

**Exportaciones Del Futuro Brands, S.A. de C.V. v
Authentic Brands Group, LLC**

2020 NY Slip Op 33274(U)

October 1, 2020

Supreme Court, New York County

Docket Number: 655626/2016

Judge: Carol R. Edmead

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This opinion is uncorrected and not selected for official publication.

**SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY**

PRESENT: HON. CAROL R. EDMEAD **PART** **IAS MOTION 35EFM**

Justice

-----X

EXPORTACIONES DEL FUTURO BRANDS, S.A. DE C.V.,

Plaintiff,

- v -

AUTHENTIC BRANDS GROUP, LLC, ABG-THALIA,
LLC, TSM DESIGNS, LLC, CREATIVE ARTISTS AGENCY,
LLC, THOMAS MOTTOLA, ARIADNA THALIA SODI
MIRANDA

Defendant.

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INDEX NO. 655626/2016

MOTION DATE 9/24/2020

MOTION SEQ. NO. 008

**DECISION + ORDER ON
MOTION**

The following e-filed documents, listed by NYSCEF document number (Motion 008) 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 244, 246, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 280, 281, 282, 283, 284, 285, 286, 287, 289, 291, 292, 293, 294, 295, 296, 297, 298, 299, 302, 303, 330

were read on this motion to/for JUDGMENT - SUMMARY.

Upon the foregoing documents, it is

ORDERED that defendants' motion for summary judgment for liability on the breach of contract counterclaim and for dismissal of plaintiff's breach of contract claim (motion seq. 008) is granted to the extent that defendants are awarded summary judgment on liability concerning breaches of contract that occurred after defendants terminated the parties' contract in November 2016 and plaintiff's breach of contract claim is dismissed, and defendants' claim is otherwise denied; and it is further

ORDERED that plaintiff's cross motion for summary judgment is denied; and it is further

ORDERED that the Clerk of the Court shall enter judgment accordingly; and it is further

ORDERED that counsel for defendants shall serve a copy of this Order along with Notice of Entry on all parties within twenty (20) days of entry.

MEMORANDUM DECISION

Defendants Authentic Brands Group, LLC, ABG-Thalia, LLC (collectively, ABG), TSM Designs, LLC (TSM), and Ariadna Thalia Sodi Miranda (Thalia) move for summary judgment on liability on their breach of contract counterclaim and dismissing plaintiff's cause of action for breach of contract (motion seq. 008). Plaintiff Exportaciones Del Futuro Brands, S.A. de C.V. (EDF) cross-moves for summary judgment on its breach of contract claim.

BACKGROUND FACTS

Defendants consist of Thalia, a Mexican singer and actress, who owns clothing, footwear, and accessories collections for women, and a home products collection (complaint, ¶¶ 3, 7); her spouse and business partner Thomas Mottola (*id.*, ¶ 6); TSM, a company owned by Thalia and Mottola through which the collections are licensed (*id.*, ¶¶ 5, 7); and ABG, promoter of Thalia's products (*id.*, ¶¶ 9, 11). In February 2016, plaintiff EDF, a Mexican manufacturer and distributor, became the exclusive licensee of Thalia's collections, pursuant to the "License Agreement" (License Agreement), between EDF and TSM (*id.*, ¶¶ 1, 2, 17).

In the License Agreement, EDF agreed to manufacture and market Thalia's trademarked products in Mexico through stores and catalogs. The agreement had a five-year term, subject to renewal four times through 2036, provided that EDF met annual sale minimums. EDF was obligated to pay the greater of a minimum royalty set forth in a schedule or a percentage of the prior year's actual royalties.

Section 8 of the License Agreement is the focus of the dispute between Thalia and EDF.

