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

PRESENT: BERNARD J. FRIED J.S.C. Justice PART 60

FBEM

Index Number : 603791/2005
BILL BLASS INTERNATIONAL
vs
ROSE GROUP OF NEW YORK
Sequence Number : 002
PARTIAL SUMMARY JUDGMENT

INDEX NO. _____
MOTION DATE _____
MOTION SEQ. NO. _____
MOTION CAL. NO. _____

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

This motion is decided in accordance with the accompanying memorandum decision.

SO ORDERED

FILED
JUL 19 2007
COUNTY CLERK'S OFFICE
NEW YORK

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

Dated: 7/18/07

1 BERNARD J. FRIED J.S.C.

Check one: ☐ FINAL DISPOSITION ☒ NON-FINAL DISPOSITION

Check if appropriate: ☐ DO NOT POST ☐ REFERENCE MOA SO

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 60

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BILL BLASS INTERNATIONAL LLC,

Plaintiff,

-against- Index No. 603791/05

ROSE GROUP OF NEW YORK, LLC a/k/a THE ROSE GROUP NY, LLC

Defendant.

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APPEARANCES:

For Plaintiff:

Arthur J. Semetis, P.C.
21 East 40th street, 14th Floor
New York, NY 10016

For Defendant:

Roger J. Bernstein
331 Madison Ave., 15th Floor
New York, NY 10017

FRIED, J.:

In this action which seeks damages for breach of contract, plaintiff Bill Blass International LLC (Bill Blass) alleges that defendant Rose Group of New York, LLC, a/k/a The Rose Group NY, LLC (Rose Group), breached two Bill Blass licensing agreements and an assignment and assumption Agreement, causing Bill Blass to terminate them.

Plaintiff Bill Blass now moves for an order, pursuant to CPLR 3212, granting it partial summary judgment as to the first, second and third causes of action for breach of contract, the fifth cause of action for a declaratory judgment, and the sixth cause of action for permanent injunctive relief. Bill Blass also moves to dismiss defendant's first affirmative defense for fraud in the inducement.

Defendant Rose Group cross-moves for an order, pursuant to CPLR 3025 (b) and (c), granting it leave to file an amended answer.

For the reasons set forth below, Bill Blass' motion for summary judgment on its first, second and third causes, and to dismiss the first affirmative defense is granted, and denied as to the fifth cause of action. Rose Group's cross motion for leave to amend the answer is denied.

Between 1965 and the present, Bill Blass Ltd. and its assignee, Bill Blass, have filed United States patent applications for certain original trademarks bearing the distinctive and unique "BILL BLASS" name and/or logo, and for variations thereof (the BILL BLASS Marks) (Aff. of Michael Groveman, President of Bill Blass, ¶ 5). Bill Blass is presently the lawful holder of United States Patents for the BILL BLASS Mark and variations thereof (id., ¶ 6).

On May 3, 1999, Bill Blass and Rose Cloak & Suit Co. Inc. (Rose Cloak) entered into a licensing agreement, which granted Rose Cloak an exclusive license to manufacture, distribute and sell certain women's outwear coats and, in certain situations, raincoats for women, bearing the BILL BLASS Marks (the Products), in specified locations and territories, as defined more fully in the agreement (the Bill Blass License Agreement) (id., ¶ 7, Exh 1; Dep. of William Gallo, an officer of Rose Group, at 13, 29-30, 63-64, 73-74 [Aff. of Arthur J. Semetis, Esq., Exh 3]).

The initial term of the Bill Blass License Agreement was intended to have force and effect until March 31, 2004, and then be renewed automatically for an additional term of three years, subject to the terms and conditions of the Bill Blass License Agreement

(Groveman Aff., ¶ 8).

On June 1, 2000, Bill Blass and Rose Cloak amended the Bill Blass License Agreement, *inter alia*, to: (1) license the use of Bill Blass Signature as a licensed mark; (2) expand the licensed territory to include European Union countries; and (3) extend the original term of the Agreement through March 31, 2004 (the Bill Blass Amended License Agreement) (id., ¶ 10; Exh 2).

On June 1, 2000, Bill Blass and Rose Cloak entered into a separate agreement whereby Bill Blass authorized Rose Cloak to manufacture and distribute women's outerwear coats, and in certain situations, women's raincoats, under the BILL BLASS Marks "Blassport" and "Blassport by Bill Blass" in the United States (the Blassport License Agreement) (id., ¶ 11; Exh 3).

