



# The New York Minutes

Southern District of New York FBA Chapter Newsletter

Volume 1, Issue 3

March, 2013

## Letter from the Editor

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Olivera Medenica, Wahab & Medenica LLC

Dear FBA Members,

On behalf of the Southern District of New York Chapter of the Federal Bar Association, I want to welcome you to the Spring 2013 edition of The New York Minutes.

As our newsletter continues to grow in content, I hope you enjoy its new look as well. I would like to congratulate our chapter President, as well as all of our incredibly active members for their meaningful contributions to our chapter. We have included here some of our highlights for this season. I would like to encourage you to continue submitting your articles to me, so that I can consider them for subsequent editions of the NY Minutes.

I hope you enjoy the newsletter, and look forward to seeing you at our mid-year meeting in D.C.

Sincerely,

Olivera Medenica



The Honorable William K. Suter, Major General, USA (ret.)

Clerk of the United States Supreme Court

March 13, 2013

Daniel P. Moynihan  
United States Court-house  
New York, NY

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**NYM**

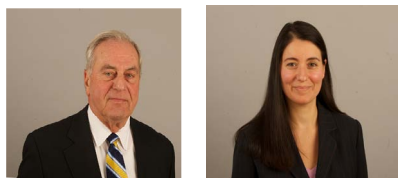


**NYM**

**“On-line postings, including deleted content, are discoverable if ‘material’ and ‘relevant’ ...”**

## Users of Social Media Websites Beware: What You Post May Haunt You

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**By: David H. Peirez and Josephine Marrali**

*Mr. Peirez is a senior partner and Ms. Marrali an associate at Reisman Peirez Reisman & Capobianco LLP in Garden City, New York*

With the increasing popularity and extensive use of social networking websites in today’s society, such as Facebook, Twitter, You Tube, and MySpace, it should not be a surprise that there has been a flurry of recent cases where courts have addressed novel issues regarding these websites. This article discusses some of the emerging case law in both New York state and federal courts involving the discovery of electronic and digital information found on social media websites in civil litigation.

### **On-line Postings, Including Deleted Content, Are Discoverable if “Material” and “Relevant” to the Case**

Over the past two years, a number of decisions in the New York courts discussed the issue of whether postings by a user on social networking sites are discoverable. Many of these cases have surfaced in personal injury and matrimonial cases. The trend by the courts is that such content is discoverable if it is “material and necessary” to a claim or defense and/or “could lead to admissible evidence.” See *Romano v. Steelcase Inc.*, 30 Misc.3d 426, 430 [N.Y. Sup. Ct., Suffolk County 2010]. In *Romano*, the court held that discovery of plaintiff’s Myspace and Facebook accounts was material and relevant to plaintiff’s claim that she could no longer participate in certain activities as a result of injuries sustained in an accident. In particular, the court took note of plaintiff’s public profile page on Facebook which showed her “smiling happily in a photograph outside the con-

fines of her home” despite plaintiff’s claim that she sustained permanent injuries and was largely confined to her house and bed. *Id.*

Other courts have reached similar results. For example, in *Loporcaro v. City of New York*, 35 Misc.3d 1209(A) [N.Y. Sup. Ct., Richmond County 2012], the plaintiff sought damages for personal injuries allegedly sustained to his knee during the course of his employment. One defendant argued that plaintiff’s postings to his Facebook were discoverable because they significantly contradicted plaintiff’s claims regarding his purported loss of “enjoyment of life” as a result of his injuries, and that such postings instead, depicted someone who maintained an “active lifestyle”. The court in *Loporcaro*, ultimately allowed access to portions of Plaintiff’s Facebook account, including access to certain deleted materials. (See also *Johnson v. Ingalls*, 95 A.D.3d 1398, 1400 [3d Dept. 2012], finding that plaintiff’s Facebook photographs had “probative value” regarding her alleged injuries sustained from a moving vehicle and were not unduly prejudicial).

*Sourdif v. Texas Roadhouse Holdings, LLC*, 2011 WL 7560647 [N.D.N.Y. 2011], compelled plaintiff to provide broad access to her Facebook and MySpace accounts. The federal court required plaintiff’s counsel to make arrangements to download and review the contents of plaintiff’s Facebook and MySpace accounts, including any deleted postings, photographs, profile information, postings, messages, comments, status updates and/or other posts, as well as deleted content, that was in any way related to plaintiff’s emotional or mental state, her physical condition, activity level, employment, the litigation, and the injuries and damages claimed by plaintiffs in their complaint. (See also *Reid v. Ingerman Smith LLP*, 2012 WL 6720752, 1 [E.D.N.Y. 2012] finding that in sexual harassment action, photographs and comments plaintiff posted on her publically available Facebook pages provided “probative evidence” of her mental and emotional state).

In a matrimonial action, one court found that statements posted by the defendant, wife, on her blogs at Facebook, MyS-

pace and Tribe were relevant to her demand for non-durational maintenance. In B.M. v. D.M., 31 Misc.3d 1211(A) [N.Y. Sup. Ct., Richmond County 2011], the wife claimed she was totally disabled, unable to work in any capacity and rarely left home because she was in chronic back pain as a result of an accident. The husband however, brought a series of the wife's internet blogs to the court's attention, which contradicted her claims and revealed that she was in fact, engaged in belly dancing. The court stated that the wife's statements on her internet blogs could be introduced into evidence by the husband as an admission.