"8. Quality Control. Licensee shall cause the Licensed Products to meet and conform to high standards of style, quality and appearance. In order to assure Licensor that it is meeting such standards and other provisions of this Agreement, Licensee shall comply with the following:

(a) Pre-Productions: Before commercial production and distribution of any product bearing any reference to the Trademarks, Licensee shall submit to Licensor all preliminary and proposed final artwork, prototypes, mock-ups and pre-production samples of each Licensed Product, including all styles, colors and variations, together with . . . Packaging . . . and all advertising and promotional materials, . . . including . . . the results and proceeds of any photo shoots and the full content, context and placement thereof . . . Licensor must approve in writing all submissions, in its sole discretion, before Licensee shall be entitled to distribute, advertise, use, produce commercial quantities of or sell any item relating to any such submission. Licensor shall approve or disapprove any submitted item within ten (10) days after receipt by Licensor. If Licensor has not notified Licensee of its approval or disapproval within such ten (10) day period, the item shall be deemed disapproved by Licensor . . . After a sample of an item has been approved, Licensee shall not make any changes without resubmitting the modified item for Licensor's written approval. All decisions by Licensor relating to disapproval of any Licensed Product as well as all advertising materials . . . shall be made in its sole discretion, and shall be final and binding on Licensee and shall not be subject to review in any proceeding.

(b) Production Samples: Before selling or distributing any Licensed Product, Licensee shall furnish Licensor with . . . two (2) complete samples of each style of each such product from the first production run of each Manufacturer . . . If such samples do not conform to all aspects of the Licensed Product as approved or if the quality of any such sample does not meet the requirements of this Section 8, Licensor shall notify Licensee and such item shall be deemed disapproved and all such items shall be promptly corrected if possible or destroyed.

(c) Rejections and Non-compliance: . . . All submissions or samples not approved by Licensor shall promptly be destroyed by Licensee

(e) Revocation of Approval: In the event that . . . Licensor becomes aware of . . . any material or content in any Licensed Product, Packaging, advertising or marketing material . . . that had not been previously disclosed to Licensor . . . Licensor shall have the right, in its sole discretion, to withdraw its approval of such Licensed Product . . . and all Licensee's inventory of such Licensed Product shall be promptly destroyed

(h) In the event of Licensee's unapproved or unauthorized manufacture, distribution, use or sale of any Licensed Product or any . . . materials bearing any reference to the Trademarks, including promotional and advertising materials, or the failure of Licensee to comply with any provisions of this Section 8, Licensor shall have the right to . . . revoke Licensee's rights with respect to any such particular Licensed product . . . and/or . . . confiscate or order the destruction of such unapproved, unauthorized or non-complying

products, Packaging or materials. Such right(s) shall be in addition to and without prejudice to any other rights Licensor may have under this Agreement or otherwise.

(i) Licensee covenants and agrees that . . . all Licensed Products will conform in all respects to the samples approved by Licensor and that Licensee will not distribute or sell any Licensed Products which are of a quality or standard inferior to or different from the approved quality or are injurious to the reputation and goodwill associated with the Trademarks”

(License Agreement, ¶ 8, Adelman affirmation [Adelman], ex 1 [NYSCEF 167].)

The agreement requires Thalia to pose for two photo shoots per year, make personal appearances in Mexico, and post product endorsements on social media (*id.*, ¶ 7.) Licensor has the right to terminate the agreement if Licensee is at any time in default under section 8 (*id.*, ¶ 12 [a].) The agreement also includes a waiver and integration clause, and states that it can only be waived or modified by a writing signed by both parties (*id.*, ¶ 19.)

Thalia alleges that EDF did not obtain the required approvals before embarking upon the final production of products and distributing them to consumer outlets. EDF alleges that Thalia refused to approve products and that Thalia’s goal was to get out of the License Agreement.

