

Chartis Seguros Mexico, S.A. de C.V. v. HLI Rail & Rigging, LLC, No. 11 Civ. 3238(ALC)(GWG), 2014 WL 988569, at *1 (S.D.N.Y. Mar. 13, 2014) (Holding that (1) liability claims under the Carmack Amendment are inherently fact intensive and generally not appropriate for summary judgment; (2) evidence of minority interest and limited overlap of officers does not meet the summary judgment standards of corporate domination, (3) a defense or case that urges a certain interpretation of a complex legal scheme is not frivolous and does not warrant sanctions; and (4) federal common law is applicable over state law in liability claims for common carriers).

Plaintiff Chartis Seguros Mexico, S.A. de C.V. (“Chartis”) filed a complaint as subrogee of Prolec GE, whose electric transformers slated for sale were damaged during transit when the train carrying the transformers derailed on March 14, 2010.

Chartis presented a Memorandum of Understanding (“MOU”) dated February 1, 2010, between Prolec and HLI Rail & Rigging (“HLI”), by which the parties agreed that HLI would act as a logistics coordinator for the transportation of the transformers. The MOU contained provisions detailing HLI’s duties and HLI’s insurance requirements. HLI was named on a cargo insurance policy purchased by Fresh Meadow Mechanical Corporation (“FMMC”), an affiliate holding a minority interest in HLI. The issuer of the insurance policy denied HLI’s claim for coverage.

Chartis sought summary judgment on its claims that (1) HLI is a freight forwarder and thus liable to Chartis for the actual damages under the Carmack Amendment; (2) that HLI breached its agreement to procure insurance and is therefore liable for damages; and (3) that FMMC as an alter ego of HLI is equally liable for damages resulting from the breaches. Chartis also sought attorney’s fees as a sanction based on allegations that HLI’s defense to liability was made in bad faith. In turn, HLI sought summary judgment arguing that Chartis’s remaining claims be dismissed because the Carmack Amendment is inapplicable and for failure to state a claim under state law.

The Court first addressed Chartis’s claims under the Carmack Amendment. Under the Carmack Amendment a freight forwarder is subject to liability for the actual loss or injury to the property, whereas a broker is generally not liable for the value of goods lost in interstate commerce unless negligent. The court found that there was a genuine issue of fact as to whether HLI was a freight forwarder or a broker. Because the line between freight forwarder and broker is often blurry and inherently fact intensive, the Court determined that resolution was inappropriate for summary judgment.

In an alternative analysis, the Court held that summary judgment was also inappropriate by examining the intention to continue in foreign commerce. The applicable liability provision of the Carmack Amendment applies to carriers that are subject to the jurisdiction of the Surface Transportation Board (“STB”), which has jurisdiction over carriers for transportation between the United States and a foreign country. The Court found the evidence presented listing origin and destination cities within the U.S. did not suggest anything about foreign commerce and was therefore outside the jurisdiction of the STB.

The Court next addressed HLI’s failure to procure insurance. Section 5 of the MOU required HLI to maintain general liability insurance, cargo insurance, and bond, each at \$1 million. The Court found that if the MOU was in effect at the time of the derailment, there would be little dispute that HLI did not have the required insurance and would be liable for breach of contract. However, HLI contended that the MOU was not entered into until after the derailment. The Court determined that if HLI’s contention was taken as true, the MOU was not a valid contract. The Court found this contention presented a genuine issue of material fact regarding the validity of the contract and was not appropriate for summary judgment.

The Court then moved to Chartis’s claims that as an alter ego of HLI, FMCC was equally liable. Chartis presented evidence of FMCC’s minority interest in HLI and a limited overlap of officers between the entities. The court determined that this evidence did not meet the summary judgment standard of corporate domination, which requires complete domination, not only of finances, but also of policy and business practice.

In addition to seeking summary judgment, Chartis also sought sanctions in the form of attorney’s fees alleging that HLI made arguments contrary to clear precedent, took inconsistent positions depending on the points argued, and made arguments clearly contravened by prevailing law. The Court determined that the Carmack Amendment is a complex statutory scheme that is applied differently depending on the carrier at issue. Based on this determination, and HLI’s application of the Carmack Amendment, the Court held that a party is entitled to make a defense and a case that is not frivolous if it urges a certain interpretation of a gray area in a complex legal scheme. Therefore, sanctions were not warranted.

The Court then turned to HLI/FMCC’s summary judgment motion, which sought dismissal of Chartis’s remaining claims. Having already determined that the Carmack Amendment did not apply to HLI, the Court addressed the issue of whether liability under Chartis’s common law claims would fall under New York state law or federal common law. The Court determined that federal common law would be appropriate, but

only if HLI was a common carrier. Since the Court had already determined that there was genuine issue of material fact as to whether HLI was a freight forwarder or broker, the question of whether HLI was a common carrier also remained open and summary judgment was not appropriate.

Accordingly, the Court denied both of Chartis's motions for summary judgment and its motion for sanctions. The Court also denied HLI/FMMC's motion for summary judgment.

Jon Stuebner

Corr v. Metro. Wash. Airports Auth., 740 F.3d 295 (4th Cir. 2014). (Holding that the Virginia General Assembly may delegate certain fundraising powers to a private body under the Virginia Constitution, and that the toll levied by the MWAA amounted to a user fee and not an unlawful tax under Virginia Common Law.)

Under grant of authority from the State of Virginia, the Metropolitan Washington Airports Authority ("MWAA") obtained the authority to set tolls on the Dulles Toll Road ("Toll Road") and apply the revenues towards transportation improvements within the Dulles Corridor. Specifically, MWAA sought to expand the Washington Metrorail to link Washington Dulles International Airport ("Dulles") with the greater DC metropolitan area. Toll Road users John Corr and John Grigsby ("Appellants"), challenged this toll as an illegal tax, seeking a refund of excess tolls collected and to enjoin the MWAA from using toll revenues to repay bonds issued for the Metrorail project.

The Virginia Department of Transportation in 1984 received an easement to the right-of-way between Interstate 495 and Dulles, and constructed the Toll Road to serve non-airport traffic between Washington, DC ("DC") and Fairfax County, Virginia. Virginia and DC then adopted proposed legislation to form the regional airport authority that would become the MWAA, possessing powers delegated to it by Virginia and DC. Congress then granted the MWAA the power "to levy fees or other charges." Congress leased Dulles and Ronald Reagan International Airport to the MWAA, although the Virginia Commonwealth Transportation Board ("CTB") retained control of the Toll Road.

Having approved CTB funding resolutions for mass transportation initiatives over the following two decades, the Virginia General Assembly transferred control of the Toll Road to MWAA in 2006, along with authority to set tolls. Under the transfer, all revenue would be directed