

against Tak started when Plaintiff (and its predecessor in interest, IFC) *reasonably should have known* that it had been allegedly injured by Tak’s conduct. Plaintiff concedes that in 2008 IFC believed that Spirit, the original defendant, never expected to engage PCDI and TPTC as subcontractors for any of the EPC contracts at issue—a belief central to Plaintiff’s allegations that Tak misrepresented the same facts regarding those same subcontracts. IFC’s previous lawsuits were unsuccessful—true enough, but that ignores the point: IFC knew it had been injured as a result of certain subcontracts not being executed dating back to 2007 and 2008. Accordingly, it is Plaintiff who misses the mark on Tak’s statute of limitations defense.

Finally, the cases upon which Plaintiff relies—to argue that Tak should be subject to personal jurisdiction—are readily distinguishable. The Amended Complaint fails to adequately allege that Tak in any capacity purposely directed conduct toward Illinois such that he could foresee being haled into an Illinois court. For all these reasons, Plaintiff’s claims against Tak now should be dismissed as a matter of law.

ARGUMENT

I. THE AMENDED COMPLAINT FAILS TO STATE A CLAIM THAT SHARAD TAK SOMEHOW IS PERSONALLY LIABLE FOR RNS SERVICING’S LOSSES.

A. Tak is Shielded From Personal Liability.

In its response, Plaintiff attempts to distinguish between conduct Tak took in his individual capacity from conduct taken on behalf of ST Paper, LLC. (*See* Pl.’s Resp., Dkt. 42, at n. 3.) That distinction falls flat, however, given the fact that the Amended Complaint itself makes explicit that the claims brought against Tak arise from his execution of EPC Contracts between Spirit and ST Paper I “*on behalf of ST Paper I* as more fully described below.” (First Am. Compl. ¶ 12) (emphasis added.) Plaintiff’s attempt to now argue that the Amended Complaint alleges that Tak was acting in his *individual capacity* is baseless. For example,

Plaintiff cites paragraph 61 of the Amended Complaint to help show that Plaintiff's allegations relate to Tak acting in his individual capacity. However, paragraph 61 simply sets forth alleged representations that Tak made with respect to the EPC Contracts—contracts that Plaintiff concedes Tak executed *on behalf of ST Paper I*, and, indeed, could only have executed on behalf of the company.

Moreover, Plaintiff cannot survive Tak's motion to dismiss by pointing to Delaware law. Regardless of whether Illinois or Delaware law applies, Plaintiff's Amended Complaint fails to allege that ST Paper's articles of organization contain provisions subjecting Tak to personal liability. "There is no dispute that under both the Delaware Act and the [Illinois Limited Liability Company] Act, the members of an LLC have no personal liability absent an agreement." *Westmeyer v. Flynn*, 382 Ill. App. 3d 952, 960, 889 N.E.2d 671, 678 (App. Ct. 2008). Delaware's Limited Liability Company Act mirrors Illinois' LLC Act:

- (a) Except as otherwise provided by this chapter, the debts, obligations and liabilities of a limited liability company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the limited liability company, and no member or manager of a limited liability company shall be obligated personally for any such debt, obligation or liability of the limited liability company solely by reason of being a member or acting as a manager of the limited liability company.
- (b) Notwithstanding the provisions of subsection (a) of this section, under a limited liability company agreement or under another agreement, a member or manager may agree to be obligated personally for any or all of the debts, obligations and liabilities of the limited liability company.

Del. Code tit. 6, § 18-303 (2017).

Accordingly, under both Illinois and Delaware law, members of an LLC have no individual liability to nonmembers absent a specific provision in the articles of organization. *See*

id.; *Dass v. Yale*, 2013 IL App (1st) 122520, 3 N.E.3d 858.¹ Plaintiff's claims against Tak, therefore, must be dismissed.