EDF secured a lucrative distribution deal with nonparty Price Shoes, the world’s largest catalog company (complaint, ¶ 21.) Beginning in May 2016, EDF provided Thalia with its proposals for clothing, footwear, and packaging.¹ EDF sent designs and samples of finished or almost finished products. Thalia responded with critiques of some items and approvals of others. In July, Thalia posed for photos wearing samples sent by EDF (Adelman, ex 7, Sachs transcript [tr] ex 14 at 84-85, Thalia tr ex 15 at 115-116 [NYSCEF 173, 180, 181].) In a July 21, 2016

¹ The events related here took place in 2016, unless otherwise indicated. “2016” will not be repeated each time. “Thalia” usually means all defendants and when indicated means Thalia herself as an individual.

email, a Thalia representative stated, “Everything is looking GREAT! [Thalia] is wearing some of the samples” (complaint, ¶ 36.)

In August, the photographer and Thalia separately emailed EDF that the photos needed retouching, that they were not approved, and that EDF should get approval from Thalia before printing them (Adelman, ex 19, 20, 22 [NYSCEF 185, 186, 188].) EDF replied that it would not print until it received the final approved pictures (*id.*, ex 19 [NYSCEF 185].)

On August 31, Thalia wrote to EDF that “it has come to my attention” that EDF had shipped or was preparing to ship products to retail, in “a blatant breach of the agreement as you have not been given approval over final production samples. Approvals have only been granted for designs, not finished production pieces” (Adelman, ex 17 [NYSCEF 183].) “Beyond respecting the actual approval process that we have in place, it is also far more important to ensure that we do it right, and focus on building . . . a partnership so that we can thrive for 5, 10, 15, 20 years . . . we have always been mindful that we were going to launch officially in Spring 2017, not shipping products in August 2016. I also don't know how you could have committed to deliver products to retail without final product approval” (*id.*) Thalia stated that EDF should either not ship any products or should cause already shipped products to be returned (*id.*). EDF replied that it had not shipped yet, that it was making the requested changes to items, that the approved styles were in production, that EDF planned to ship mid-September, and that this had been explained to Thalia (*id.*).

On September 1, Thalia wrote back, “per your text to me you are shipping product to stores next week. We have NEVER approved anything. We have never seen finished samples. The 10-12 samples you sent to Thalia were unfinished . . . and per your email they were

‘preliminary samples.’ As per our contract, we are to approve every item” (*id.*). Thalia requested that EDF send final products for Thalia “to review and make changes” (*id.*). EDF responded that just because something was sent for production does not mean that it was produced. “Before we produce anything, the factory sends us TOP (top of production) samples” (*id.*). Once Thalia approves “the TOP, EDF will begin production” (*id.*).

On September 7, Thalia emailed EDF “what on earth is going on with this? You claimed last week that NOTHING had been shipped yet it’s now all over the internet and on the Price Shoes website, catalogs, etc. This again, is unacceptable, and an even more blatant breach of the agreement. It seems like we made progress in the last week, yet it’s all been basically destroyed” (Adelman, ex 18 [NYSCEF 184].) EDF replied that product had not shipped yet, that all the styles in the catalog were approved at design stage, and that the final samples are waiting for Thalia’s final approval (*id.*). Thalia wrote back that “NOTHING had been approved. Not the photos, nor the product!!!! It doesn’t matter that product hasn’t shipped yet. It’s all out online and nonetheless at Price Shoes . . . It is your responsibility to make sure that your team does not release anything without our approval” (*id.*) EDF replied that the products were in the catalog, “because they have a cut off date for printing. But there is no product on their site yet as they don’t have product yet” (*id.*).

On October 13, ABG sent a letter to EDF terminating the License Agreement and documenting specific examples of EDF’s failure to submit products and promotional materials for approval before commercial production, distribution, and sale (Adelman, ex 25 [NYSCEF 191].) On October 24, EDF filed the instant summons with notice. Nonetheless, as the parties’ communications reveal, they stayed in touch and EDF submitted home goods for approval.

