

**SUPREME COURT-STATE OF NEW YORK
SHORT FORM ORDER**

Present:

HON. TIMOTHY S. DRISCOLL
Justice Supreme Court

-----X TRIAL/IAS PART: 16
DE WELL CONTAINER SHIPPING CORP.,

Plaintiff,

**Index No: 12955-11
Motion Seq. Nos. 3, 4 and 5
Submission Date: 1/29/13**

-against-

**MINGWEI GUO, HONG GUO, JACKSON TSAI,
ROSE PANZARELLA, DE WELL LOGISTICS USA,
INC., and DW LOGISTICS SOLUTIONS, INC.,**

Defendants.

-----X
**MINGWEI GUO, HONG GUO, JACKSON
TSAI, and ROSE MARIE PANZARELLA,**

Third-Party Plaintiffs,

-against-

**SHANGHAI DE WELL CONTAINER SHIPPING
CORP., SHI YANG, CHANG WOO KIM and
FANG CHENG,**

Third-Party Defendants.

-----X

The following papers have been read on these motions:

**Notice of Motion.....X
Affidavit in Support and Exhibits.....X
Memorandum of Law in Support.....X
Notice of Cross Motion, Affirmation in Support/Opposition
and Exhibits.....X
Memorandum of Law in Support/Opposition.....X
Reply Memorandum of Law in Further Support/Opposition.....X**

Reply Memorandum of Law in Further Support of Cross Motion.....x
Notice of Motion, Affidavit in Support and Exhibits.....x
Memorandum of Law in Support.....x
Affidavit in Opposition and Exhibit.....x
Memorandum of Law in Opposition.....x
Reply Affidavit in Further Support.....x
Reply Affirmation in Further Support and Exhibits.....x
Reply Memorandum of Law in Further Support.....x

This matter is before the court on 1) the motion filed by Plaintiff De Well Container Shipping Corp. (“De Well NY” or “Plaintiff”) and Third-Party Defendants (“TPDs”) Shanghai De Well Container Shipping Corp., Shi Yang, Chang Woo Kim, and Fang Cheng on January 17, 2012, 2) the cross motion filed by Defendants Mingwei Guo, Hong Guo, Jackson Tsai, Rose Panzarella, De Well Logistics USA, Inc. and DW Logistics Solutions, Inc. (“Defendants”) and Third-Party Plaintiffs Mingwei Guo, Hong Guo, Rose Panzarella and Jackson Tsai (“TPPs”) on March 6, 2012, and 3) the motion filed by Defendants/TPPs¹ on December 24, 2012, all of which were submitted on January 29, 2013.

BACKGROUND

A. Relief Sought

Plaintiff and TPDs move for an Order, pursuant to CPLR §§ 3211(a)(1), (5) and (7), dismissing the third (breach of contract), fourth (promissory estoppel), fifth (breach of the implied covenant of good faith and fair dealing), sixth (negligent misrepresentation), eighth (promissory estoppel), ninth (constructive discharge), tenth (slander and defamation), eleventh (tortious interference with business opportunity), twelfth (civil conspiracy), and thirteenth (declaratory judgment) causes of action in Defendants’ Counterclaim and Amended Third-Party Complaint dated December 14, 2011 (Ex. A to Cohen Aff. in Supp./Opp.).²

¹ The Notice of Motion filed December 24, 2012 states that “Petitioner and Defendants/Third-Party Plaintiffs” are moving for an order and judgment enforcing the purported settlement agreement between the parties. The reference to the “Petitioner” is apparently a reference to the related action (“Related Action”) titled *Petition for Dissolution of De Well Container Shipping Corp. By Mingwei Guo, Petitioner v. Shanghai De Well Container Shipping Corp., Respondent*, Index Number 15941-11. The clerk’s records, however, reflect that this motion was filed solely under Index Number 12955/11.

² Plaintiff refers to the “Amended Counterclaim,” but the December 24, 2011 pleading is titled “Answer to the Amended Complaint, Counterclaim and Amended Third-Party Complaint (Cohen Aff. in Supp./Opp. at n. 1).

Defendants and TPPs move for leave to serve and file a Second Amended Third-Party Complaint. Defendants and TPPs have provided a copy of a document titled “Defendants’ First Amended Answer to the Amended Complaint and First Amended Verified Counterclaim” and “Second Amended Verified Third-Party Complaint” (Ex. B to Cohen Aff. in Supp./Opp.) dated February 24, 2012. Counsel for Defendants and TPPs explains that:

In the interest of simplicity and to reduce the number of separate pleadings, Defendants/[TPPs] previously combined all of its pleadings into one document, the “Answer To The Verified Complaint, Counterclaims, and Verified Third-Party Complaint [underlining in original],” dated October 26, 2011, which is the subject of Plaintiff/[TPDs’] motion for partial dismissal. Accordingly, the Amended Pleading, attached as Exhibit B, also combines all of Defendants/[TPPs’] proposed pleading into a single document. Defendants/[TPPs] respectfully request that the Amended Pleadings supersede, in their entirety, the prior pleadings.