### **"Private" Postings May Also Be Introduced into Evidence**

In general, courts have found that the production of electronic communication is not an invasion of an individual's privacy as there is no common law right to privacy in New York. See In re Air Crash Near Clarence Center, New York, 2011 WL 6370189, 6 [W.D.N.Y. 2011]. Moreover, it should be noted that courts have also allowed a litigant access to the private postings of a user's on-line social network account. For instance in Patterson v. Turner Construction Co., 88 A.D.3d 617, 618 [1st Dept. 2011], the appellate court stated that postings on plaintiff's Facebook account, if relevant, were not shielded from discovery "merely because plaintiff used the service's privacy settings to restrict access". The appellate court in Patterson, made a comparison and noted that private on-line postings are discoverable in the same way as relevant matter from a personal diary. (*Id.*). (See also Richards v. Hertz Corporation, 100 A.D.3d 728, 730 [2d Dept. 2012], holding that defendants made sufficient showing that portion of plaintiff's Facebook page blocked by privacy setting might have contained other relevant evidence to defense of personal injury lawsuit, where defendants had demonstrated to court that following automobile accident, plaintiff posted pictures of herself skiing on her publically available Facebook profile).

Similarly, in Loporcaro v. City of New York, 35 Misc.3d 1209(A) [N.Y. Sup. Ct., Richmond County 2012], the court stated that notwithstanding their privacy settings, Facebook users basically consent to the possibility that their personal information might be shared with others because there is no guarantee that their postings will not be disseminated to other members of the public. (See also Romano v. Steelcase Inc., 30 Misc.3d 426, 430 [N.Y. Sup. Ct., Suffolk County 2010] [stating that "[p]reventing [d]efendant from accessing to [p]laintiff's private postings on Facebook and MySpace would be in direct contravention to the liberal disclosure policy in New York State").

It is not to say that limitations do not exist with respect to the discovery of material posted on social network accounts. For example, in McCann v. Harleysville Insurance Co. of New York, 78 A.D.3d 1524, 1525 [4th Dept. 2010], the appellate court found that the defendant could not engage in "a fishing expedition" into plaintiff's Facebook account "based on the mere hope of finding relevant evidence." The appellate court in McCann found that the defendant failed

to establish a factual basis with respect to the relevancy of the evidence. (See also Caraballo v. City of New York et al., 2011 WL 972547, 3 [N.Y. Sup. Ct., Richmond County 2011], stating that "[i]n the opinion of this [c]ourt, digital 'fishing expeditions' are no less objectionable than their analog antecedents").

Likewise, in Winchell v. Lopiccio 954 N.Y.S.2d 421, 424 [N.Y. Sup. Ct., Orange County 2012], the court found that defendants' request for unrestricted access to plaintiff's Facebook page for the purpose of seeking information as to plaintiff's cognitive abilities, in relation to her claimed neurological and psychological injuries stemming from a motor vehicle accident, was "overbroad". In particular, the court in Winchell reasoned that the defendants did not assert that the information on plaintiff's Facebook page contradicted her claims of injury or damages, but rather, defendants merely had hoped that they would discover the extent of plaintiff's cognitive injuries "from reading every bit of information on her Facebook page". *Id.*

### **Conclusion**

Users of social media sites, beware, exercise caution with what is posted on-line. Recent cases in New York illustrate that discovery of such postings is permissible when the information sought is relevant and necessary to a claim, defense, or an assessment of damages; and/or could lead to admissible evidence. In addition, users of social media sites should not be "misguided" that enabling privacy settings to restrict access of a user's account will prevent the discovery of any material posted thereon. Even content a user deleted from an on-line social network if relevant, may be subject to disclosure. •

## **Apple, Inc. Lost its iPhone Trademark in Brazil: Can You Save Your Company's Brands and Trademarks From the Same Fate?**



**By: Jason Nardiello**

*Mr. Nardiello is an intellectual property attorney at the Manhattan office of Locke Lord, LLP.*

Apple, Inc. recently learned the Brazilian Trademark Office or the Instituto Nacional Da Propriedade Industrial, ruled in favor of a local company, Gradiente Electronica, when it said that the Brazilian company, not Apple, Inc. owns the "iphone" trademark in Brazil. The term was registered by Gradiente Electronica with the Brazilian Trademark Office in 2000, seven years prior to the iPhone's release, and the trademark office ruled on the matter on February 13, 2013.



In advising their clients, attorneys who represent or advise corporations that have or wish to secure global IP rights would be well-served to become acquainted with the various options for protecting trademarks

on a global scale. While it may be likely that there was little Apple could do to prevent this particular unfavorable decision, it is worthwhile to explore the advantages of protecting trademarks internationally at the earliest possible chance.

First, there is no single “international” trademark registration available that would permit a company to secure its brand with the filing of just one trademark application. Trademark rights are national and one must register marks separately in each country in which protection is desired (there are some exceptions to this rule, such as a Community Trade Mark application, which allows an applicant to register a trademark in all European Community countries with the filing of just one application). Though, there are various strategies to leverage existing trademark rights and extend them to foreign countries.