B. Plaintiff Has Not Plead Facts That Support Piercing ST Paper, LLC's Corporate Veil.

Contrary to Plaintiff's latest contention, its own Amended Complaint must allege adequate facts to pierce ST Paper's corporate veil to survive Tak's motion to dismiss. "One who seeks to have the courts apply an exception to the rule of separate corporate existence . . . must seek that relief in his pleading and carry the burden of proving actual identity or a misuse of corporate form which, unless disregarded, will result in a fraud on him." *South Side Bank v. T.S.B. Corp.*, 94 Ill. App. 3d 1006, 1010, 419 N.E.2d 477, 480 (App. Ct. 1981). Indeed, Plaintiff acknowledges in its response that it is *not* attempting to pierce ST Paper's corporate veil. (Pl.'s Resp., Dkt. 42, at 14.) Standing alone, as it must, the Amended Complaint's failure to allege facts that support a piercing claim requires dismissal under Federal Rule of Civil Procedure 12(b)(6).

Even if the Court were to infer such allegations, those allegations fail to support a conclusion that Tak should be held personally liable to RNS Servicing. "Illinois follows the internal affairs doctrine as its choice-of-law principle in cases alleging impropriety of corporate governance. Under the internal affairs doctrine the substantive law of the state of incorporation governs." *Kellers Sys. v. Transp. Int'l Pool, Inc.*, 172 F. Supp. 2d 992, 1000 (N.D. Ill. 2001)

¹ See also *Thomas v. Hobbs*, No. C.A. 04C-02-010 RFS, 2005 WL 1653947 (Del. Super. Ct. Apr. 27, 2005) (unpublished) (applying Delaware Limited Liability Company Act to hold that member of LLC could not be held personally liable because there was no evidence that the member agreed to personal responsibility for the obligations of the company under 6 Del. C. § 18-303(b)); *Mensah v. C.M. Smith & Co., LLC*, No. CPU4-16-000337, 2017 WL 6025274 (Del. Ct. Com. Pl. Nov. 30, 2017) (unpublished) (finding member not liable under Delaware's Limited Liability Company Act because there was no evidence that the member signed or acted in his personal capacity); *Wellman v. Dow Chem. Co.*, Civ. No. 05-280-SLR, 2007 WL 842084 (D. Del. Mar. 20, 2007) (unreported) (applying Delaware law) (holding that plaintiff alleged no facts in support of the extraordinary remedy of piercing the limited liability company veil, citing Delaware's Limited Liability Company Act).

(applying Illinois law) (holding that the choice of law provision in a contract did not govern the allegations of impropriety of corporate governance, which were instead governed by the state of incorporation). ST Paper is a Delaware limited liability company. “Delaware law respects corporate formalities absent extremely limited circumstances.” *Koloni Reklam, Sanayi, Ticaret LTD/STI v. Viacom, Inc.*, Civ. No. 16-285-SLR, 2017 WL 726660, at *3 (D. Del. Feb. 23, 2017) (slip copy) (applying Delaware law) (internal quotation marks and citation omitted).

“To state a ‘veil-piercing claim,’ the plaintiff must plead facts supporting an inference that the corporation, through its alter-ego, has created a sham entity designed to defraud investors and creditors.” *Crosse v. BCBSD, Inc.*, 836 A.2d 492, 497 (Del. 2003). To state a claim for piercing the corporate veil, plaintiff must show “(1) that the corporation and its shareholders operated as a single economic entity, *and* (2) that an overall element of injustice or unfairness is present.” *In re Opus East, L.L.C.*, 480 B.R. 561, 570–71 (Bankr. D. Del. 2012) (emphasis added) (applying Delaware law) (citation omitted). Both elements must be proven to pierce the corporate veil. *Id.*; *see also West v. Act II Jewelry, LLC*, No. 15-C-5569, 2016 WL 1073095 (N.D. Ill. Mar. 18, 2016) (unreported).

Plaintiff’s Amended Complaint does not allege that Tak and ST Paper operated as a single economic entity. Nor does Plaintiff allege that ST Paper was created as a sham entity designed to defraud investors and creditors. Moreover, no elements of injustice or unfairness exist that warrant denying Tak’s motion to dismiss—instead, it would be unjust and unfair to hold Tak personally liable for conduct that, under the Plaintiff’s own theory of the case, he took on behalf of ST Paper, LLC.

