Orasure Technologies, Inc. v Prestige Brands Holdings, Inc.
2006 NY Slip Op 30121(U)
December 20, 2006
Supreme Court, New York County
Docket Number:
Judge: Richard B. Lowe
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SCANNED ON 1/9/2007

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

PRESENT: HON. RICHARD B. LOWE, III Lowe
Justice

PART 56m

Orasure Technologies, Inc.,

INDEX NO. 603405/06

MOTION DATE 11/28/06

- v -

MOTION SEQ. NO. 003

Prestige Brands Holdings, Inc.,

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

FILED
JAN 09 2007
NEW YORK
COUNTY CLERK'S OFFICE

MOTION IS DECIDED IN ACCORDANCE WITH ACCOMPANYING MEMORANDUM DECISION

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

Dated: 12/20/06

HON. RICHARD B. LOWE, III
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
---X
ORASURE TECHNOLOGIES, INC.

Plaintiff,

Index No. 603405/06

-against-

PRESTIGE BRANDS HOLDINGS, INC.,
MEDTECH HOLDINGS, INC., and
MEDTECH PRODUCTS, INC.,

Respondents.

---X

FILED
JAN 09 2007
COUNTY CLERK'S OFFICE
NEW YORK

Hon. Richard B. Lowe, III:

Plaintiff moves pursuant to CPLR 2221(d) for leave to reargue this court's decision dated October 30, 2006 which denied its request for a preliminary injunction in aid of arbitration.

Background

The facts underlying the action are discussed in the October 30, 2006 decision and reference to which is incorporated herein.

Likelihood of Success

In the prior decision, plaintiff was found to not have established entitlement to the "drastic remedy" of a preliminary injunction (*McGuinn v City of New York*, 219 AD2d 489, 489 [1st Dept 1995]). This court found that while there was a breach by the defendant of the non compete clause contained in the parties agreement, the plaintiff had failed to establish the necessary elements which would entitle it to the requested relief. Failure to establish any one of the requirements for a preliminary injunction requires denial of the petition (*Khan v State*

University of New York, 271 AD2d 656 [2nd Dept 2000]).

Plaintiff now moves to reargue asserting the court misapprehended key facts regarding the actual harm to OraSure as a result of the breach of the covenant not to compete and it overlooked controlling Pennsylvania decisions wither respect to the element of irreparable harm.

Plaintiff argues that because this court found there was a breach of the enforceable non-compete clause, damages and harm is presumed. Therefore, when the court found that there was a breach, yet no damage to the plaintiff, it erred, because a breach with nothing more is necessary to establish likelihood of success on the merits.

Plaintiff primarily relies upon *Bryant v Sling Testing*, 369 A2d 1164 (Pa. 1977). In this matter, the court granted a preliminary injunction, holding " . . .where a covenant . . .meets the test of reasonableness, it is prima facie enforceable in equity" (*Id* at 1170). However, what plaintiff fails to point out is the court was very specific in stating that the covenant at issue in the matter sought to prevent more than lost sales, but was also designed to protect "interests in customer relationships . . .(*Id.*). Because it was clear to the court in *Bryant* that customer relationships were to be protected by the covenant, it was found to be enforceable.

The court in *Rollins v Shaffer,* 557 A2d 413(Pa. Super. Ct. 1989) distinguished itself from the *Bryant* matter and held that a preliminary injunction was properly denied despite the breach of an enforceable covenant because the "appellant failed to prove any 'unwarranted interference with customer relationships' that would constitute a threat of irreparable harm" (*Rollins* at 414-15). Furthermore, contrary to plaintiffs' argument, the court stated that it is not the initial breach of a covenant which establishes irreparable harm, but rather the threat of unbridled continuation of the violation and the resultant incalculable damage to the [proponent of the injunction] (*Id* at

[* 4]

414).

Plaintiff is correct that it need not conclusively establish its damages, however some showing must be made beyond the mere breach of the covenant. Orasure has come forward with nothing more than speculation of threats which may result from the breach of the covenant. For example, Orasure alleges Defendants cannot possibly market its product while it also markets a competing product. This is an argument which relates to nothing more than lost sales. The Pennsylvania courts have held that more than a possibility of lost sales is needed in order to enforce the covenant.

Plaintiff argues this court erred when it held Orasure 's goodwill and customer relationships are not in danger because it does not own the Compound W/ FreezeOff name (Decision, p.6). Rather, the decision held Defendants own the Compound W/FreezeOff name and therefore any harm would be incurred by the defendants if the product is not properly marketed. Plaintiff argues facts were misinterpreted because competition by the Wartner product damages Orasure's own goodwill and customer relations arising from its ownership of the actual cryogenic product.

It is argued that the FreezeOff product is essentially the same product sold by Orasure for many years, but under the Histofreezer name. It is alleged defendants are relying on the goodwill built through Orasure's investment, experience, and technology encompassed in Orasure's cryosurgical product which was first distributed as Historfreezer and now, over the counter as CompoundW/FreezeOff.

The underlying decision is not inconsistent with these facts, rather the argument that plaintiff's goodwill is jeopardized was and continues to be rejected as unsupported. There was

no evidence, other than counsel's assertions, that customers associate the FreezeOff product with Orasure's own cryogenic device. The court notes that nowhere on the packaging of the FreezeOff product is there an association with Orasure's Histofreezer product. Furthermore, "goodwill is a business's positive reputation arising from a company's investment in developing customer relationships expected to continue into the foreseeable future" (*Plate Fabrication & Machining, Inc., v Beileri,* No. 05-2276, 2006 US Dist LEXIS 52 (E.D. Pa. Jan. 3, 2006). Orasure has offered no evidence to suggest that it has any reputation or relationships with either retailers or consumers of FreezeOff. Furthermore, there is nothing before this court to indicate whether consumers know anything about Orasure or Histofreezer as opposed to CompoundW and the FreezeOff brand.