For background purposes, one of the most commonly-misunderstood concepts in U.S. trademark law is when rights in a mark first begin. In the U.S., rights in trademarks begin as soon as one starts using the mark as a trademark in the U.S. The Federal Lanham Act as well as the courts of the individual States recognize these unregistered rights, also known as common law trademark rights. These are separate and slightly different than the rights that are acquired after registering a trademark with the federal U.S. Patent and Trademark Office.

However, many other countries around the world—and Brazil is one of them—adhere to the principle that rights in a mark only accrue once it is registered. Whether one actually “used” the mark in commerce in the foreign country is of little or no legal consequence. Though many of the “first-to-file” countries have exceptions to this rule, it is nonetheless the general rule.

Some of the first-to-file countries, such as Brazil, have an exception for marks that are “famous” or “well-known.” In Brazil, Article 126 of the Trademark Law expressly recognizes well-known marks, even if they have not been previously filed or registered in Brazil. Apparently in this case involving the Brazilian “iphone” mark, it seems that Article 126 did not apply. With the full disclosure that Brazilian Trademark law is out of the scope of expertise of the author of this article, it is possible in the instant case that the prior-existing “iphone” registration that is owned by Gradiente Electronica effectively blocked the famous, but nonetheless non-registered rights of Apple. If that is so, it underscores just how powerful registered trademark rights are in non-common law or “first-to-file” jurisdictions.

Obviously, these results are frustrating to companies who have invested large sums of money, time, and

resources into building a brand, especially one that is famous. Here are a few steps companies can take to secure their trademark rights outside of the United States:

**File foreign “national” applications early in the countries where your company expects to sell products or services with its trademarks.**

A typical way U.S. companies protect their trademarks abroad is to file foreign “national” applications—that is, the filing of an application directly with the foreign countries. Pursuant to the Paris Convention for the Protection of Industrial Property (of which the U.S. is a signatory), when an applicant files for a trademark in a foreign country that is a party to the Convention, the applicant is due the same treatment as if the application was filed by a national of that foreign country. Furthermore, the Convention permits an applicant to use its filing date from its home application as the effective filing date in the foreign application, up to six months of the filing of the home application. In other words, if a U.S. applicant applies to register his trademark on January 1, 2013 and then up to six months later opts to file a trademark application in Germany for the same mark (Germany is also a signatory to the Paris Convention), the effective date of filing of the German application would still be January 1, 2013 (provided that the application is filed properly and the application indicates the proper basis for registration). In countries that have a “first-to-file” trademark scheme, the benefits of filing under the Convention are obvious—one can reach back in time six months.

Of course here, it doesn’t appear that the 6-month priority period would have helped Apple.

**Consider taking advantage of international treaties such as the Madrid Agreement, which under its Protocol, allows for filing of an “international” application based on a filed U.S. trademark application or registration.**

The Madrid Protocol is a component of another international treaty that permits trademark owners to file just one application in their home country to register the mark in one or more of eighty-six countries who have signed onto the Madrid Protocol. Interestingly, Brazil is not a member of the Madrid Protocol. The filing of international applications via the Protocol has several benefits but also a few drawbacks.

One benefit is that the applicant need only file one application in the home country instead of applying individually in several countries. The practical benefit is that there is no need to hire a foreign trademark attorney to file a Madrid Protocol application (as one must do if one seeks to file directly with foreign trademark offices). However, a foreign attorney becomes necessary if the foreign trademark offices that were designated on the application issue an office action, which must

be answered for the application to be successfully registered.

A drawback to building a trademark portfolio filed via the Madrid Protocol is the vulnerability to a centralized attack. During the first five years of the international registration, all of the designated country registrations in a Madrid Protocol registration are entirely dependent on what happens to the mark in the home jurisdiction. Accordingly, if a trademark registration is successfully challenged in the home country (successfully opposed or cancelled), the applicant would lose all of the rights in the designated jurisdictions too. This problem is not inherent in the strategy mentioned in point number one above (filing on the basis of the Paris Convention), which is decentralized and not dependent on a home jurisdiction application (except for priority date purposes).

**Consider setting up trademark watching services with your counsel to keep on top of potential infringers or squatters before unauthorized trademark use becomes problematic.**

Some companies use trademark watching services, of which there are many. The complete nature and quality of all of these services are outside the scope of this article, but there are tools available to trademark attorneys, as well as in-house counsel that can be used to raise awareness of IP threats around the world. It is believed that these watching services can assist a brand owner in learning about potential infringing activities before problems become intractable.

However, it is not clear whether even a watching service would have prevented Brazilian “iphone” case. The Brazilian “iphone” mark was registered in 2000, which was seven years prior to the release of the Apple iPhone. It is likely that the device was not even on the Apple drawing board at the time.