Moreover, Plaintiff’s reliance on the personal participation doctrine is unpersuasive. (Pl.’s Resp., Dkt. 42, at 14–15.) Unlike the cases cited by Plaintiff, the Amended Complaint

falls short of plausibly alleging that Tak was actively participating in, consenting to, or ratifying a tortious scheme at the time he made alleged statements in Morton Grove. The Amended Complaint's conclusory allegations that Tak had knowledge of or participated in the other defendants' breach of the underlying agreements is insufficient. Even if Tak had knowledge of the other defendants' subsequent fraudulent actions, "a corporate officer must have more than mere knowledge" to be found liable under the personal participation doctrine. *Brandt v. Rokeby Realty Co.*, No. 97C-10-132, 2004 WL 2050519, at *10 (Del. Super. Ct. Sept. 8, 2004) (holding defendant not personally liable under personal participation doctrine even though he may have known about health complaints that he never disclosed to the tenant).

Plaintiff's claims against Tak, therefore, should be dismissed. The Amended Complaint fails to state a claim that Tak is personally liable to Plaintiff.

II. PLAINTIFF'S CLAIMS AGAINST TAK ARE TIME BARRED.

A. Plaintiff's Response Fails to Address The Fact That it (and IFC) Knew About Potential Claims Related To The EPC Contracts As Far Back as 2007 and 2008.

Plaintiff's response attempts to deflect when it (and its predecessor, IFC) knew that it had been injured by alleged misconduct related to the EPC Contracts. Rather than focusing on what IFC knew and believed in 2007 and 2008, when it first brought actions related those contracts, Plaintiff argues that adverse rulings somehow excuse them from the discovery rule. Plaintiff's arguments on this issue are not only misguided, but self-defeating.

Plaintiff concedes that IFC made fraud claims related to the EPC Contracts in its 2008 motion to strike. (Pl.'s Resp., Dkt. 42, at 9–10.) Plaintiff's argument that the Court subsequently rejected these contentions in a March 31, 2009 order, holding that IFC's claim *against Spirit (not Tak)* was premature, does not address the fact that, by definition, ***IFC believed the EPC contracts to be fraudulent***. Under the discovery rule, the statute of limitations begins

to run when a reasonable person possesses sufficient information to be put on inquiry to determine whether a cause of action exists. *Knox College v. Celotex Corp.*, 88 Ill. 2d 407, 414–17, 430 N.E.2d 976, 980–81 (1981). IFC alleged the EPC contracts were fraudulent. Therefore, they were clearly on notice to determine whether the representations that Tak allegedly made in March or April 2007 may give rise to a cause of action.

Furthermore, that Mr. Langs waited until March 2016 to email Mr. Tak inquiring about the EPC Contracts does not, as Plaintiff contends, somehow toll the statute of limitations. Mr. Langs—who had been the CFO of IFC and was present at the 2007 meeting, where Tak made the alleged misrepresentations at issue—could have reached out to Tak *almost ten years ago* when IFC first suspected fraudulent activity as to the EPC Contracts. Accordingly, as argued in Tak’s principal brief, the Amended Complaint includes allegations that establish that IFC had actual notice of its potential claims against Tak no later than September 6, 2007 and, as a result, Plaintiff’s claims against Tak are barred by the applicable statutes of limitation.

B. No Circumstances Justify Equitably Tolling the Statutes of Limitation.

Plaintiff’s argument that a March 31, 2009 court order related to IFC’s claims against Spirit constitutes an “extraordinary occurrence,” justifying the tolling of the statutes of limitation, has no basis in the law. “The kinds of ‘extraordinary barriers’ beyond defendants’ conduct that may prevent a plaintiff from asserting his rights include legal disability, an irredeemable lack of information, or situations where the plaintiff could not learn the identity of proper defendants through the exercise of due diligence.” *Villars v. Kubiowski*, No. 12-CV-4586, 2017 WL 4269008, at *6 (N.D. Ill. Sept. 26, 2017) (quotation marks and citation omitted). The alleged “extraordinary barriers” advanced by Plaintiff do not fall into any of these acceptable categories.

