

SKILLSOFT CORPORATION,

Plaintiff,

v.

ELEMENT K CORPORATION,

Defendant.

DECISION AND ORDER

Index #2007/13202

Defendant, Element K Corporation, moves pursuant to CPLR 2201 for an order staying the instant action pending the resolution of substantially similar proceedings pending in New Hampshire Superior Court, or in the alternative, for an order pursuant to CPLR 3103 for a protective order prohibiting plaintiff from pursuing discovery until the New Hampshire proceedings have been resolved.

Prior to commencing the instant proceeding, plaintiff commenced a similar action against defendant in New Hampshire Superior Court. Defendant moved to dismiss that action based upon lack of personal jurisdiction, expressly reserving its right under New Hampshire law to appeal an adverse ruling directly to the New Hampshire Supreme Court. Plaintiff alleges that to avoid a potential lengthy appeal that would have held up the litigation's progression, it withdrew the New Hampshire action without prejudice and commenced suit against defendant in New York. The New York action was commenced on October 9, 2007.

Still pending in New Hampshire Superior Court, however, are actions against four former employees of plaintiff, Rochelle Bradshaw, Alan Brooke Mosley, Wendy Golenberke, and Stacey Boyle, actions which were commenced after plaintiff commenced its action against defendant in New Hampshire court. Plaintiff sought temporary injunctions against these individuals, enjoining them from recruiting plaintiff's employees, using or disclosing confidential information belonging to plaintiff, and working (at defendant) with clients with whom they worked while employed by plaintiff. The New Hampshire court has denied plaintiff's request for temporary relief with respect to Ms. Bradshaw, and decisions as to the other individuals are still pending.

Plaintiff sent its first requests for production of documents on defendant in this matter on October 18, 2007. Plaintiff sent a draft Confidentiality Agreement to defense counsel to facilitate and govern discovery on November 1, 2007. Responses to neither were received, but this motion followed.

Motion for a Stay

CPLR 2201 states:

Except where otherwise proscribed by law, the court in which an action is pending may grant a stay of proceedings in a proper case, upon such terms as may be just.

While the issuance of a stay is discretionary, see Research Corp. v. Singer-General Precision, Inc., 36 A.D.2d 987, 988 (3d Dept. 1971), it has also been held that:

A stay of one action pending the outcome of another is appropriate only where the decision in one will determine all the questions in the other, and where the judgment in one trial will dispose of the controversy in both actions; this requires a complete identity of parties, cause of action and the judgment sought.

Somoza v. Pechnik, 3 A.D.3d 394 (1st Dept. 2004). See also Mt. McKinley Ins. Co. v. Corning Inc., 33 A.D.3d 51, 59 (1st Dept. 2006); Green Tree Fin. Serv. Corp. v. Lewis, 280 A.D.2d 642 (2d Dept. 2001) (motion to stay state court action denied where federal action lacked complete identity of parties, causes of action and relief sought); Pierre Assoc. Inc. v. Citizens Casualty Co. of New York, 32 A.D.2d 495, 497 (1st Dept. 1969) ("What is required is complete identity of parties, cause of action and judgment sought."). When assessing a motion for a stay, a court should be mindful that "a party is generally entitled to an unrestrained right to resort to the courts for prompt enforcement of substantial contractual rights." Id., 32 A.D.2d at 496. "The possibility or actuality of two trials is of no importance." Mt. McKinley Ins. Co., 33 A.D.3d at 59.

However, the First Department has permitted a stay when there is no identity of parties and issues if judicial economy otherwise warrants one:

Even though there was not complete identity of parties, there were overlapping issues and common questions of law and fact [citations omitted], and 'the determination of the prior action may dispose of *or limit* issues which

are involved in the subsequent action.'"