**Conclusion**

Apple’s iPhone woes in Brazil are an unfortunate casualty of the nature of trademark rights. While various international treaties attempt to harmonize the overlapping rights among foreign countries, the current state of trademark law at an international level can be inhospitable to even the most famous brands. Companies and their in-house counsel who are seeking to maintain or gain their competitive international advantages are best advised to consider these complexities and options when planning to protect or enforce their trademarks. •

## District Court Finds Batmobile Has Character

**By: Lauren Mack**

*Ms. Mack is an associate at Wahab & Medenica LLC.*



Sherlock Holmes and Dr. Watson. Han Solo and Chewbacca. Batman and... the Batmobile? Move over Robin! According to a recent California District Court ruling, the Batmobile is more than just Batman’s preferred mode of transportation – it is also Batman’s sidekick, and thus worthy of copyright

protection as a character. DC Comics v. Towle, No. 2:11-cv-03934 at 39 (C.D. Cal., Feb. 7, 2013).

The lawsuit arose out of Mark Towle’s business of selling custom full-sized replicas and kits to help others build replicas of iconic automobiles from movies and television, including Herbie the Love Bug, the Munster Koach, and the 1966 and 1989 Batmo-

biles. DC Comics, the owner of the copyright registrations in the Batman comic books and many Batman-related trademarks, including BATMOBILE, sued Towle in May 2011, alleging trademark infringement, unfair competition, and copyright infringement in both Batmobile models.

In order to establish a claim copyright infringement, a plaintiff must show that (1) the plaintiff owns the copyright in the allegedly infringed material, and (2) the defendant copied protected elements of the plaintiff’s work. See Feist Publ’ns, Inc. v. Rural Tel. Serv. Co., 499 U.S. 340, 361 (1991). The dispute between DC Comics and Towle focused on the first factor, with Towle arguing that the Batmobile was not a copyrightable subject matter. The court denied Towle’s motion to dismiss on January 26, 2012, finding that the Batmobile was not excluded from copyright protection as a matter of law. DC Comics v. Towle, No. 2:11-cv-03934 at 39 (C.D. Cal., Jan. 26, 2012). Both parties then moved for partial summary judgment.



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There are two different tests to determine whether a character is copyrightable. The Second Circuit uses the “character delineation” test, which was first articulated by Judge Learned Hand in Nichols v. Universal Pictures Corp. To deserve copyright protection under this test, a character must be distinctively developed. Nichols v. Universal Pictures Corp., 45 F.2d 119, 121 (2d Cir. 1930). The more generic or the less developed a character is, the more likely it is not copyrightable. As Judge Hand writes, the lack of copyright protection in a character is the “penalty an author must bear for marking them too indistinctly.” Nichols, 45 F.2d at 121. The courts have since struggled to find the line between a distinctive and an insufficiently developed character.

One factor that a court may consider in determining the distinctiveness of a character is whether there is a visual element to the character. If a character has an accompanying visual image, then it is more likely to be sufficiently delineated than a character that only exists in words on a page. In Detective Comics v. Bruns Publications, the Second Circuit determined that the “mere character of a ‘Superman’ who is a blessing to mankind” was not worthy of copyright protection, but that the images and descriptions of the red caped Superman character turned the idea of a man with superhuman powers into a copyrightable expression. 111 F. 2d 432, 433-34 (2d Cir. 1940). The Ninth Circuit agreed, explaining that “a comic book character, which has physical as well as conceptual qualities, is more likely to contain some unique elements of expression.” Walt Disney v. Air Pirates, 581 F.2d 751, 755 (9th Cir. 1978).

In addition to the “character delineation” test, an alternative standard to determine the copyrightability of a character has developed in the Ninth Circuit. This “story being told” test is the more difficult to pass of the two, and states that to be copyrightable, the character must be so central to the story that the character itself is the story. If the character is merely a “chessman in the game of telling the story,” then it is not worthy of copyright protection. Warner Bros. Pictures Inc. v. Columbia Broadcasting System, 216 F.2d 945, 950 (9th Cir. 1954). Because this standard is so difficult to meet, and has occasionally been questioned as dicta, California courts generally find copyright protection if the character passes either test. See DC Comics, at 36; MGM v. American Honda, 900 F. Supp. 1287, 1295-97 (C.D. Cal. 1995).

Despite Towle’s instance that the Batmobile is not a character because it is an inanimate object, Judge Lew determined that there was no genuine issue of material fact as to whether the Batmobile was “sufficiently delineated” under the Second Circuit’s test. DC Comics, at 37. In his opinion, Judge Lew relied on Halicki Films, LLC v. Sanderson Sales and Marketing, in which the Ninth Circuit concluded that Eleanor, the name of a car in the original and remake of the motion picture *Gone in 60 Seconds*, could be entitled copyright protection because the Eleanor displays “consistent, widely identifiable traits” in that the main characters in both films have difficulty stealing the vehicle. 547 F.3d 1213, 1225 (9th Cir. 2008).

Inanimate objects have also been given character copyright protection in New York courts. In New Line Cinema Corp. v. Russ Berrie & Co., the Southern District found that a glove with claw-like knives protruding from it worn by the vengeful killer Freddy Kreuger in the *Nightmare on Elm Street* motion pictures was entitled to copyright protection. 161 F. Supp. 2d 293, 294 (S.D.N.Y. 2001). The court explained that “[c]opyright protection is extended to the component part of the character which significantly aids in identifying the character.” Id. at 302, quoting New Line Cinema Corp. v. Easter Unlimited, Inc., 17 U.S.P.Q.2d 1631, 1633 (E.D.N.Y.1989).