The Court's March 31, 2009 decision has nothing to do with Plaintiff's ability to file a claim against Tak. Nor do the other circumstances giving rise to equitable tolling exist. Plaintiff has not alleged that it has been prevented from asserting its rights, or that Plaintiff mistakenly asserted its rights in the wrong forum. *Id.* at *6. In fact, the Amended Complaint makes clear that both IFC and RNS Servicing waited a decade to communicate with Tak about the EPC Contracts.

Plaintiff's reliance on *Neal v. Keystone Steel & Wire*, No. 06-1289, 2007 U.S. Dist. LEXIS 62539, at *21 (C.D. Ill. Aug. 24, 2017), is likewise misplaced. There, the court stated that "**an injunction** preventing initiation of litigation provides the 'extraordinary circumstances' to render equitable tolling appropriate." (emphasis added). The Court's March 31, 2009 decision holding that IFC lacked standing was not an injunction. In its response brief, Plaintiff omits important language from *Neal*—holding that when a party is forbidden by a competent court to initiate litigation, 'that is the very essence of circumstances calling for equitable relief' under the equitable tolling doctrine." (Pl.'s Resp., Dkt. 42, at 11.) The full quote from *Neal* is as follows: "When 'a party is forbidden **by an injunction** of a competent court to initiate litigation, that is the very essence of circumstances calling for equitable relief. Nothing could be more *inequitable*, less equitable than to forfeit the legal rights of a party **who is enjoined** from bringing the legal action.'" *Neal*, 2007 U.S. Dist. LEXIS 62539, at *22 (emphasis added) (citation omitted).

Here, almost needless to say, no injunction prevented IFC or RNS from bringing its lawsuit against Tak. Therefore, to toll the applicable statutes of limitation would be inappropriate.

III. THIS COURT DOES NOT HAVE PERSONAL JURISDICTION OVER TAK.

A. The Amended Complaint Fails To Allege Facts That Establish Tak Purposely Directed His Conduct Toward Illinois.

Plaintiff's response makes no mention of general jurisdiction, and Tak can only assume that Plaintiff has conceded that Tak is not subject to general jurisdiction in Illinois. Nor is Tak subject to specific jurisdiction in Illinois. Plaintiff's response fails to address how Tak purposely directed his conduct toward Illinois so as to foresee that he may be haled into this Court. Instead, Plaintiff relies on a series of cases that are factually distinguishable from this case.

For example, in *Heritage Vintage Inv., LLC v. KMO Dev. Grp., Inc.*, the court concluded an evidentiary hearing was necessary because of important factual disputes—such as where substantial contract negotiations took place and who initiated discussion of personal guarantees to be executed by the defendant. No. 15 C 05582, 2016 WL 1247477, at *3–6 (N.D. Ill. Mar. 30, 2016). In that case, defendant took multiple trips to Illinois to meet with the plaintiff. *Id.* at *3. Plaintiff's Amended Complaint makes no allegations with respect to negotiations with Tak or multiple trips to Illinois. Rather, Plaintiff simply asserts that Tak attended one meeting in Illinois and made representations with respect to contracts that ST Paper, LLC had entered into with Spirit outside of Illinois for projects also outside of Illinois.

