

We agree with Orbitz that the allegation that Orbitz accessed Worldspan's computers "without authorization" is belied by the Agreement, which permits Orbitz to access Worldspan's computers. "It is a well-settled rule that when a written instrument contradicts allegations in the complaint to which it is attached, the exhibit trumps the allegations." *Northern Ind. Gun & Outdoor Shows, Inc. v. City of South Bend,* 163 F.3d 449, 454 (7th Cir.1998) (citing, *inter alia, Bell v. Lane,* 657 F.Supp. 815, 817 (N.D.Ill.1987) (stating that where exhibits attached to a complaint negate its allegations, a court is not required to credit the unsupported allegations)). Moreover, it is clear from the language of the CFAA that accessing a computer "without authorization" does not include "exceed[ing] authorized access." Because Worldspan has not adequately alleged that Orbitz accessed its computers "without authorization," Count I must be dismissed.

***5** An alternative ground for dismissal is Worldspan's failure to allege that Orbitz's conduct caused damage, as required by § 1030(a)(5)(A)(iii). The term "damage" is defined by the CFAA as "any impairment to the integrity or availability of data, a program, a system, or information." 18 U.S.C. § 1030(e)(8). The CFAA does not define "integrity," but the dictionary definition is "an unimpaired or unmarred condition: entire correspondence with an original condition: SOUNDNESS." Webster's Third New International Dictionary 1174 (1971). The use of the word "integrity" "contemplates, in [CFAA] context, some diminution in the completeness or useability of data or information on a computer system." *Resdev, LLC v. Lot Builders Ass'n,* No. 6:04-CV-13740RL31DAB, 2005 WL 1924743, at *5 n. 3 (M.D.Fla. Aug.10, 2005). Given these definitions of "damage" and "integrity," we reject Worldspan's argument that the mere "taking of information" constitutes "damage" under the CFAA.

Orbitz correctly asserts that the complaint merely parrots the "causing damage" text of the CFAA in conclusory fashion and fails to allege any facts indicating that the completeness, useability, or availability of Worldspan's data was impaired. The conduct that is alleged is the mere "access" of Worldspan's computer system. One cannot draw the reasonable inference from this allegation that the integrity or availability of Worldspan's data was impaired, especially considering that the Amended Agreement authorized Orbitz to access the data in accordance with the contract terms. Accordingly, Worldspan's failure to adequately allege damage is an alternative ground for dismissal of the complaint. We need not reach Orbitz's remaining argument.

We have dismissed the federal claim in this case. In this circuit, "the general rule is that, when all federal claims are dismissed before trial, the district court should relinquish jurisdiction over pendent state-law claims rather than resolving them on their merits." *Kennedy v. Schoenberg, Fisher & Newman, Ltd.,* 140 F.3d 716, 727 (7th Cir.1998). We see no reason to continue to exercise supplemental jurisdiction, see 28 U.S.C. § 1367(c); therefore, the state law claims are dismissed for lack of subject matter jurisdiction. (The dismissal is without prejudice to the refiling of the state-law claims in state court.)

B. *Worldspan's Motion to Transfer and Consolidate*

Around the same time Worldspan filed the instant complaint against Orbitz, Orbitz filed a complaint against Worldspan in the Circuit Court of Cook County. Worldspan removed that case to federal court; the case was assigned to Judge Bucklo and given case number 05 C 5972. Worldspan then filed a motion in the instant case to transfer 05 C 5972 to our docket and to consolidate that case with this proceeding. On April 3, 2006, Judge Bucklo granted Orbitz's motion to remand 05 C 5972 to the state court. Therefore, Worldspan's motion to transfer and consolidate will be denied as moot.

CONCLUSION

***6** Defendant's motion to dismiss the complaint is granted. Plaintiff's motion to transfer and consolidate is denied as moot.

All Citations

Not Reported in F.Supp.2d, 2006 WL 1069128

Footnotes

1 According to Worldspan, Orbitz has publicly misrepresented that it can operate its direct-connect program and deliver the services historically provided by a CRS without the involvement of a CRS. In Worldspan's view, "Orbitz relies on CRS services for each and every airline segment booked through Orbitz, even where Orbitz characterizes them as 'Direct Connect' segments." (Complaint ¶ 20 .)

2 The First Amendment defines an "Airline Non-Direct Connect Segment" as "each direct or through flight booked by means of the Orbitz Website that is not an Airline Direct Connect Segment." (Complaint, Ex. B, at 12.) An "Airline Direct Connect Segment" is defined as "each nonstop or direct airline flight booked by means of the Orbitz Website with an Airline Direct Connect customer using that carrier's internal airline reservation system and not using a CRS or global distribution system." (*Id.*)

3 The CFAA defines a "protected computer" as, *inter alia,* a computer that is used in interstate or foreign commerce or communication. 18 U.S.C. § 1030(e)(2).

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