Cohen Aff. in Supp./Opp. at ¶ 9.

Defendants/TPPs also move for an order and judgment enforcing the purported settlement agreement between the parties dated May 16, 2012, and declaring it in full force and effect.

B. The Parties’ Background

The parties’ background is outlined in detail in a prior decision (“Prior Decision”) of the Court dated January 13, 2012 in which the Court granted the prior motion (“Prior Motion”) by Plaintiff seeking injunctive relief. The Court incorporates the Prior Decision by reference as if set forth in full herein.

As noted in the Prior Decision, the Amended Complaint describes this action as follows:

This is an action by a New York corporation to redress a pattern of severe and continuing misconduct and breaches of fiduciary duty by former and current directors, officers, and employees of [Plaintiff] that has severely damaged the financial stability and corporate good will of [Plaintiff] and, if allowed to continue, threatens the corporation’s survival.

More specifically, this case involves Defendants’ gross mismanagement, fraudulent conduct, unauthorized and illegal corporate actions, improper use of corporate funds, and ongoing plan to divert business from Plaintiff to two new corporations, each of which was established by Defendant Hong Guo during the time that she served as the President of [Plaintiff], and each of which is 100% owned by her. Documentary evidence obtained by Plaintiff leaves no question of Ms. Guo’s intention to divert [Plaintiff’s] business to her newly-created companies, and of her use of [Plaintiff’s] resources, employees, and assets to build those companies. It is equally indisputable that each of the Defendants herein knew of and participated in,

and supported Ms. Guo's plan at every opportunity.

Amended Compl. at ¶¶ 1 and 2

The Amended Complaint contains eighteen (18) causes of action. Those causes of action are: 1) a request for a declaratory judgment, as to all Defendants, with respect to the validity of certain resolutions adopted at a Special Meeting convened on September 6, 2011 and the resulting authority of certain individuals vis a vis Plaintiff, 2) conversion, as to Defendants Hong (Kim) Guo (Ms. Huo"), Jackson Thai ("Thai") and Mingwei (Peter) Huo ("Mr. Huo"), related to their refusal to return control of corporate assets to the Corporation, 3) conversion, as to Defendants Ms. Guo, Tsai and Rose Panzarella ("Panzarella"), related to their theft/destruction of bank records, 4) conversion, as to Defendant Tsai, based on his misappropriation of corporate funds for writing checks from Plaintiff to himself totaling over \$40,000, 5) a violation of New York Business Corporations Law § 720, as to Defendants Mr. and Mrs. Huo, for improperly conveying Plaintiff's assets to Defendants, 6) trademark infringement, against all Defendants, for infringing Plaintiff's De Well Marks by incorporation a competing company intended to offer identical services under the trade name DW Logistics Solutions, Inc. and/or De Well Logistics USA, Inc., 7) unfair competition and misappropriation, against all Defendants, based on Defendants' use of "DW" and/or "De Well" in connection with services they have offered, in a manner designed to deceive the public and misappropriate Plaintiff's intellectual property, reputation and good will, 8) a violation of New York General Business Law § 133, against all Defendants, based on Defendants' use of Plaintiff's symbol with the intent to deceive or mislead the public, 9) a violation of New York General Business Law § 349, against all Defendants, based on Defendants' conduct which includes materially misleading conduct and actions targeted at consumers, 10) State Law Trademark Dilution, as to all Defendants, based on their use of Plaintiff's marks which is likely to dilute Plaintiff's trademarks and service marks, 11) injury to business reputation, against all Defendants, 12) breach of fiduciary duty as to Ms. Guo by, *inter alia*, her use of Plaintiff's funds and facilities to form a competing business, 13) breach of fiduciary duty as to Mr. Guo by, *inter alia*, his use of Plaintiff's funds and facilities to form a competing business, 14) breach of fiduciary duty by Panzarella by, *inter alia*, engaging in conduct that facilitated the formation, licensing and operation of the unauthorized De Well entities and concealing that conduct from Plaintiff, 15) breach of fiduciary duty by Tsai by, *inter alia*, engaging in conduct that facilitated the formation, licensing and operation of the

unauthorized De Well entities and concealing that conduct from Plaintiff, 16) aiding and abetting breach of fiduciary duty by Panzarella by providing Ms. Guo with substantial assistance in her acts of breaching her fiduciary duties to Plaintiff, 17) aiding and abetting breach of fiduciary duty by Tsai by providing Ms. Guo with substantial assistance in her acts of breaching her fiduciary duties to Plaintiff, and 18) civil conspiracy against all Defendants who allegedly participated in a “common plan to enrich themselves at the expense of [Plaintiff]” (Am. Compl. at ¶ 165).