Nor are any of the other cases that Plaintiff relies on analogous. For instance, in *Felland v. Clifton*, defendant engaged in an ongoing fraudulent scheme that included several letters, multiple phone calls, and almost two dozen emails, all to the plaintiff's home state. 682 F.3d 665, 676 (7th Cir. 2012). The *Felland* decision was recently called into question in *John Crane Inc. v. Shein Law Center, Ltd.*, No. 16-CV-05913, 2017 WL 1105490, at *8–9 (N.D. Ill. Mar. 23, 2017). In that case, Judge Tharp noted that:

To the extent that *Felland* stands for the proposition that a defendant's communications with a forum state plaintiff,

standing alone, provide jurisdictionally sufficient minimum contacts with the forum, it stands in considerable tension with *Walden* and *Advanced Tactical*; as the Seventh Circuit explained in *Advanced Tactical*, ‘after *Walden*, there can be no doubt that the plaintiff cannot be the only link between the defendant and the forum. Any decision that implies otherwise can no longer be considered authoritative.’ . . . *Felland* is, moreover, also distinguishable from this case because in *Felland* there was a business relationship between the parties that the developer had voluntarily pursued and which was entirely based on the developer’s (alleged) fraud; every communication from the developer was a part of the alleged scheme to defraud. Here, by contrast, the parties had no business relationship at all; that Shein . . . sued JCI was not the product of a voluntary decision to enter into a commercial relationship with an Illinois resident, but of circumstances over which Shein had no control

Id. (citing *Walden v. Fiore*, 571 U.S. ___, 134 S. Ct. 1115 (2014); *Advanced Tactical Ordnance Sys., LLC v. Real Action Paintball, Inc.*, 751 F.3d 796, 802 (7th Cir. 2014)), appeals docketed, Nos. 17-1809, 17-1814, 17-1926 (consolidated) (7th Cir. Apr. 18, 2017). Here, as the Amended Complaint makes clear, Plaintiff’s predecessor, IFC, is the only link between Tak and Illinois. Further, there was no business relationship between Tak and IFC. Therefore, Tak should not be subjected to personal jurisdiction in this Court.

In *Linkepic Inc. v. Vyasil, LLC*, the individual defendant sent invoices to the plaintiff in Chicago (sixteen invoices were sent, four of which either had the individual defendant’s name or email address on them) while knowing that the invoiced work had not been completed. 146 F. Supp. 3d 943, 951–52 (N.D. Ill. 2015). In *Tamburo v. Dworkin*, defendants engaged in conduct with the knowledge that plaintiff lived in Illinois and operated his business there, and they specifically aimed their tortious conduct at plaintiff and his business in Illinois knowing he would suffer injury there. 601 F.3d 693, 707 (7th Cir. 2010).

Hence, in each of these cases, the contacts with the forum state were created *by the defendants*. In contrast, the Amended Complaint only alleges that Tak met once with IFC in

Illinois, a contact *created* by IFC, not Tak. Plaintiff does not allege that Tak ever executed any personal guarantees or had any agreement with IFC. Accordingly, Plaintiff has failed to allege that Tak *created* contacts with Illinois that subject him to specific personal jurisdiction.

Moreover, Tak's March 21, 2016 email—the sole email—in response to IFC's former CFO's inquiry does not subject Tak to personal jurisdiction. Sending one email in response to a correspondent in a forum state does not subject the sender to the jurisdiction of courts of the recipient's state. *See Reilly Partners v. Fair Isaac Corp.*, No. 09-CV-311, 2009 WL 1635538, at *4 (N.D. Ill. June 8, 2009) (holding that a single email sent to an Illinois recipient by a Minnesota resident, even if it is deemed relevant to disputed contracts, “fails to evidence the purposeful availment necessary to give rise to specific jurisdiction” in Illinois).

B. The Alleged Conduct of Others Should Not Subject Tak to Personal Jurisdiction In Illinois.

Plaintiff's conclusory allegations of a conspiracy do not confer personal jurisdiction over Tak. “To successfully plead the conspiracy theory of jurisdiction in federal court—such that the minimum contacts test is met as to co-conspirators residing in states other than the forum state—a plaintiff must allege both an actionable conspiracy and a substantial act in furtherance of the conspiracy performed in the forum state.” *Olson v. Jenkins & Gilchrist*, 461 F. Supp. 2d 710, 725 (N.D. Ill. 2006) (citation omitted). “While the Seventh Circuit does not require fact pleading with regard to conspiracy, a bare allegation of a conspiracy between the defendant and a person within the personal jurisdiction of the court is not enough to confer personal jurisdiction.” *Id.* (internal quotation marks and citation omitted).