On November 1, Thalia emailed EDF about the home goods submissions. Thalia stated that the parties are planning to discuss EDF's breaches and the termination and, until then, Thalia "maintains the position that the agreement is terminated and as such, no approvals can be accepted" (Adelman, ex 26 [NYSCEF 192].) A November 17 email from Thalia to EDF relates that, at the meeting on the same date, Thalia and EDF agreed that Thalia would "forgo" the termination of the agreement, provided that the parties could agree on amendments to the approval process (*id.*, ex 27 [NYSCEF 193].)

On December 15, Thalia emailed EDF that it was "evident from our meeting, that there simply has not been clear processes and communications between the parties" and that while Thalia understands the importance of speed, it is equally important to do things "correctly and accurately" (Adelman aff, ext 28 [NYSCEF 194].) "Processes put in place by the contract . . . must be strictly adhered to going forward" (*id.*) EDF responded that it had uploaded SS17 [spring summer 2017] apparel and home products, that "today was the production deadline" for both kinds of items, and that "any changes you request will try and be made for the second round of production . . . Keep in mind SS17 apparel was sent to [Thalia] since August 23rd" (*id.*).

On December 16, Thalia wrote to EDF that the goal of the previous meeting was to resolve discrepancies over product approvals already in the marketplace and to establish new procedures for the future (Goldenberg, ex 39 [NYSCEF 266].) Thalia stated, "EDF recognizes that it proceeded to manufacture and distribute products that did not have final approval. EDF will guarantee that this will NOT happen again and in the future ALL products MUST be approved prior to final production. Furthermore, products that have change requests during

pre-production stage will be resubmitted at pre-pro stage for final approval before full production” (*id.*).

On December 20, Thalia provided feedback on the home goods and apparel submissions for SS17 and stated that “I understand that these items will likely be in production now, but it would be extremely helpful if these changes can be made as soon as possible. The requested changes will bring these items more in line with the Thalia brand and how we want to position it within the Mexican market” (Adelman, ex 29 [NYSCEF 195].) Thalia rejected bathing suits suggested by EDF since they were not discussed beforehand and were not part of a collection (*id.*). Thalia wrote that there were three stages of approval, concept approval, pre production approval and production approval. Once the concept is approved the licensee will make a sample pre production unit for review. Once that is approved, the licensee may proceed to production. The production sample must be approved and then the licensee can proceed to “full production” (*id.*). On December 20, Thalia wrote to EDF that bathing suits were “never discussed in any in meeting or email and we cannot approve two individual items that do not fit within a collection” (Adelman reply, ex 5 [NYSCEF 286].)

On December 21, Thalia wrote to EDF about athletic wear submissions, noting that this was the first time that Thalia knew anything about an athletic line, and that it could not approve these products “until we have some clarity,” and asking if these items were part of the SS17 collection (Adelman, ex 31 [NYSCEF 197].) On December 22, EDF emailed Thalia that it was too late to make changes to SS17 products, that “once we have pre production samples approved we always proceed to production . . . what exactly is full production . . . once you approve the preproduction samples we must continue to production. Of course we will send you production

samples so that you can confirm it's the same as what you approved at preproduction" (*id.*, ex 32 [NYSCEF 198].) Thalia replied "moving forward it is imperative to build your timeline around anticipated comments/changes required on our end" and that "there has been NO mention of any swim wear nor athletic apparel launching" for AW 2016/17 [autumn winter] or SS17. These products are NOT APPROVED and can not go to market or be sold . . ." (*id.*). Thalia continued that, during previous discussions and emails, there was no mention of swimwear or athletic wear (*id.*).

On December 28, EDF wrote that the parties had discussed swim and athletic wear at the meeting, and "it is all part of SS17 apparel and has been sold to Price Shoes" (Adelman, ex 33 [NYSCEF 199].) Thalia does "not appreciate or understand the magnitude of this business. If we want to keep doing business with the only customer Thalia currently has in Mexico . . . we need approval" (*id.*). Thalia responded that EDF's "comments . . . contradict what occurred at our meeting . . . until the amendment is signed we are at a standstill to provide or comment on . . . any additional products submitted" (*id.*). Thalia suggested that "we set up a call immediately . . . to determine an appropriate way to move forward" (*id.*).

