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

PRESENT: PART 12

Index Number : 126008/2002

LEDERER DE PARIS FIFTH AVENUE,

VS

JORDAN AND HAMBURG, LLP

Sequence Number : 003

PARTIAL SUMMARY JUDGMENT

INDEX NO. 126008/02

MOTION DATE

MOTION SEQ. NO. 003

MOTION CAL. NO.

The following papers, numbered 1 to _____ were read on this motion to/for _____

	PAPERS NUMBERED
Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...	
Answering Affidavits — Exhibits	
Replying Affidavits	

Cross-Motion: ☒ Yes ☐ No

Upon the foregoing papers, it is ordered that this motion and cross-motion are decided in accordance with the accompanying memorandum decision.

FILED

JUN 06 2007

COUNTY CLERK'S OFFICE

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE FOR THE FOLLOWING REASON(S):

Dated: 5/31/07

J.S.C.

Check one: ☒ FINAL DISPOSITION ☐ NON-FINAL DISPOSITION

Check if appropriate: ☐ DO NOT POST ☐ REFERENCE

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK : IA PART 12

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LEDERER DE PARIS FIFTH AVENUE, INC.,

Plaintiff,

- against -

JORDAN AND HAMBURG, LLP and
THOMAS FURTH, ESQ.

Defendants.

----------X

JORDAN AND HAMBURG, LLP,

Plaintiff,

- against -

LEDERER DE PARIS FIFTH AVENUE, INC.,

Defendant.

----------X

DECISION/ORDER
Index No. 126008/02
Motion Seq. No. 003
Action No. 1

(formerly Civil Court
Index No.
39740CvN/2002)
Action No. 2

BARBARA R. KAPNICK, J.:

Background

Action No. 1 is an action for legal malpractice arising out of defendants' representation of plaintiff Lederer De Paris Fifth Avenue, Inc. ("Lederer" or "plaintiff") in an action in the U.S. District Court for the Southern District of New York (the "Federal action") brought by Hermès International ("Hermès") and related companies against Lederer and several other defendants for unfair competition, trademark infringement and trade dress infringement based on allegations that Lederer sold replicas of Hermès' luxury products, such as handbags and belts, without Hermès'

authorization. Defendant Thomas Furth, Esq. ("Furth") was Jordan & Hamburg, LLP's trial counsel in the Federal action.[1]

The trial commenced on June 18, 2001 and continued for seven days. The jury returned a verdict finding that Lederer had infringed on the trademark and trade dress rights of four out of the ten Hermès products at issue and awarded Hermès damages of $1,108,111. Thereafter, the parties entered into a settlement agreement pursuant to which Lederer agreed to stop selling the four infringing products in exchange for Hermès releasing it from the obligation to pay the damages verdict.

In October 2002, Jordan & Hamburg brought an action against Lederer in Civil Court for unpaid legal fees and expenses stemming from the Federal action in the amount of $21,748.00. The plaintiff then commenced the legal malpractice action in this Court in or about November 2002. By order dated April 14, 2003, this Court consolidated the Civil Court action with the malpractice action in this Court for all purposes.

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[1] The defendants were retained approximately two years into the case after being substituted for plaintiff's prior counsel, the law firm of Handal & Morofsky.

Motion and Cross-Motion

Plaintiff Lederer now moves for partial summary judgment on the issue of negligence in the malpractice action.

Defendants cross-move for an order (i) granting them summary judgment dismissing the malpractice Complaint pursuant to CPLR § 3212 and (ii) granting judgment on Jordan & Hamburg, LLP's complaint in Action No. 2 as against Lederer for unpaid legal fees in the amount of $21,748.00.

In support of its motion for summary judgment, plaintiff contends that defendants were negligent as a matter of law on the grounds that 1) they failed to produce documents required by a Discovery Order of Judge Scheindlin dated April 30, 2001 which resulted in the total preclusion of certain damages evidence that was necessary for Lederer to effectively and successfully defend itself; 2) they failed to understand the damages element available to plaintiff in the underlying trademark infringement lawsuit, by failing to comprehend that they needed to produce more than Lederer's federal tax returns in order to meet their burden on the element of damages, and 3) they failed to research and understand the law regarding the equitable fraud defense[2] and the rebuttable

[2] As an equitable defense in the underlying action, Lederer contended that Hermès should not have been entitled to the benefit of the trademark registrations because Hermès had fraudulently obtained the trademarks at issue by making false statements on its trademark applications and the Affidavits of Continuing Use required by the United States Patent and Trademark Office.

presumptions available in defense of the legal case, and thus were wrong in deciding to try the legal case to a jury, before trying the equitable case to the Judge.