Additionally, Orasure argues that defendants ability to advertise its product as one which "[f]or years doctors have performed a simple wart freezing process' that quickly removes warts. Until now, this procedure could be done in a medical professionals office" is one which establishes defendants promotion of Orasure's own goodwill. While this may be true, plaintiff has failed to establish how this goodwill, the proven history of its product, will be damaged by the defendants' acquisition of the Wartner product. The goodwill alleged is proven experience and reliability of the product. A decrease in sales caused by defendants alleged failure to promote the product will do nothing to damage the Orasure's earned reputation and success. Therefore, for these reasons, plaintiff has failed to establish there is a threat to its goodwill and trade name.

Lastly, plaintiffs argue there is value in specific performance of the non compete clause. Specific performance is not available where there is an adequate remedy for money damages

(*Cho v 401-403 57th Street Realty Corp.*, 300 AD2d 174, 175 [1st Dept 2002). Specific performance is not available to Orasure because this court has already found money damages will provide an adequate remedy. This matter is distinguishable from *Sirius Satellite Radio, Inc. V Chinatown Apts., Inc.* 303 AD2d 261 [1 st Dept 2003]). In that matter, an injunction was granted in an action for specific performance because plaintiff bargained to install its equipment on a unique piece of property. Plaintiff does not plead any such limited circumstance. Money damages will provide an adequate remedy to the plaintiff.

Irreparable Harm

Many of the arguments with respect to this court's finding on likelihood of success on the merits, overlap plaintiffs arguments with respect to irreparable harm. For many of the same reasons there is a failure to establish a likelihood of success on the merits, there is lack of proof establishing irreparable harm.

As held supra, irreparable harm is not presumed from the breach of a non compete clause. Furthermore, as discussed, Orasure has failed to establish that its reputation and goodwill is jeopardized by the breach of the covenant.

Orasure also argues this court misconstrued the minimum purchase and contract termination provisions in the agreement when it found there was no irreparable harm. Orasure also believes this court overlooked Section 3.1.1 of the agreement which requires defendants to use "commercially reasonable efforts to market, promote, sell, and distribute" the Orasure product. Orasure presents evidence to this court that since purchasing the Wartner product, defendants have substantially reduced their forecasted levels of purchases of the FreezeOff product for 2006 (Spair Aff ¶ 29). Furthermore, defendants have reduced their marketing

strategy for the product (Spair Aff. ¶ 30).

As to the minimum purchase provision, Orasure is correct that it is a mechanism for Orasure to terminate the agreement if Prestige's performance is so poor that minimums are not met. However, it is evidence that defendants are meeting the minimum sales as contemplated by the parties when signing the agreement. This goes to this courts analysis as to whether Orasure is being so *irreparably* harmed that the drastic step of issuing a preliminary injunction is necessary to protect its interests. By the defendant meeting its minimum sales requirement as intended by the parties, the risk of incalculable harm to Orasure is reduced.

Plaintiff relies on evidence of past actual purchases above the minimum requirements to support its argument that it is being harmed by the purchase of the Wartner product by defendant. It is precisely this evidence which precludes a finding of irreparable harm by the court. The lost sales to the plaintiff are calculable. Orasure has one customer and that customer is the defendant. The damages calculation thus involves one product and one purchaser. A preliminary injunction must be denied where there is a lack of evidence that plaintiff would "suffer an *incalculable* loss of customers' good will or of sales opportunities" *(R and G Affiliates, Inc. v Knoll, Inc.* No. 83 Civ. 4194, 1984 WL 556 [SDNY July 12, 1984]). The plaintiff does not possess goodwill in the product which is at issue and the damages which it does allege, in the form of lost profits, are calculable.

It is also noted that for these reasons, plaintiff failed to establish, as required by CPLR 7502(c)that an arbitration award, if any would be rendered ineffectual if a preliminary injunction is not granted.

Balancing of the Equities

The balancing of the equities lies in defendants favor. Orasure primarily argues the equities lie in its favor because it will suffer irreparable harm if the injunction is not issued. This court has already found irreparable harm is not sufficiently plead by Orasure.

Plaintiff also argues there will be no harm to the defendant or the Wartner product because the seller of Wartner to defendants will continue to promote and market the product until November 30, 2006. However, this date has now passed and if an injunction were to issue, the product would effectively be removed from the shelves. Because there is no sales history of the Wartner product by Prestige, by which to account for lost profits should an injunction be issued, there is a threat to defendant of irreparable harm. Therefore, this court is not compelled by plaintiff's argument that the third party seller will continue to keep the Wartner product on the shelves.

Lastly, plaintiff argues that defendants have "unclean hands" and have brought this upon themselves. However, this doctrine should not be applied until all of the relevant facts have been considered at a plenary trial (*Lew-Mark Cleaners Corp. v DeMartini*, 128 AD2d 758, 759 [2 nd Dept 1987]).

Conclusion

Therefore, based on the foregoing, the motion is denied.

This shall constitute the order and decision of the court.

Dated: December 20, 2006

ENTER:

HON. RICHARD B. LOWE, III
J.S.C.

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