In light of Halicki and New Line Cinema Corp., Judge Lew determined that whether or not the Batmobile is an inanimate object is irrelevant to the question of whether it is copyrightable. What matters is whether the Batmobile conveys a set of distinct characteristics. DC Comics, at 37. While he acknowledged that the look of the Batmobile has not remained consistent in every comic book, film, or television show throughout the years, it has always contained bat-like elements that are “widely recognizable,” including the bat-faced grill, bat-shaped tailfins, and jet black exterior. DC Comics, at 38; see also Toho Co., Ltd. v. William Morrow and Co., Inc., 33 F. Supp. 2d 1206, 1215 (C.D. Cal. 1998) (Godzilla character found copyrightable despite having assumed many shapes and personalities because it had a consistent set of traits); Metro-Goldwyn-Mayer v. American Honda Motor, 900 F.Supp. 1287 (C.D.Cal.1995) (James Bond character found copyrightable because an identifiable set of traits had developed over the course of the films). Judge Lew went on to explain that the Batmobile is depicted as “swift, cunning, strong and elusive,” making it, like Robin, Batman’s sidekick and a fellow superhero, “if not an extension of Batman’s own persona.” DC Comics, at 38-39.

Alternatively, the Batmobile was found to be copyrightable as a “pictorial, graphic and sculptural work” within the meaning of 17 U.S.C. § 102 because various elements of the Batmobile, including the bat-sculpted hub-caps on both models, were found separable from its utilitarian purpose as a vehicle. DC Comics, at 45-46. Even though the comic books showed the Batmobile in two-dimensional form, that Towle’s versions were three-dimensional and in a different medium did not affect the infringement analysis. See Universal Studios, Inc. v. J.A.R. Sales, Inc., 216 U.S.P.Q. 679 (C.D. Cal. 1982) (Doll modeled after the film character E.T. infringed upon E.T.’s physical characteristics and personality).

Summary judgment was ultimately awarded to DC Comics on its copyright infringement claim because Towle did not deny copying the Batmobile, although his laches defense survived. DC Comics, at 53. DC Comics was also awarded summary judgment on its trademark infringement

ment and unfair competition claims. DC Comics, at 47-48.

The DC Comics ruling solidifies the expansion of copyright protection to inanimate objects as characters. In copyright licensing and enforcement matters, whether objects described or depicted in media are sufficiently delineated characters should be considered in addition to a useful article analysis, as the difference between a vehicle and a sidekick may only be a few consistent details. •

## Are You a “Finder” or an Unregistered Broker?



**By: Liam O'Brien**

*Mr. O'Brien is the managing partner of McCormick & O'Brien LLP and leads the firm's litigation group.*

It is an issue that comes up with regularity – can you compensate the person that is facilitating a particular transaction as a “finder” or is the person acting as an unregistered broker? If it is the latter, then you are risking litigation, regulatory exposure, fines and penalties.

As a finder, a person is permitted to engage in a narrow scope of activities without triggering the broker-dealer registration requirement. However, because of the nature of the activities, a potential finder's involvement in a securities transaction may fall under the duties of a registered broker. Accordingly, it is important to know how the courts distinguish “finders” from unregistered brokers. It may surprise you to learn that the courts have been more liberal in their interpretation than the SEC.

In SEC v. Kramer (2011), 778 F. Supp. 2d 1320, 1334 (M.D. Fla. Apr. 1, 2011) the US District Court for the Middle District of Florida questioned the SEC's opinions regarding “finders” set forth in various fact-specific No-Action Letters.

In this case, Kenneth Kramer entered into an agreement with Skyway Communications Holding Corp. (“Skyway”) that authorized Skyway to pay Kramer for every introduction of a potential investor Kramer made to Skyway, conditioned upon the investor actually investing. Kramer introduced multiple investors and received periodic checks from Skyway totaling nearly \$200,000. He also received twenty percent of the number of shares that each investor bought from his long-time business associate who was also an independent contractor for Skyway.

The SEC argued that this compensation structure indicated that Kramer was acting as an unregistered bro-

ker dealer. However, the court disagreed. The court stated that there was no evidence of Kramer's “involvement in key points in the chain of distribution such as negotiation, analyzing the issuer's financial needs, and discussing details of the transaction.” Absent this evidence, Kramer's receipt of transaction-based compensation for an introduction of an investor “cannot, without additional evidence”, qualify Kramer as a broker.

The court further commented that the SEC's transaction-based compensation test did not accurately reflect the law and that, in the absence of a statutory definition stating otherwise, the test for broker activity was controlled by the Exchange Act.

Historically, the SEC has utilized various factors, with none being determinative, to ascertain whether a finder exceeds the scope of his activities, thereby triggering the broker-dealer registration requirement. These factors include an analysis of the finder's compensation, the finder's participation in any negotiations between the issuer and the purchaser, the finder's history of involvement in securities transactions, and the finder's role in handling the securities of other parties in connection with securities transactions.