All of the cases that Plaintiff relies on for its conspiracy-based jurisdictional argument pre-date *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007), and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). In *Cooney v. Rossiter*, 583 F.3d 967, 971 (7th Cir. 2009), Judge Posner addressed

the effect of the plausibility standard of *Twombly* and *Iqbal* in a section 1983 conspiracy case, explaining that “before defendants in [a conspiracy] case become entangled in discovery proceedings, the plaintiff must meet a high standard of plausibility.” Judge Posner went on to point out that even before this new plausibility requirement, conspiracy allegations were held to a higher standard and that “mere suspicion that persons adverse to the plaintiff had joined a conspiracy against him or her w[ere] not enough.” *Id.* Here, Plaintiff’s conspiracy allegations fail to satisfy the *Twombly* and *Iqbal* tests. They lack any specificity.

Addressed in Tak’s principal brief, Plaintiff’s Amended Complaint fails to make a *prima facie* factual showing of conspiracy. Moreover, Plaintiff’s reliance on *Stauffacher v. Bennett*, 969 F.2d 455 (7th Cir. 1992), and *Cleary v. Philip Morris, Inc.*, 312 Ill. App. 3d 406, 726 N.E.2d 770 (App. Ct. 2000), is misplaced. *Stauffacher* was superseded by rule as stated in *Central States, Southeast & Southwest Areas Pension Fund v. Reimer Express World Corp.*, 230 F.3d 934 (7th Cir. 2000). In *Stauffacher*, the plaintiff alleged a broad conspiracy by only alleging that the defendant “aided and abetted, conspired, and perpetrated” the alleged fraudulent conduct and only alleged a “trivial connection with Wisconsin.” 969 F.2d at 460–61. The court ruled that those allegations were insufficient to establish personal jurisdiction. *Id.* Plaintiff’s allegations against Tak are similarly opaque. As in *Stauffacher*, one meeting in Illinois is a trivial connection. The Amended Complaint lacks any allegations or detail with respect to how Tak and the other defendants conspired with one another.

Similarly, *Cleary v. Philip Morris, Inc.* actually supports Tak’s dismissal motion. The court in *Cleary* held that “[a] non-resident defendant can be subject to an Illinois court under the [conspiracy] theory [of personal jurisdiction] if: (1) the defendant was part of an actionable conspiracy, and (2) a co-conspirator performed a substantial act in furtherance of the conspiracy

in Illinois.” 312 Ill. App. 3d at 409, 726 N.E.2d at 773. In that case, the court granted defendant’s motion to dismiss after plaintiff’s failure “to counter the affidavits by [defendant] which specifically denied that it undertook the actions set out by plaintiffs in furtherance of the alleged conspiracy.” *Id.* at 413, 726 N.E.2d at 776.

Notably absent from the First Amended Complaint is any allegation that Tak engaged in a “substantial act” in furtherance of an alleged conspiracy. He did not engage in a contractual relationship with IFC, nor did he take steps to guaranty loans extended to Ron Van Den Heuvel. He allegedly attended one meeting on behalf of ST Paper, LLC. That is all, and that is not enough to establish a conspiracy claim or any other claim for the purpose of exercising personal jurisdiction over Tak.

CONCLUSION

For the foregoing reasons, and pursuant to Federal Rules of Civil Procedure 12(b)(2) and 12(b)(6) and the statute of limitations under both 735 ILCS 5/13-205 and 815 ILCS 505/2, Sharad Tak requests the Court grant his Motion to Dismiss all of Plaintiff’s claims against Tak in their entirety and award all of such relief at law or in equity to which Tak may be so entitled.

Dated: January 8, 2018.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on January 8, 2018, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system. Participants in the case who are registered CM/ECF users will be served by the CM/ECF system.

s/ Brian C. Spahn

Brian C. Spahn

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