In the Prior Decision, the Court granted Plaintiff’s Prior Motion in its entirety based on the Court’s conclusion that Plaintiff had demonstrated a likelihood of success on the merits of its trademark claim by providing substantial evidence that the De Well NY Marks are entitled to trademark protection, Defendants’ use of the De Well Marks is junior to Plaintiff’s use of those Marks, and the Marks at issue are likely to be confused, given the a) inherent distinctiveness and awareness in the marketplace of the De Well Marks, b) the substantial similarity of Defendants’ Marks and the De Well Marks, and c) the fact that the parties provide identical services and clearly compete with each other. The Court also noted that Plaintiff provided substantial evidence of Defendants’ bad faith in adopting the competing Marks, as evidenced by the emails demonstrating Defendants’ intention to use a mark likely to cause confusion with the De Well Marks, to communicate to Plaintiff’s customers that Defendants are affiliated with De Well NY and its affiliated companies, and to hide their actions from Plaintiff. The Court also determined that Plaintiff had established irreparable harm by demonstrating that, without the requested injunctive relief, it would lose control over the reputation of its trademark pending trial, because loss of control over one’s reputation is neither calculable nor precisely compensable. Finally, the Court held that a balancing of the equities clearly favored Plaintiff, in light of the evidence before the Court of an apparently secretive and well-organized plan by Defendants to open a business that competes with Plaintiff, in part by the seemingly improper use of the De Well Mark.

In the Prior Decision, the Court directed that Defendants Mingwei Guo, Hong Guo, Jackson Tsai, Rose Panzarella, De Well Logistics USA, Inc. and DW Logistics Solutions, Inc., their officers, agents, servants, employees and attorneys, and all those persons acting in concert with them, pending disposition of this action, were immediately enjoined from 1) using on or in connection with any goods or services, including for the importation, sale, offering for sale, distribution, advertising, promotion, labeling or packaging of any goods or services, or using for

any commercial purpose whatsoever, including listings in directories and other trade publications, any trademark, service mark, name, word, symbol or device that includes the term “DE WELL” or “DW,” or any colorable imitation, variation or derivation thereof, or any mark that is likely to be confused with any mark owned or used by Plaintiff; 2) representing by any means whatsoever, whether directly or indirectly, that any services or goods sold, offered for sale, advertised, promoted or provided by Defendants are associated or affiliated with, sponsored, endorsed or authorized by, or connected to Plaintiff; 3) committing any further acts of trademark infringement, unfair competition, deceptive trade practices or false advertising with respect to any product or service of Plaintiff; and 4) causing, engaging or permitting any individual or entity to perform any of the aforementioned acts.

In support of their Counterclaims and Amended Third-Party Complaint (Ex. A to Cohen Aff. in Supp./App.), Defendants/TPPs provide allegations regarding *inter alia* 1) the formation of Shanghai De Well Container Transport Corp. (“Shanghai De Well”), 2) the formation of Plaintiff De Well, 3) De Well’s Early Years (1996-2005) and its cost, insurance and freight (“CIF”) Business, 4) De Well’s Later Years (2005-2010) and its freight on board (“FOB”) Business, 5) De Well Container Shipping Inc. (“De Well LA”) competing with De Well beginning in 2005, 6) De Well Group LLC (“De Well Group”) competing with De Well beginning in 2009, 7) Shanghai De Well’s audit of De Well in 2010, 8) Shanghai De Well’s failure to account to De Well beginning in 2011, 9) Shanghai De Well’s takeover of De Well in 2011, 10) Defendant Panzarella’s forced resignation from De Well, and 11) the grounds for dissolution of De Well pursuant to Business Corporation Law § 1104-a including but not limited to the conduct of De Well and its directors and officers in freezing Mingwei (Peter) Guo and Hong (Kim) Guo from the business affairs of De Well and diverting De Well’s corporate assets for non-corporate purposes.