In opposition to plaintiff's motion and in support of their cross-motion for summary judgment, defendants argue that 1) Furth was unable to comply with Hermès' discovery requests because Lederer's principal, Charles Blau, against the advice of counsel, refused to surrender the requested information on the ground of confidentiality; 2) Furth was forced to use Lederer's tax returns in an attempt to mitigate Hermès' damages because Blau refused to supply specific information concerning Lederer's profits and business expenses with respect to the allegedly infringing goods; 3) by proceeding with the legal trial first, Furth was able to present evidence to the jury which gave Lederer a potential strategic advantage; and 4) Lederer cannot prove that proceeding with the equitable trial first would have resulted in a more favorable outcome.

Defendants further contend that Jordan & Hamburg is entitled to its legal fees in the amount of $21,748.00 for its defense of Lederer in the Federal action because the instant malpractice action is without merit and Lederer did not object to the invoices sent until Jordan & Hamburg brought the action to collect the outstanding fees; nor has it contested the reasonableness of the amount.

Discussion

During the course of the Federal action, Hermès made repeated discovery requests for documents pertaining to Lederer's profits from the sale of the allegedly infringing goods which, for the most part, went unanswered.

Plaintiff contends that the defendants failed to impart upon their clients the necessity of producing the requested documents, and that Furth himself could have produced the raw data (i.e., sales receipts and operating expense documents) that Hermès could have used to create an analysis during discovery which would have avoided the preclusion Order.

However, as early as August 26, 1998, Lederer's former attorney, Anthony H. Handal, advised Charles Blau and his brother Robert Blau by letter that their decision

> not to produce documents and things responsive to Hermès' discovery requests is going to be the subject of a motion to compel.
>
> Hermès plans on filing a motion to compel unless you comply with discovery...
>
> If Hermès' motion to compel is granted by the court, which is quite likely, you may be liable for Hermès' attorneys fees for bringing this motion as well as court ordered sanctions.
>
> Please contact me as soon as possible to discuss this matter.

Subsequently, at an April 27, 2001 hearing in the Federal Court once defendants had been retained, Charles Blau again refused to produce documents which he characterized as "confidential documents". The Court advised Mr. Blau that if he did not comply with Hermès' discovery requests he would be subject to an order of contempt. Further, by letter dated May 2, 2001 defendants provided Charles Blau with a list of Hermès' discovery requests which Blau answered only partially in a handwritten response, indicating that Lederer did not have some of the items requested or that they did not exist.

Mr. Furth's associate, Jacqueline Steady, allegedly met with Mr. Blau to go over each and every item, and Mr. Furth spoke to him as well. Judge Scheindlin then signed an Order dated May 16, 2001 to compel Lederer to provide discovery responses and to appear for a deposition.

At his deposition held on June 13, 2001, Blau again refused to answer any questions regarding Lederer's operating expenses on the ground that the answers were "privileged" or "confidential". Finally, at the conclusion of the deposition, Mr. Blau was specifically told by counsel for Hermès that Hermès would seek to preclude the evidence regarding Lederer's expenses at trial.

Based on the papers submitted and the oral argument held on the record on June 7, 2006 this Court finds that plaintiff has failed to establish that defendants' failure to comply with the discovery requests and Orders in the Federal action and their reliance on Lederer's tax returns in an attempt to mitigate damages in that action was the result of negligence on the part of the defendants, rather than the intransigence of Lederer's principal, Charles Blau.

This Court further finds that plaintiff has failed to establish that defendants' decision to try the legal issues of trademark infringement in the Federal action before the equitable defense of fraud constituted negligence.

The papers before this Court reflect that counsel for Hermès, defendant Furth and Judge Scheindlin discussed this issue at length at a conference held on June 13, 2001 and agreed, for many reasons, to try the jury case first.

Defendants argue that if they had proceeded with the equitable trial prior to the jury trial concerning liability, Lederer would have run the risk of the Court finding that the registrations were in fact valid, which could have impacted negatively on the evidence that could have been presented to the jury and ultimately on the jury verdict. By proceeding with the legal trial first, they

contend, plaintiff was at least able to present evidence to the jury that the trademark registrations should not be afforded any weight, because of the allegedly fraudulent representations made by Hermès in applying for them, before the Judge made her finding one way or the other in the equitable trial.