For example, in 2006, the SEC issued a No-Action Letter in response to Country Business's Inc. (“CBI”) request for guidance. CBI is a business broker for small business, and its role as a potential finder would be limited to transmitting documents between the parties, valuing the assets of the business as a growing concern, and providing the seller with administrative support. CBI would also receive a pre-determined fixed fee for its services. The SEC stated that it would not recommend enforcement if CBI did not register as a broker-dealer.

However, in a No-Action Letter addressed to Hallmark Capital Corporation (“Hallmark”) in 2007, the SEC stated that Hallmark would have to register as a broker-dealer. Hallmark sought to engage in similar activities as CBI, by identifying parties that were interested in working with small businesses. Here, Hallmark would be compensated with an upfront retainer and fee based on the outcome of the transaction, rather than a pre-determined fee that CBI would have received. This difference suggests that the SEC's analysis for enforcement was heavily focused on the manner of compensation.

In 2010, the SEC's No-Action Letter to the Investment Archive, LLC (“Investment Archive”) solidified its tendency to focus on compensation as the breadth of its analysis. Here, The Investment Archive sought to provide a website that allowed investors to calculate the cost-basis of their securities with the Investment Archive receiving a predetermined flat usage fee. The SEC stated that based on its activities, the Investment Archive did not need to register as a broker-dealer.



In March of 2010, the SEC issued a No-Action Letter to the law firm of Brumberg, Mackey, & Wall P.L.C. (“Brumberg”). This opinion later served as the basis for the Kramer lawsuit. Brumberg sought to introduce potential investors to a corporation, and in return, would receive a success-based compensation in the form of a percentage of the funds raised by those investors. Brumberg agreed not to engage in negotiations on either party’s behalf, make recommendations about financing agreements, or assist with any financing transactions. Nevertheless, the SEC stated that Brumberg should register as a broker-dealer because of the success-based compensation and because its involvement in pre-screening investors to determine eligibility and interested exceeded the scope of a finder’s role.

An analysis of the SEC’s recent No-Action Letters suggests that the SEC was focusing heavily on the method of compensation received by the potential finder. The Kramer Court’s critique of that approach suggests that the SEC’s analysis is too narrow.

So which analysis should one follow? The SEC has not issued any No Action Letters since the Kramer decision and has appealed the decision to the Eighth Circuit. The outcome of the appeal should determine whether a prospective finder should be guided by the Kramer decision or by the SEC’s pre-Kramer No Action Letters.

## **SDNY Chapter Announcement**

### **Federal Bar Association Engages the Federal Judiciary in Interactive Briefings on Recent Patent Legislation**

The recent enactments of the Patent Cases Pilot Program (H.R. 628, signed into law Jan. 4, 2011 as Pub. L. 11-349, 124 Stat. 3674-3676) (hereinafter “PCPP”) and the Leahy-Smith America Invents Act (H.R. 1249 signed into law Sep. 16, 2011 as Pub. L. 112-29, 125 Stat. 284-341) (hereinafter “AIA”) are having and will continue to have a major impact on how the U.S. court system, most notably the federal district courts, will be handling future patent litigations. The stated legislative purpose of the PCPP is to establish a 10-year “pilot program in certain United States district courts to encourage enhancement of expertise in patent cases among district judges”. The AIA is “[a]n Act [intended] to amend title 35, United States Code, to provide for patent reform” through comprehensive legislation consisting of 37 sections many of which directly affect patent cases in all district courts.

The SDNY and EDNY Chapters of the Federal Bar Association, in an effort spearheaded by three senior patent litigation lawyers who are FBA members, namely, Charles E. Miller (Dickstein Shapiro. LLP), Robert J. Rando (The Rando Law Firm P.C.), and Alan M. Sack (Locke Lord LLP), have undertaken an ambitious

project to provide the 14 district courts nationwide that have been designated to participate in the PCPP with an extensive series of in-depth, interactive multi-session briefings on relevant substantive and procedural aspects of the AIA in the context of the overall patent laws respecting issues of patent validity and infringement issues regularly handled on a daily basis by the courts .

To date, Messrs. Sack, Rando, and Miller have completed presentations to the judges, magistrate-judges and law clerks of the SDNY, and are currently engaged in carrying out a similar project in the EDNY. Their efforts have been met with enthusiasm and positive expressions of appreciation from all those who have attended the presentations. It is anticipated that presentations will be made in the immediate future under the auspices of FBA chapters in the other district courts in keeping with the mission of the FBA to be of service to the federal court system whenever possible.”•

## **Past & Upcoming Events**

October 24, 2012. Incoming Officers Swearing in Ceremony.

January 23, 2013. “The Art of Conversation” Co-Sponsored with the NYC Bar Committee on Minorities in the Profession.

March 13, 2013. Supreme Court Swearing in Ceremony and Reception for General Suter.

April 25, 2013. Joint Federal Bar Association and New York County Lawyers’ Association CLE “Fashion and Advertising Web 3.0”

## **Pictures from General Suter Event at SDNY**



Hon. William K. Suter and Hon. Dennis G. Jacobs.





The Hon. Paul A. Crotty



The Hon. William K. Suter



William Dahill, Hon. William K. Suter, Raymond Dowd, Philip Schatz.



Hon. Paul A. Crotty, Hon. Jane A. Restani, Hon. William K. Suter, Hon. Joanna Seybert, Hon. Andrew J. Peck, Hon. Dennis G. Jacobs.