On January 4, 2017, EDF responded that two named persons would work out the amendment, and, "I want to stress the importance of THALIA promoting her brand here in Mexico and if we don't, Price Shoes may cancel all future orders" (Adelman, ex 33 [NYSCEF 199].) On January 6, 2017, Thalia responded that it is "important . . . to work together on better communication about what was discussed in our meeting . . . we agreed that your team would submit all products for approval and that we would work together to develop the collection. That doesn't mean EDF submits products and simply moves forward producing the same" (*id.*).

On January 16, 2017, Thalia wrote that Thalia cannot make personal appearances or pose for photo shoots until she feels comfortable with the collection and it represents her style and taste (Adelman, ex 34 [NYSCEF 200].) On January 20, EDF wrote back that Thalia must promote the Price Shoes product per the agreement, and she needs to decide if she wants to promote her brand and, if not, EDF will hand the matter to their lawyers (*id.*).

In February 2017, Thalia created a mockup social media post and sent it to EDF for their thoughts (Adelman, ex 35, 36 [NYSCEF 201, 202].) Thalia wrote that we need to let “bygones be bygones and go forward on a clean slate,” and that Thalia will post the image if EDF withdraws its lawsuit (*id.*). In a catalog, Thalia discovered a photograph of Thalia wearing a white robe which she had never worn. Thalia states that her head was transposed onto the body of the model wearing the white robe. This photo was never presented to Thalia before being printed in the catalog (Gershon, ex V [NYSCEF 84].)

On February 21, 2017, EDF filed the instant complaint. On March 7, 2017, ABG personnel emailed each other images of unapproved athletic wear from an online catalog (Adelman, ex 38 [NYSCEF 204].) On March 9, 2017, Thalia terminated the agreement for the second time (Adelman, ex 39 [NYSCEF 205].) The letter states that EDF used unapproved images to advertise unapproved goods in a catalog beginning in February 2017, sold unapproved activewear beginning in March 2017, and failed to make payments for goods sold.

DISCUSSION

On a motion for summary judgment, the movant bears the burden of presenting sufficient evidence to demonstrate the absence of any material issues of fact (*Alvarez v Prospect Hosp.*, 68 NY2d 320, 324 [1986].) Summary judgment should not be granted where there is any doubt as

to the existence of a material issue of fact (*Zuckerman v City of New York*, 49 NY2d 557, 562 [1980].) Once the movant establishes a prima facie right to judgment as a matter of law, the burden shifts to the party opposing the motion to “produce evidentiary proof in admissible form sufficient to require a trial of material questions of fact on which he rests his claim” (*id.*). To establish a prima facie right to summary judgment on a claim for breach of contract, a plaintiff must show that it performed under the contract, that the defendant breached the contract, and that plaintiff sustained damages as a result of the breach (*Noise In The Attic Prod, Inc. v London Records*, 10 AD3d 303, 306-07 [1st Dept 2004].)

Thalia has established that it either performed or tried to perform under the contract and that EDF breached the contract. EDF incorrectly contends that the License Agreement does not provide for approval of production samples before commercial production (complaint, ¶ 40). Section 8 of the agreement divides the process of reviewing items into two stages. In the pre-production stage, suggestions for products are submitted and reviewed. In the production sample stage, EDF submits samples from the first production run to Thalia. If those are approved, EDF proceeds to full production and distribution.

The communications indicate that, after Thalia terminated the agreement for the first time, the parties agreed to amend section 8 of the agreement and they did not finalize the amendment. The communications indicate that, while the amendment may have expanded or restated the steps before the second stage of the process, the second stage itself did not change. EDF’s obligation to obtain approval before full production remained. The fact that the parties worded the amended approval process differently from that in the agreement does not mean that the agreement as originally made was unclear. The agreement is not ambiguous.