Defendants/TPPs assert thirteen (13) causes of action: 1) breach of fiduciary duty, by Peter Guo against Shanghai De Well, Time Yang and Chang Woo Kim, 2) aiding and abetting breach of fiduciary duty, by Peter Guo against Fran Cheng, 3) breach of contract, by Peter and Kim Guo, against Shanghai De Well and Time Yang, 4) promissory estoppel, by Peter and Kim Guo against Shanghai De Well and Time Yang, 5) breach of the implied covenant of good faith and fair dealing, by Peter Guo against Shanghai De Well and Time Yang, 6) negligent misrepresentation, by Peter and Kim Guo against Shanghai De Well and Time Yang, 7) a request for an accounting, by Peter Guo against Shanghai De Well, Time Yang and Chang Woo Kim,

8) promissory estoppel, by Kim Guo, Jackson Tsai and Rose Marie Panzarella against De Well, Shanghai De Well and Time Yang, 9) constructive discharge, by Kim Guo against De Well and Time Yang, 10) slander and defamation, by Kim Guo and Rose Marie Panzarella against Time Yang and Fran Cheng, 11) tortious interference with business opportunity, by Kim Guo, Jackson Tsai and Rose Marie Panzarella against Shanghai De Well, Time Yang and Fran Cheng, 12) civil conspiracy, by Peter Guo, Kim Guo, and 13) a request for a declaratory judgment declaring that Plaintiffs and TPDs' actions, including their alleged diversion of De Well assets and removal of Peter Guo from De Well's board of directors, are in derogation of TPPs' rights.

In their proposed First Amended Verified Counterclaim/Second Amended Verified Third-Party Complaint ("Proposed Counterclaim and TPC"), Defendants/TPPs assert eleven (11) causes of action: 1) breach of contract, by Peter and Kim Guo against Shanghai De Well and Time Yang, 2) breach of the implied covenant of good faith and fair dealing, by Peter and Kim Guo against Shanghai De Well and Time Yang, 3) fraud, by Peter and Kim Guo against Shanghai De Well, Time Yang and Fran Cheng, 4) conspiracy to commit fraud, by Peter and Kim Guo against Shanghai De Well, Time Yang and Fran Cheng, 5) Negligent Misrepresentation, by Peter and Kim Guo against Shanghai De Well, Time Yang and Fran Cheng, 6) breach of fiduciary duty, by Peter Guo against Shanghai De Well, Time Yang and Chang Woo Kim, 7) aiding and abetting breach of fiduciary duty, by Peter Guo against Fran Cheng, 8) promissory estoppel, by Peter and Kim Guo against De Well, Shanghai De Well and Time Yang, 9) a request for an accounting by Peter and Kim Guo against De Well, Shanghai De Well, Time Yang and Chang Woo Kim, 10) quantum meruit, by Kim Guo against De Well, Shanghai De Well and Time Yang, and 11) unjust enrichment, by Peter and Kim Guo against De Well, Shanghai De Well, Time Yang and Fran Cheng.

In support of Plaintiff/TPDs' motion to dismiss, counsel for Plaintiffs/TPDs ("Plaintiff's Counsel") provides copies of 1) a New York Department of State filing receipt reflecting Plaintiff's incorporation³ (Ex. A to Goodhouse Aff. in Supp.), 2) De Well Shanghai's share certificate, signed by Mr. Yang in his former capacity as secretary of Plaintiff and by Ms. Guo in her former capacity as president of Plaintiff (*id.* at Ex. B), 3) Plaintiff's bylaws (*id.* at Ex. C), and 4) an email message sent by Ms. Guo to Mr. Yang on September 8, 2011 containing the heading "Resignation Letter (*id.* at Ex. D).

³ Plaintiff's Counsel affirms that Exhibit A is a receipt "showing Plaintiff's capitalization," but the Court gleans that Plaintiff's Counsel intended to write that Exhibit A is a receipt reflecting Plaintiff's *incorporation*.

In support of Defendants/TPPs' motion to enforce the settlement agreement, Peter Guo ("Guo") provides a copy of a document he calls an "Agreement in Principle" dated May 16, 2012 (P. Guo Aff. in Supp. at ¶ 1) which Guo affirms he negotiated and executed. Guo provides a copy of the Agreement in Principle (Ex. 1 to P. Guo Aff. in Supp.) which, Guo Affirms, settled the above-captioned action ("Instant Action") as well as the Related Action.