Vincent Chang, Ira Abel.



FBA Members attending the reception.

# **SPECIAL MEMBERSHIP SECTION**

## **President's Membership Appeal**



Philip Schatz,  
SDNY Chapter President

I am delighted to announce that the Board has approved the new membership plan to put us in compliance with the FBA's best practices to retain existing members, attract new members, and provide value to existing members. A copy of the membership plan is attached.

As we note in our plan, these goals are the shared obligation of all our members, and we encourage you to review the membership plan and provide any suggestions on how to make it even better.

Additionally, we deeply value you as a member of the FBA and we want to make sure you are receiving all the benefits you are entitled to, and that our chapter is receiving all the benefits from national that we are entitled to. It is important to us that we have your current contact and practice information.

How can you help us? Here are four concrete steps you can take right now:

1. Log-in to your membership record and review the information national has on file. To log in, go to [www.fedbar.org](http://www.fedbar.org), click Member Resources, and then click Update My Profile.
2. Join one of our 25 sections and divisions, many of which have open leadership slots – ADR, Antitrust, Bankruptcy, Banking, Civil Rights, Criminal Law, Environment, Federal Litigation, Government Contracts, Health, Immigration, Indian Law, Intellectual Property, International, Labor and Employment, Securities, Social Security, State and Local Government, Taxation, Veterans, Corporation and Association Counsel, Federal Career, Senior Lawyers, and Younger Lawyers.
3. Send our prospect letter (see sidebar) to 3 potential new members.
4. Review our 5 quick tips to boost membership (see sidebar).

## **Five Quick Tips to Boost Membership: Recruit, Engage, Retain**

1. RECRUIT: Bring Membership Applications wherever you go.

You can print them out on our website and keep them handy at every, CLE, happy hour, Board meeting and any other function where your chapter is involved. Be sure to distribute them to current members and ask them to hand them out to friends and colleagues. The easier you make it for people to join your chapter, the more apt people will be to actually sign up. A large sign that says "Join the FBA" to be reused at functions is great tool to start the conversation as well. If you ever need a large amount of applications for an upcoming function or just to keep on hand, let the National office know and we'll happily send them to you.

2. RECRUIT: Identify non-members at all of your functions.

If you have name badges, place a small colored sticker on the badges of non-members at your events. Before the event, assign "ambassadors" or very personable members of your chapter to greet everyone with a non-member sticker. This will make the non-members feel like a welcome part of your event and the ambassadors can work membership into their conversations. Another way to recognize non-members is to ask them to stand up and introduce themselves at the beginning of a function.

3. ENGAGE: Recognize members with tenure.

Sometimes we in membership can get very focused on recruiting new members, we often forget to recognize those members that have been with us for a while. Once or twice a year, make a point to thank tenured members for their service. If your chapter has a newsletter this can be a great column. You can list members who have been with your chapter for 1 year, 5 years, etc. If you do not have a newsletter, this can easily be done on your chapter's webpage, via social media or at in person at a chapter function. Additionally, we have FBA Certificate paper here at the National office and can happily send you blank copies if you'd like to present certificates for your seasoned members.

4. ENGAGE: Let your members know about everything you're doing – multiple times.

Many of you have great chapter events, but in order to increase engagement at these events – you need advertise multiple times and in multiple ways. Let the chapter know about all of your events so that they can plan their schedules accord-

ingly. We here at the national chapter can send announcements for any meetings or events you have planned, but you also have the great resource of your chapter webpage. Your chapter webpage has available areas to publicize events and a calendar. Additionally, if any of your events require money to be paid for registration fees— our web content manager can help you put Pay Pal on your chapter web page so that all registration money can be taken online. The South Florida Chapter does this very well on their chapter page check out their page for an example of how to use Pay Pal.

5. **ENGAGE & RETAIN:** Utilize your membership reports in new and different ways.

**ENGAGE:** Don't just use the membership reports to call members who are behind their dues. Use the information to send a welcome email to new members. A quick "hello" from the Chapter President and a notice of an upcoming event goes a long way in turning a new member into a new and active member. You could even have your Chapter's board members call new members a few months after they've joined, just to check in and see how it's going.

**RETAIN:** The membership reports we send to Chapter Presidents and Membership Chairs have a column entitled Organization. Take a look and see which members are employed by certain firms. If you see that five of your members are employed by the same firm, but two are about to let their membership lapse – reach out the members in "good standing" and see if they can talk to members in their firm about paying their dues.

## **Prospect Letter**

Dear \_\_\_\_\_,

Are you a part of the premier association for federal judges and lawyers?

The Federal Bar Association is the foremost professional association for judges and lawyers involved in federal practice before the United States District Courts and the federal agencies. The FBA boasts over 15,000 members - it is unequalled in its relationship with the Federal Judiciary.

When you join the Federal Bar Association – you immediately benefit in the following ways:

### **Connect**

- Cultivate new and existing relationships with judges and fellow practitioners at local and national gatherings.
- With more than 80 chapters across the country, you can participate in events that are convenient for you.
- And with 20 Substantive Law Sections and 5 Divisions, you can be sure that your area of practice and your interests are represented.