EDF counters that even if the court finds that EDF breached the agreement, factual issues exist as to whether the breaches were material enough to excuse Thalia's performance and justify the termination in March 2017. Because Thalia elected to keep the License Agreement in place after allegedly material breaches, it waived the right to terminate the agreement in March 2017 based on those breaches. Assuming that EDF breached, Thalia was not excused from performing Thalia's contractual obligations in good faith and was not justified in refusing to approve any products or promote the brand.

“A breach is material if it strongly tends to defeat the object of the parties in making the contract” (*Feldmann v Scepter Group, Pte. Ltd.*, 185 AD3d 449, 449 [1st Dept 2020]; *Awards.com, LLC v. Kinko's, Inc.*, 42 AD3d 178 [1st Dept 2007], *aff'd*, 14 NY3d 791 [2010]). Whether a breach is material is usually an issue for the trier of fact (*Biotronik A.G. v Conor Medsystems Ireland, Ltd.*, 117 AD3d 551, 553 [1st Dept 2014]; *Magi Communications, Inc. v Jac-Lu Assocs.*, 65 AD2d 727, 729 [1st Dept 1978]). It is only where the evidence concerning the materiality is clear and substantially uncontradicted that the question is a matter of law for the court to decide (*Alberts v CSTV Networks, Inc.*, 96 AD3d 447, 447 [1st Dept 2012]).

Here, the facts are clear enough for the court to determine whether the breaches were material or not. The purpose of the License Agreement was for EDF to make products according to Thalia's taste and discretion. The agreement places heavy emphasis on quality control, on the production of items that adhere to Thalia's standards, and on Thalia's right to approve and disapprove items. If the licensee is in default of the quality control section, the licensor has the

right to terminate the agreement. EDF's failure to submit items for review as provided in the agreement constituted a material breach which went to the root of the agreement.

When one party materially breaches an agreement, the non-breaching may elect to terminate the contract and sue for damages (*Rebecca Broadway Ltd. Partnership v Hotton*, 143 AD3d 71, 80 [2016]). Alternatively, the nonbreaching party may elect to continue to perform under the contract (*Computer Possibilities Unlimited v Mobil Oil Corp.*, 301 AD2d 70, 80 [1st Dept 2002].) By choosing not to terminate in the face of a material breach and continuing to accept the benefits of the contract, the nonbreaching party surrenders the right to terminate later based on that particular breach (*Albany Med. Coll. v Lobel*, 296 AD2d 701, 703 [3d Dept 2002].) The non-breaching party may terminate the contract based on other, subsequent breaches (*Kamco Supply Corp. v On the Right Track, LLC*, 149 AD3d 275, 283 [2d Dept 2017]).

As EDF was in material breach of the License Agreement, Thalia was justified in terminating the agreement in October 2016. However, by rescinding the termination in November 2016 and continuing to perform under the contract and its benefits thereafter, Thalia was not entitled to terminate by reason of the prior breaches. The March 2017 termination may only be based on breaches that occurred after the November 2016 cancellation. Thalia is entitled to seek damages from breaches that occurred after the November 2016 cancellation. The record contains no indication that Thalia waived the right to those damages. There is a question of fact, however, as to whether Thalia waived the right to recover damages from breaches that occurred before the November 2016 rescission of the termination.

Waiver is the voluntary and intentional abandonment of a known right which, but for the waiver, would have been enforceable (*Nassau Trust Co. v Montrose Concrete Prods. Corp.*, 56

NY2d 175, 184 [1982].) “The intent to waive a right must be unmistakably manifested, and is not to be inferred from a doubtful or equivocal act” (*Penava Mech. Corp. v Afgo Mech Servs.*, 71 AD3d 493, 492 [1st Dept 2010] [internal quotation marks and citation omitted].) Although there are occasions where waiver can be determined as a matter of law (*id.*), in this case, the court is unable to determine Thalia’s intent from its actions, as the actions do not clearly signal the intent.