Guo affirms that he and TPD Shi (Time) Yang were classmates, longtime friends and business partners who have been involved in the Instant and Related Actions which involve the control, management and possible dissolution of De Well. "At the behest of, and with the approval and encouragement of our respective counsel" (Guo Aff. in Supp. at ¶ 8), Guo and Time met in New York City on May 16, 2012 ("Meeting"). Guo had authority to represent the other Defendants and understood that Time similarly had authority to represent the Plaintiff/TPDs. for fourteen hours. Guo affirms that he and Time negotiated a global settlement of the two Actions and drafted the Agreement in Principle, which they both signed. Guo affirms that their intent in signing the Agreement in Principle, as reflected by the language in the Agreement, was "to negotiate all of the substantive terms of a settlement and leave it to our respective lawyers to 'draft a formal agreement'" (*id.* at ¶ 10). Moreover, Guo affirms, in light of the fact that Chinese is the native language of Guo and Time, "to leave no doubt as to our intentions we repeated the first such provision in Chinese, the English translation of which reads: 'The two sides will no long[er] pursue the other side for the past claims, and all the claims are written off'" (*id.* at ¶ 11).

The Agreement in Principle, signed by Time and Mingwei (Peter) reads as follows:

(Yang shi)

- Time shall pay one Lump Sum, \$1.25 million to Mingwei Guo within 7 working days after signing the formal agreement.

- [writing in Chinese]
No recourse to each other for whatever the claims against each other in the past.

- If any tax issues arise in the future for the tax-returns for the years 2010 and before, Time and Mingwei Guo shall share the total cost at 50/50.

- All the legal proceedings shall be cancelled and stopped by each party.

- This settlement is for Time to take over all the shares of DeWell from Mingwei Guo in the [company]. Mingwei Guo and Family shall not use De Well name for any NVOCC/Freight Forwarding Business.

- Lawyers for each party shall draft the formal agreement.

Guo affirms that the Agreement in Principle “embodied all of the material terms that we agreed upon, so that we did not state in it that we required further negotiations or reserved any rights” (Guo Aff. in Supp. at ¶ 16). Moreover, in light of the fact that Time and Guo were not attorneys, they agreed that their respective counsel would subsequently prepare a “formal agreement” which incorporated “non-material boilerplate language” (*id.* at ¶ 17). Guo affirms that, following their meeting, Time “renege[d]” on the Agreement and attempted to renegotiate it by asking Guo to accept less than the \$1.25 million on which they agreed.

In opposition, Shi Yang (Time) affirms that he disagrees with Guo’s contention that the Agreement in Principle was intended to settle the Instant and Related Actions. Time describes De Well’s claims as “specific, well-documented, properly pleaded and reflective of a longstanding pattern of unchecked greed and gross mismanagement on the part of the defendants” (Time Aff. in Opp. at ¶ 7). Thus, he submits, unless the parties reach a “truly comprehensive settlement” that allows De Well to recoup its losses, De Well intends to pursue this litigation. Time affirms that he approached the Meeting with these considerations in mind.

Time confirms that the Meeting lasted for over 14 hours, without their counsel present. He affirms, however, that he and Guo did not reach a global settlement of the Actions as demonstrated by numerous events. Prior to the Meeting, counsel for Guo tendered, and requested that the parties execute, an agreement providing that no communications made by the parties during the Meeting would be admissions in this litigation. Time and Guo agreed to and executed the confidentiality agreement (Ex. A to Time Aff. in Opp.). Time affirms that it was his understanding that the Meeting would be “solely to facilitate settlement and no communications or preliminary agreements coming from the [M]eeting would be admissible or final and binding on the parties” (Time Aff. in Opp. at ¶ 10).

Time also affirms that the focus of the Meeting was on Shanghai De Well’s purchase of Guo’s minority stake in De Well, and the Agreement in Principle reflects that he and Guo reached a “conceptual agreement” on a price for those shares (Time Aff. in Opp. at ¶ 11). In addition, Time and Guo disagreed as to whether the share price should be adjusted to reflect damages resulting from Ms. Guo’s and Mr. Tsai’s misappropriation of De Well assets and, therefore, Time disagrees with Guo’s assertion that the price agreed on factored in De Well’s damage claims.

Time avers, further, that he explained to Guo, both during and after the Meeting, that any final settlement had to include a provision preventing Defendants from competing unfairly with De Well. They “agreed to a limited provision covering the use of the De Well name in the Agreement in Principle and agreed to discuss the scope of a more complete non-compete agreement further” (Time Aff. in Opp. at ¶ 13). Time submits, further, that Guo’s claim that the \$1.25 million price for his shares factors in the value of the damage claims is illogical because it would be unreasonable for Time both to overpay Guo for his shares and to forego all of De Well’s damage claims against Defendants. Time also affirms that he and Guo never discussed who the “parties” were who would agree to “cancel” the legal proceedings, and notes that the Agreement in Principle does not define who those parties are. Time also submits that the language in the Agreement in Principle stating that no party would incur any obligation until seven days after a final agreement was signed is further evidence that the Agreement in Principle was not a binding document.