### **Grow**

- Stay up-to-date on industry topics with access to pre-

mium research and monthly magazine – The Federal Lawyer and our bi-monthly electronic newsletter.

- Earn CLE credits and explore best practices through our webinars and educational sessions created with your needs and interests in mind.
- Sharpen your leadership skills through local and national opportunities for governance positions.

### **Advocate**

- Focus on reaffirming the importance of the independence of the federal judiciary, financial support for the federal courts and promptly filling judicial vacancies.

Join today to become a part of the organization that works for you.

## **Membership Plan**

Adopted January 22, 2013

Recognizing that the strength of FBA is in the vitality of its Chapters, which depends upon its members, the Southern District of New York Chapter hereby adopts the following Membership Plan. The Plan is guided by FBA's Best Membership Practices, and seeks to:

- (1) RETAIN existing members,
- (2) ATTRACT new members, and
- (3) LEAD by having a designated Chapter leader who is responsible for execution of the Chapter's Membership Plan.

### **A. LEADERSHIP**

1. **Membership Chair.** The Southern District of New York Chapter will have a specified Membership Chair or Chairs ("Chair" shall refer to one or more such designees) who will be primarily responsible for implementation of this Membership Plan. The Membership Chair will be appointed by the President at the commencement of the President's term and serve at the pleasure of the President, subject to replacement by the President during the term in the President's discretion.

2. **Membership Committee.** The Membership Chair shall have a Membership Committee, which the Chair shall appoint within the first month of taking office. The Committee will be responsible for assisting the Membership Chair with implementation of this Plan.

3. **Membership is an Organization-Wide Commitment.** Although the Southern District of New York Chapter will have certain members designated to lead in the area of membership, the Southern District of New York Chapter recognizes that all Chapter members should be engaged in membership. To this end, the Board of the Southern District of New York Chapter will



include Membership in its regular agendas, where a member of the Membership Committee will provide an update as to the monthly membership numbers supplied by FBA National and upcoming membership efforts.

## B. RETAINING AND ATTRACTING MEMBERS

The Southern District of New York Chapter will retain existing members and attract new members in two ways: engaging in personal outreach and providing excellent programming and service.

### 1. Personal outreach

#### a. Retaining existing members

i. The Membership Chair, or a member of the Membership Committee, will personally contact existing Chapter members when notified by FBA National that the existing members are coming due for renewal. The contact may be by telephone, e-mail, or letter, and it will highlight benefits of FBA membership and the Chapter. The contact will provide contact information for the Membership Chair and will encourage the existing member to renew.

ii. The Membership Chair, or a member of the Membership Committee, will personally contact each renewing Chapter member to thank them for renewing and recognizing their support for FBA. The contact will also invite the member to upcoming event(s).

iii. The Membership Chair, or a member of the Membership Committee, will personally contact each non-renewing Chapter member at least once to encourage them to renew. The contact will remind the non-renewing member of the benefits of FBA.

#### b. Attracting new members

i. The Membership Chair, or a member of the Membership Committee, will seek to ensure that the Chapter has a presence in every newly-admitted attorney's materials in the District Court of this Chapter.

ii. The Membership Chair, along with all Board members, will strive to invite at least one new person to every event.

iii. It is a high priority of this Chapter to help establish and grow law student chapters in local law schools. The Chapter will reach out to include law students and judicial law clerks in events, and will encourage law students to join as Law Student Associate members of FBA.

iv. The Membership Chair will work with the Chapter's Newer/Younger Lawyers Committee to coordinate efforts in this regard.

### 2. Programming

i. When the Southern District of New York Chapter plans any Chapter event, the Southern District of New York Chapter will consider how the event will further the Chapter's goals of retaining existing members and attracting new members. The Chapter will strive to implement the strongest programming possible in order to demonstrate the

value of membership. The Chapter will also invite the judiciary to attend its events.

ii. At each Chapter event, upcoming events and encouragement to join will be included in either introductory or concluding remarks.

iii. At each Chapter event, membership applications will be available at the check-in area, along with CLE certificates if applicable.

iv. After each Chapter event, the Membership Chair, or a member of the Membership Committee, will contact any non-FBA members who attended and encourage them to join FBA and attend future events.

v. The Chapter will strive to hold events that not only provide legal programming, but networking and social opportunities. In addition, the Chapter will hold events that are of interest of varying groups, whether that be litigators, bankruptcy attorneys, or younger attorneys.

vi. The Chapter will co-sponsor or advertise Chapter events with other organizations who share similar interests or goals (e.g., for an intellectual property CLE, the Chapter will coordinate with the state bar's intellectual property section).

vii. When possible, the Southern District of New York Chapter will provide a cost benefit that encourages membership, such as reduced fees for existing members or those who join at an event.

## C. Adoption and Amendment, Distribution

1. This membership plan is a work in progress and may be adopted and amended by approval of a simple majority of the Board by any means of communication.

2. The goals and duties in this membership plan are the shared obligations of all the Chapter's members. This membership plan shall be distributed to all members, and the Chapter shall regularly remind members of the contents of the plan and the Chapter's dedication to following the plan.

APPROVED BY A MAJORITY OF THE BOARD THIS 22 DAY OF JANUARY 2013.