The License Agreement includes a no-waiver provision. A no-waiver provision is an agreement that a certain act or failure to act does not constitute a waiver of rights under the agreement (*ESPN*, 76 F Supp 2d at 389.) While no-waiver clauses such as the one in the parties’ are usually enforced (*Awards.com*, 42 AD3d at 188 [1st Dept 2007], such a clause may itself be waived by a course of conduct (*Lee v Wright*, 108 AD2d 678, 680 [1st Dept 1985]). Whether Thalia’s conduct showed that it waived the no-waiver provision and forfeit its rights to damages incurred before Thalia cancelled the termination of the agreement in November 2016 is an issue of fact.

EDF contends that Thalia fails to properly allege damages. Thalia seeks damages for the injury done to the brand through EDF allegedly putting inferior products on the market and also states that EDF did not make the payments called for under the agreement. That is a sufficient statement of damages. EDF’s expert reports that the products made by EDF under Thalia’s brand would pass a standard professional inspection (Goldenberg affirmation [Goldenberg], ex 46 [NYSCEF 273]). The question of quality and the extent to which EDF injured or did not injure the brand affects Thalia’s damages and does not alter the fact that EDF did not adhere to the approval process. Difficulty in proof of damages is not a ground for dismissing a complaint

on a motion for summary judgment (*A. W. Fiur Co. v Ataka & Co.*, 71 AD2d 370, 375 [1st Dept 1979].)

EDF alleges that for it to meet sales minimums under the License Agreement, the fall 2016 production process had to be underway quickly and Thalia needed to expeditiously approve products for manufacturing. EDF argues time constraints justified it in not sending items for review.

The evidence about the parties' schedule is equivocal. In April and May 2016, EDF emailed Thalia that EDF was planning to launch its Thalia branded products for SS17 (Adelman, ex 6, 7 [NYSCEF 172, 173].) In July 2016, EDF sent a layout for approval entitled AW16 (*id.*, ex 16 [NYSCEF 182].) Thalia testified that the July layout meant that EDF intended to launch a collection in fall 2016 [Goldenberg, ex 6, Thalia tr at 111-112 [NYSCEF 219].) In August 2016, Thalia emailed EDF that "we" were going to launch officially in spring 2017 (Adelman, ex 17 [NYSCEF 183].) In December 2016, Thalia provided feedback on the home goods and apparel submissions for SS17 (*id.*, ex 29 [NYSCEF 195].)

Regardless of when the launch was to occur, EDF could not be relieved of the obligation to adhere to the contract. Once a party has made a promise, it must perform or respond in damages, and nothing is suggested that could excuse EDF from performing the contract (*see Kel Kim Corp. v Central Mkts.*, 70 NY2d 900, 902 [1987].)

EDF also argues that Thalia took too long to review products and refers to an email between ABG personnel complaining that Thalia had to personally approve everything. The message acknowledges that Thalia should have a say over products bearing her name, "but not at the expense of us properly and efficiently working with our partners . . . We can't expect

licensees to wait 2-4 weeks for approvals on products (Goldenberg, ex 40 [NYSCEF 267]). Furthermore, a January 26, 2017 email between Thalia personnel states that Thalia was “holding any approvals and comments back to them until a larger conversation is had with senior management and the Thalia team” (*id.*, ex 41 [NYSCEF 268]). EDF concludes that Thalia planned to terminate the relationship with EDF from the inception, without justification. It notes that in late August 2016, months after EDF submitted designs and samples and on the eve of the fall 2016 launch with Price Shoes, Thalia disapproved every product submission. EDF says that this was a bad faith tactic to force EDF to abandon the agreement. EDF also points to Thalia’s refusal to pose for more than the one photo shoot.

EDF further alleges that Thalia planned to terminate the relationship with EDF from the inception, without justification. In late August 2016, months after EDF submitted designs and samples and on the eve of the fall 2016 launch with Price Shoes, Thalia disapproved every product submission. EDF says that this was a bad faith tactic to force EDF to abandon the agreement. EDF also alleges that Thalia refused to pose for more than the one photo shoot.