Time also affirms that on May 17, 2012, he spoke with Guo by telephone and discussed open issues that still needed to be resolved. During that conversation, Time emphasized the need for a non-competition provision preventing Guo’s new freight forwarding companies from competing unfairly with De Well. During that conversation, Guo asked Time to expand the parties’ agreement so that all claims against Defendant Panzarella would be released. This conversation, Time submits, was further evidence that the Agreement in Principle was not a final agreement settling all claims against all parties and was not intended to apply to claims against parties other than Guo.

Time also disputes Guo’s assertion that he had the authority to resolve the matter on behalf of all Defendants/TPPs, particularly in light of the fact that Guo defines his “side” as “Kim Guo, Jackson, Tsai, etc.” (Guo Aff. in Supp. at ¶ 8) which does not include all of the Defendants. Time notes that there are three other Defendants against whom De Well has asserted claims who are not mentioned in the Agreement in Principle or in Guo’s affidavit, two of whom are currently subjected to the injunctive relief awarded in the Prior Decision. Time affirms that his understanding of the term “each other” and “each party” in the Agreement in Principle to refer solely to Guo and Time, with the understanding that Time was acting for himself, De Well and Shanghai De Well. Time understood Guo’s use of the term “Guo and Family” to include Ms. Guo and Mr. Tsai, who are Guo’s wife and brother-in-law. Time also submits that there is no language in the Agreement in Principle reflecting the parties’ intent to

address the third-party claims asserted against Shanghai De Well, Time, Fang Cheng and Chang Woo Kim. In addition, Guo has not affirmed that he had authority to act for Defendant/TPP Panzarella and the fact that Guo requested on May 17, 2012 that the Agreement in Principle be modified to include her reflects that Guo did not understand the Agreement in Principle to apply to Panzarella. Finally, two of the Defendants in this litigation, De Well Logistics USA, Inc. and DW Logistics Solutions, Inc., are also not mentioned in the Agreement in Principle or in Guo's Affidavit in Support. Time affirms that he and Guo did not discuss the claims against these corporate Defendants.

Time affirms that, following the execution of the Agreement in Principle and his subsequent negotiations with Guo, Time instructed De Well's counsel to attempt to memorialize the agreement in a formal settlement agreement. De Well's counsel drafted an agreement "according to my understanding of the Agreement in Principle" (Time Aff. in Opp. at ¶ 27). The draft agreement provided for the sale of De Well shares from Guo to Shanghai De Well, and included a provision prohibiting "Mingwei Guo and Family," (*id.*) which included Ms. Guo and Mr. Tsai, and their respective spouses and siblings, from using De Well's name. The agreement also included provisions stating that De Well, Shanghai De Well, Time's wife and Time released Guo from any claims, and Guo released those same parties from any potential claims. Guo rejected this agreement and insisted on including all parties to the lawsuit in the settlement agreement, despite the fact that the Agreement in Principle makes no reference to several of the claims and/or parties.

In reply

C. The Parties' Positions

Plaintiff submits that it has demonstrated its right to the requested injunctive relief, first by establishing its likelihood of success on its claim for trademark infringement. Plaintiff argues that it has established that 1) Plaintiff has used the De Well NY Marks since 1996, and that Defendants' use of the De Well Marks is junior to Plaintiff's use of those Marks which began in 2010; 2) the Marks at issue are likely to be confused, given the inherent distinctiveness and awareness in the marketplace of the De Well Marks, and the substantial similarity of Defendants' Marks and the De Well Marks; 3) given that the parties provide identical services, their companies clearly compete with each other; and 4) Defendants have demonstrated bad faith in adopting the competing Marks, as evidenced by the emails demonstrating Defendants' intention to use a mark likely to cause confusion with the De Well Marks, to communicate to

Plaintiff's customers that Defendants are affiliated with De Well NY and its affiliated companies, and to hide their actions from Plaintiff.

Plaintiff contends, further, that it has demonstrated irreparable injury without the requested injunctive relief because trademark infringement, as established here, will result in a loss of reputation and good will that Plaintiff established over many years, which cannot be compensated by money damages. Plaintiff also argues that a balancing of the equities favors Plaintiff in light of the significant investment of time and money made by Plaintiff in developing the De Well Marks, and the fact that Defendants have not yet provided any services under the De Well Logistics USA and/or DW Logistics Solutions marks and, therefore, have not developed good will or a reputation that may be affected by injunctive relief.