Moreover, John M. Desmarais, the attorney for Hermès in the underlying trial, was deposed in this case on May 23, 2005 and said that this would have been the normal practice, to try the equitable issues after the jury issues. Specifically, he was asked the following questions and gave the following answers:

> Q Do you recall whether you as counsel for Hermes had a position on that issue, that issue being whether the equitable case should go first or second?
>
> ***
>
> A Having read the section of the transcript that you showed me, I believe my position in court was that the equitable case or the fraud case should go second and that doesn't surprise me.
>
> Q Why is that?
>
> A Because every case I ever had the equitable issues are tried second in the court. That's my normal practice.
>
> Q And why is that?
>
> A It's been my experience in these cases that judges like to have the jury issues first and it is their preference to do the equitable issues second, because they will have watched the jury trial, have learned the evidence, will be working on the post-trial motions from the jury trial at the time they address the

> equitable issues and it's easier for them. So I find that most of the judges prefer that.
>
> There's also the subsidiary issue that, to the extent there are overlapping issues, the defense has a constitutional right to have the jury address the overlapping issues, and if you try to get the equitable issues tried first, ordinarily you run into the defendant's right to a jury trial on the overlapping factual questions.
>
> So as I recall in my career, in the few instances where I tried to do the equitable issues first, I was told by the court we couldn't do that because of the defendant's right to a jury trial and overlapping factual questions.
>
> * * *
>
> A I don't recall making any arguments to Judge Scheindlin or the court in which I expressed that it would be a strategic advantage to Hermes to have the equitable issues tried second.

There is no dispute, however, that Mr. Desmarais has not been offered by defendants as an expert witness in this case on trademark litigation or on any other issue.

Defendants further argue that plaintiff has not, and cannot, offer proof that an equitable trial would have resulted in a more favorable outcome.

Moreover, Furth's decision, even if wrong, was a judgment call which is not actionable. See, Geller v. Harris, 258 A.D.2d 421 (1st Dep't 1999) in which the Court found that "a mere error in professional judgment [does not rise] to the extent of legal malpractice." See also, Rosner v. Paley, 65 N.Y.2d 736 (1985).

Finally, it is well settled that "the proponent of a summary judgment motion must make a prima facie showing of entitlement to judgment as a matter of law, tendering sufficient evidence to demonstrate the absence of any material fact (citations omitted)." Alvarez v. Prospect Hosp., 68 N.Y.2d 320, 324 (1986).

In this case, plaintiff's principal, Charles Blau, who has personal knowledge of the facts pertaining to the Federal action, has chosen not to submit an Affidavit on this motion. Lederer's attorney in this action has no personal knowledge of the underlying facts and none of Lederer's exhibits are dispositive. The affirmation or affidavit of an attorney without personal knowledge of the facts is of no evidentiary value (see CPLR § 3212(b); GTF Marketing, Inc. v. Colonial Aluminum Sales, Inc., 66 N.Y.2d 965, 968 [1985]).

Thus, this Court finds that plaintiff Lederer has failed to make a prima facie showing of entitlement to judgment on the issue of negligence as a matter of law.

Accordingly, plaintiff's motion for partial summary judgment is denied.

Defendants have cross-moved for summary judgment dismissing the entire Complaint, arguing that plaintiff is unable to establish the various prerequisites to a claim for legal malpractice.

> To prevail on a claim of legal malpractice, a plaintiff must establish that the attorney breached a duty of care, that the breach was the proximate cause of the loss, and actual damages (citation omitted). To succeed on a motion for summary judgment, the [defendants are] required to demonstrate that the plaintiff is unable to prove at least one of the essential elements (citation omitted).

Allen v. Potruck, 282 A.D.2d 484 (2nd Dep't 2001).

Based on the evidence as discussed above as well as the papers submitted and the oral argument, this Court determines that plaintiff will be unable to prove that "but for" defendants' negligence, the plaintiff would have been successful in the Federal trial.

First, the jury made a finding that several of plaintiff's products were exact replicas of, or almost identical to, Hermès' products. Moreover, as discussed above, plaintiff will be unable to establish based on the transcripts of the Federal Court hearings annexed to the affidavits submitted, that the preclusion Order was a result of defendants' negligence, rather than plaintiff's own knowing refusal to produce the documents to back up the damages claim.

Finally, as noted above, defendant Furth's decision as to the order of the trials, even if wrong, could at worst be considered an error in judgment "which does not rise to the level of malpractice". Rosner v. Paley, supra at 738.

Accordingly, defendants' cross-motion to dismiss the malpractice Complaint is granted. The Complaint in Action No. 1 is dismissed in its entirety with prejudice and with costs and disbursements to be calculated by the Clerk upon submission of a Bill of Costs.

Furthermore, Jordan & Hamburg is granted legal fees in Action No. 2 in the amount of $21,748.00 with interest to be calculated by the Clerk from December 14, 2001 for its defense of plaintiff Lederer in the Federal action. The Clerk may enter judgment accordingly.

This constitutes the decision and order of this Court.

Dated: May 31, 2007

BARBARA R. KAPNICK
J.S.C.