The License Agreement contemplates the exercise of discretion on Thalia’s part. A contract that does so implies a promise not to act arbitrarily or irrationally in exercising the discretion (*African Diaspora Mar. Corp. v Golden Gate Yacht Club*, 109 AD3d 204, 212-213 [1st Dept 2013].) The emails do not raise an issue of fact whether Thalia acted arbitrarily, and the fact remains that EDF materially breached the contract, not once, but many times, and in the face of Thalia’s repeated objections. Given the breaches, it cannot be said that Thalia’s refusal to approve products was an act of bad faith that deprived EDF of the benefits of the contract (*see CPTS Hotel Lessee LLC v Holiday Hospitality Franchising LLC*, 171 AD3d 484, 485 [1st Dept

2019].) In addition, a party's performance under a contract is excused where the other party has committed a material breach; the breaching party cannot enforce the contract against the non-breaching party (*Nadeau v Equity Residential Props. Mgt. Corp.*, 251 F Supp 3d 637, 641 [SD NY 2017]; *Innovative Biodefense, Inc. v VSP Techs., Inc.*, 176 F Supp 3d 305, 317 [SD NY 2016].) In August 2016, Thalia began complaining that EDF was shipping products to retail outlets without Thalia's approval (Adelman, ex 17 [NYSCEF 183].) Given EDF's material breaches, Thalia was not duty bound to honor the contract. The internal emails do not show that Thalia had an intention to breach the contract. Rather, they indicate frustration with EDF's performance.

Regarding Thalia's claim that EDF produced and distributed unapproved swim wear and athletic wear, EDF claims that, at the December 2016 meeting, the parties agreed that EDF would produce such items. Assuming that the parties did so agree, Thalia was not obligated to approve those items when EDF submitted samples or drawings. Without approval, EDF could not sell those items. EDF also asserts that the parties agreed that certain changes to items could be made on a rolling basis. What is meant by rolling basis is not clear but, in any case, EDF does not claim that it gave Thalia the chance to review items on a rolling basis and that Thalia refused.

Schedule B of the License Agreement describes the retailers to which EDF may sell licensed products as "Licensed Channels of Distribution." EDF alleges that Thalia solicited those retailers to distribute her products in an attempt to bypass and undercut EDF (complaint, ¶¶ 23, 47.) EDF does not allege, however, that Thalia made deals with the other companies or that Thalia's approach to them injured EDF.

EDF has failed to show that it is entitled to summary judgment on the contract claim.

Thalia has demonstrated that it is entitled to dismissal of this claim.

CONCLUSION

Accordingly, it is

ORDERED that defendants' motion for summary judgment for liability on the breach of contract counterclaim and for dismissal of plaintiff's breach of contract claim (motion seq. 008) is granted to the extent that defendants are awarded summary judgment on liability concerning breaches of contract that occurred after defendants terminated the parties' contract in November 2016 and plaintiff's breach of contract claim is dismissed, and defendants' claim is otherwise denied; and it is further

ORDERED that plaintiff's cross motion for summary judgment is denied; and it is further

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10/1/2020
DATE

CAROL R. EDMEAD, J.S.C.

CHECK ONE:

<input type="checkbox"/>	CASE DISPOSED	<input type="checkbox"/>	DENIED
<input type="checkbox"/>	GRANTED		

<input checked="" type="checkbox"/>	NON-FINAL DISPOSITION	<input type="checkbox"/>	OTHER
<input checked="" type="checkbox"/>	GRANTED IN PART		

APPLICATION:

<input type="checkbox"/>	SETTLE ORDER
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<input type="checkbox"/>	SUBMIT ORDER
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CHECK IF APPROPRIATE:

<input type="checkbox"/>	INCLUDES TRANSFER/REASSIGN
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<input type="checkbox"/>	FIDUCIARY APPOINTMENT	<input type="checkbox"/>	REFERENCE
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