Defendants oppose the Disputed Provision, submitting, *inter alia*, that 1) Defendants will not consent to the Disputed Provision on the grounds that it is "clearly overbroad," seeks to enjoin conduct that Defendants deny having engaged in and is not supported by Plaintiff's moving papers (Cohen Aff. at ¶ 9); and 2) while Plaintiff characterizes its motion as one designed to enjoin Defendants from using the designations "De Well" or "DW" in a competing business, Plaintiff's real intent is to "improperly and inappropriately enjoin Defendants from competing with Plaintiff" (*id.* at ¶ 23).

In reply, Plaintiff 1) notes that Defendants do not dispute that, while owing fiduciary duties to Plaintiff, they started new companies "with the goal of stealing De Well NY's business" (P's Reply Memorandum at p. 2); 2) submits that Defendants' malicious intentions are evidenced by a) Ms. Guo's engagement of an attorney in obtaining FMC licenses for DW Logistics Solutions, b) Defendants' use of Plaintiff's IT vendors to set up domain names and email addresses for the new company, and c) Defendants' discussions regarding steering customers from Plaintiff to the new company; 3) Defendants have not addressed the documents referred to in Yang's Affidavit, which clearly demonstrate their improper conduct; 4) Defendants' refusal to consent to the Disputed Provision suggests that Defendants intend to "continue their fraudulent schemes...under the name Maxworld Logistics, Inc." (*id.* at p. 4); and 5) Ms. Guo's assertion that her decision to start a new company was prompted by her removal from Plaintiff is contradicted by evidence demonstrating that she had been taking steps to start a new freight forwarding company for more than a year prior to her removal.

RULING OF THE COURT

A. Dismissal Standards

A complaint may be dismissed based upon documentary evidence pursuant to CPLR § 3211(a)(1) only if the factual allegations contained therein are definitively contradicted by the evidence submitted or a defense is conclusively established thereby. *Yew Prospect, LLC v. Szulman*, 305 A.D.2d 588 (2d Dept. 2003); *Sta-Bright Services, Inc. v. Sutton*, 17 A.D.3d 570 (2d Dept. 2005).

A motion interposed pursuant to CPLR § 3211 (a)(7), which seeks to dismiss a complaint for failure to state a cause of action, must be denied if the factual allegations contained in the complaint constitute a cause of action cognizable at law. *Guggenheimer v. Ginzburg*, 43 N.Y.2d 268 (1977); *511 W. 232nd Owners Corp. v. Jennifer Realty Co.*, 98 N.Y.2d 144 (2002). When entertaining such an application, the Court must liberally construe the pleading. In so doing, the Court must accept the facts alleged as true and accord to the plaintiff every favorable inference which may be drawn therefrom. *Leon v. Martinez*, 84 N.Y.2d 83 (1994). On such a motion, however, the Court will not presume as true bare legal conclusions and factual claims which are flatly contradicted by the evidence. *Palazzolo v. Herrick, Feinstein*, 298 A.D.2d 372 (2d Dept. 2002).

B. Enforcement of Stipulations

CPLR § 2104, titled “Stipulations,” provides as follows:

An agreement between parties or their attorneys relating to any matter in an action, other than one made between counsel in open court, is not binding upon a party unless it is in a writing subscribed by him or his attorney or reduced to the form of an order and entered. With respect to stipulations of settlement and notwithstanding the form of the stipulation of settlement, the terms of such stipulation shall be filed by the defendant with the county clerk.

CPLR Section 2104 provides that, unless a stipulation is made in open court, it is not binding unless it is reflected in a writing signed by the parties or their attorneys, or in an order. *Williams v. Bushman*, 70 A.D.3d 679, 680 (2d Dept. 2010). In *Williams*, the Second Department held that the trial court had properly determined that the parties did not enter into an enforceable settlement agreement and affirmed the trial court’s denial of defendant’s motion to enforce an alleged settlement agreement. *Id.* In so holding, the Second Department noted that, although the parties discussed a proposed settlement at a court appearance, they did not execute a writing, and they expressed their understanding that the settlement was not yet final. *Id.*, citing *Diarassouba v. Urban*, 71 A.D.3d 51 (2d Dept. 2009), *lv. app. disp.*, 15 N.Y.3d 741 (2010).

The Second Department noted that the document signed by plaintiff was a “mere settlement proposal” that did not fully reflect the terms of the settlement and specifically stated that it was not intended as a final resolution of all issues in the case. *Id.* at 680-681. Moreover, the proposal was signed by plaintiff before the court conference and, therefore, could not have confirmed any agreement reached at the conference. *Id.* at 681.