Belopolsky v. Renew Data Corp., 41 A.D.3d 322 (1st Dept. 2007) (quoting Buzzell v. Mills, 32 A.D.2d 897 (1st Dept. 1969)). Moreover, the Fourth Department has affirmed the grant of a stay where the pending actions were "sufficiently similar such that the goals of preserving judicial resources and preventing an inequitable result are properly served" despite the fact that one proceeding had an additional party not named in the other action. Finger Lakes Racing Assoc. v. New York Racing Assoc., 28 A.D.3d 1208 (4th Dept. 2006). Another case rejecting the complete identity criterion is National Management Corp. v. Adolphi, 277 A.D.2d 553, 554-55 (3d Dept. 2000).

Here, the circumstances do not warrant the issuance of a stay under either analysis. A review of the complaints in the instant action and the pending New Hampshire actions reveals that there is not "complete identity of parties, cause of action and the judgment sought." The New York action, commenced against the individuals' current employer only (and does not include the individuals sued in New Hampshire court) states the following causes of action: misappropriation of trade secrets, tortious interference with contract, and unfair competition under New York common law. The actions pending against the individuals in New Hampshire allege breach of contract and violation of the Uniform Trade Secrets Act. The New Hampshire actions seek a preliminary

and, ultimately, permanent injunction against the individuals, as well as attorneys' fees and costs. The New York action seeks a preliminary and permanent injunction, as well as monetary damages resulting from alleged unlawful conduct. While there is similarity between the suits pending in New York and New Hampshire, there is not a complete identity. The New Hampshire litigation will require a determination of whether the employees breached their contracts by disclosing confidential information or soliciting other employees and whether they disclosed trade secrets to their current employer, Element K. The New York litigation against the individuals' current employer, however, will include additional and different considerations, including whether defendant was aware of contracts between the individuals and plaintiff, whether defendant used wrongful means to induce the individuals to breach their contracts, whether defendant used any information disclosed to it by employees of plaintiff, and whether plaintiff was damaged by defendant's misappropriation and misuse of confidential information.

Moreover, this action is not one where judicial economy otherwise warrants the issuance of a stay. Defendant contends that the New York action should be stayed pending resolution of the actions in New Hampshire because the outcome of those actions will govern the outcome of the New York action, to avoid wasting judicial and party resources, and to avoid potentially

inconsistent judgments. Not only is the court not swayed by that argument, but defendant, having complained of plaintiff's choice of jurisdiction when this action was commenced in New Hampshire, should not now be rewarded with a stay after plaintiff acceded to those claims and recommenced the litigation in a forum recognized by defendant in the New Hampshire dismissal motion as more appropriate.

The motion for a stay is denied.

Protective Order

In the alternative, defendant seeks a protective order prohibiting plaintiff from pursuing disclosures until the New Hampshire proceedings have been resolved. CPLR 3103(a), covering protective orders, states:

Prevention of abuse. The court may at any time on its own initiative, or on motion of any party or of any person from whom discovery is sought, make a protective order denying, limiting, conditioning, or regulating the use of any disclosure device. Such order shall be designed to prevent unreasonable annoyance, expense, embarrassment, disadvantage, or other prejudice to any person or the courts.

Defendant has not established the need for the issuance of a protective order. Defendant's request in this regard comes from its allegations that it will "very likely be obligated to respond to subpoenas from Skillsoft relating to" the New Hampshire actions. Defendant's Memo of Law, 11. Thus, defendant seeks to limit plaintiff's ability to conduct discovery on the New York

action based upon the mere possibility that subpoenas may be served at some point in the New Hampshire litigation.

Defendant's argument fails for two reasons. First, future, possibly duplicative discovery requests in a different litigation does not provide sufficient reason to shed a party from discovery. Secondly, plaintiff alleges that, thus far in the New York litigation, it has only requested defendant documents relating to former Skillsoft employees hired by defendant. This fairly tailored request would not likely be made against the individual defendants in the New Hampshire litigation who would not have access to human resources records to answer such inquiries.

The motion for a protective order is denied.

SO ORDERED.

KENNETH R. FISHER
JUSTICE SUPREME COURT

DATED: December __, 2007
Rochester, New York