The presence of an attorney at pretrial conferences constitutes an implied representation by the client to the opposing party that the attorney had authority to bind the client to the settlement. *Davidson v. Metropolitan Transit Authority*, 44 A.D.3d 819 (2d Dept. 2010), quoting *Hallock v. State of New York*, 64 N.Y.2d 224, 231-232 (1984). Indeed, attorneys who are authorized to enter into binding stipulations are required to appear at pretrial conferences. *Id.*, citing 22 NYCRR § 202.26(e). The Second Department, in *Davidson*, affirmed the trial court’s order granting defendants’ motion pursuant to CPLR § 2104 to enforce a stipulation of settlement. *Id.* The Second Department held that the employment of an attorney to represent plaintiff through the litigation and to appear on her behalf at a pretrial conference precluded her from arguing that the attorney lacked the authority to bind her to the settlement. *Id.*, citing *Arvelo v. Multi Trucking*, 194 A.D.2d 758, 759 (2d Dept. 1993). The Second Department noted that the subsequent letter written by the plaintiff’s attorney on behalf of the party to be bound confirmed the essential terms of the oral settlement agreement reached at the pretrial conference and held that it was a subscribed writing sufficient to satisfy the requirements of CPLR § 2014. *Id.*

C. Leave to Amend

Leave to amend is to be freely given, absent prejudice or surprise directly resulting from the delay in seeking leave, unless the proposed amendment is palpably insufficient or patently devoid of merit. *Aurora Loan Services, LLC v. Thomas*, 70 A.D.3d 986, 987 (2d Dept. 2010), citing CLR § 3025(b); *Lucido v. Mancuso*, 49 A.D.3d 220, 222 (2d Dept. 2008).

C. Application of these Principles to the Instant Action

The Court grants Plaintiff’s Order to Show Cause in its entirety based on the Court’s conclusion that Plaintiff has demonstrated a likelihood of success on the merits of its trademark claim by providing substantial evidence that the De Well NY Marks are entitled to trademark protection, Defendants’ use of the De Well Marks is junior to Plaintiff’s use of those Marks, and the Marks at issue are likely to be confused, given the a) inherent distinctiveness and awareness

in the marketplace of the De Well Marks, b) the substantial similarity of Defendants' Marks and the De Well Marks, and c) the fact that the parties provide identical services and clearly compete with each other. Plaintiff have also provided substantial evidence of Defendants' bad faith in adopting the competing Marks, as evidenced by the emails demonstrating Defendants' intention to use a mark likely to cause confusion with the De Well Marks, to communicate to Plaintiff's customers that Defendants are affiliated with De Well NY and its affiliated companies, and to hide their actions from Plaintiff. Plaintiff has also established irreparable harm by demonstrating that, without the requested injunctive relief, it will lose control over the reputation of its trademark pending trial, because loss of control over one's reputation is neither calculable nor precisely compensable. Finally, a balancing of the equities clearly favors Plaintiff, in light of the evidence before the Court of an apparently secretive and well-organized plan by Defendants to open a business that competes with Plaintiff, in part by the seemingly improper use of the De Well Mark.

The Court grants Plaintiff's motion in its entirety and directs that Defendants Mingwei Guo, Hong Guo, Jackson Tsai, Rose Panzarella, De Well Logistics USA, Inc. and DW Logistics Solutions, Inc., their officers, agents, servants, employees and attorneys, and all those persons acting in concert with them, pending disposition of this action, are immediately enjoined from 1) using on or in connection with any goods or services, including for the importation, sale, offering for sale, distribution, advertising, promotion, labeling or packaging of any goods or services, or using for any commercial purpose whatsoever, including listings in directories and other trade publications, any trademark, service mark, name, word, symbol or device that includes the term "DE WELL" or "DW," or any colorable imitation, variation or derivation thereof, or any mark that is likely to be confused with any mark owned or used by Plaintiff; 2) representing by any means whatsoever, whether directly or indirectly, that any services or goods sold, offered for sale, advertised, promoted or provided by Defendants are associated or affiliated with, sponsored, endorsed or authorized by, or connected to Plaintiff; 3) committing any further acts of trademark infringement, unfair competition, deceptive trade practices or false advertising with respect to any product or service of Plaintiff; and 4) causing, engaging or permitting any individual or entity to perform any of the aforementioned acts.

The Court directs Plaintiff to post a bond in the sum of \$100,000, within thirty (30) days of the date of this Order, as a condition of this injunctive relief.

In addition, the TRO remains in effect, pending further court order.

All matters not decided herein are hereby denied.

This constitutes the decision and order of the Court.

The Court reminds counsel of their required appearance before the Court for a conference on April 4, 2012 at 9:30 a.m.

ENTER

DATED: Mineola, NY

January 13, 2012

HON. TIMOTHY S. DRISCOLL

J.S.C.