On May 3, 2000, Bill Blass, Rose Cloak and Donnkenny Apparel, Inc. (Donnkenny) entered into a certain Assignment and Assumption Agreement, whereby Rose Cloak, with Bill Blass' consent, assigned the Amended Bill Blass License Agreement and the Blassport License Agreement to Donnkenny (the Donnkenny Assignment Agreement) (Groveman Aff., ¶ 12; Exh 4). The Donnkenny Assignment Agreement was to run through December 31, 2003 (id., ¶ 13).

By virtue of a second Assignment and Assumption Agreement, made on December 20, 2004 between Bill Blass, Rose Group and Donnkenny, Donnkenny assigned the Donnkenny Assignment Agreement to Rose Group, with Bill Blass' consent (the Rose Group Assignment Agreement). The Rose Group Assignment Agreement expressly incorporated the terms and conditions of the Amended Bill Blass License Agreement and the

Blassport License Agreement (id., ¶ 14; Exh 5).

The Bill Blass License Agreement (as well as the Bill Blass Amended License Agreement, which incorporated the original terms of the Bill Blass License Agreement) required Rose Group to pay to Bill Blass an advertising fee, a sales royalty fee, and a sales fee. These fees were calculated based upon a percentage of the gross sales of Rose Group for each year of the Bill Blass License Agreement and Amended License Agreement (Bill Blass License Agreement, §§ 7.2, 9.1, 11.1; Aff. of Ronald Fetzer, Chief Financial Officer of Bill Blass, ¶¶ 8, 10).

In addition, the Bill Blass License Agreement and the Bill Blass Amended License Agreement required Rose Group to pay to Bill Blass a Guaranteed Minimum Royalty and a Guaranteed Minimum fee, regardless of the value of Rose Group's sales (Bill Blass License Agreement, §§ 8.1, 8.2, 10.1, 10.2; Bill Blass Amended License Agreement, §§ 8.1, 10.1; Fetzer Aff., ¶¶ 9, 11).

The Blassport License Agreement also required Rose Group to pay to Bill Blass a Guaranteed Minimum Fee and a Guaranteed Minimum Royalty, regardless of Rose Group's actual sales (Fetzer Aff., ¶ 13).

The Rose Group Assignment Agreement, inter alia: (1) reaffirmed Rose Group's obligation to pay Guaranteed Sales Royalties and Sales Fees to Bill Blass; (2) required Rose Group, concurrently with the execution of the Agreement, to either deliver a Letter of Credit to Bill Blass in an amount equal to $100,000, or to deposit that sum in an escrow account in favor of Bill Blass to guarantee Rose Group's performance of its obligations; and (3) required Rose Group to pay to Bill Blass certain Guaranteed Minimum

Royalties and Guaranteed Minimum Fees upon its execution (id., ¶ 15).

Pursuant to the terms of the Rose Group Assignment Agreement, Rose Group expressly acknowledged that the provision requiring Rose Group, concurrently with execution of the Rose Group Assignment Agreement, either to deliver a Letter of Credit in the amount of $100,000 to Bill Blass or to deposit that sum in an escrow account in favor of Bill Blass was a "material condition to the assignment hereunder and to [Bill Blass'] consent hereto" (Rose Group Assignment Agreement, ¶ 4).

However, Rose Group failed to either post a $100,000 Letter of Credit, or to make the $100,000 escrow deposit as agreed to in the Rose Group Assignment Agreement (Groveman Aff., ¶ 16).

By letter dated May 9, 2005 (id., Exh 6), Bill Blass advised Rose Group that it had failed to comply with its obligations under paragraph 4 of the Rose Group Assignment Agreement, and demanded that a Letter of Credit or escrow deposit be posted (Fetzer Aff., ¶ 19).

On May 11, 2005, Rose Group advised Bill Blass that it could not post the Letter of Credit. To date, Rose Group has refused to fulfill this obligation (Groveman Aff., ¶ 18). Indeed, William Gallo admitted in his deposition that Rose Group failed to post the Letter of Credit, or deposit the $100,000 in escrow:

> Q. Look at page two, number four, which extends to page three.
>
> A. Yes.
>
> Q. Take a moment to read that to yourself. Do you have an understanding of what that clause provides?

A. I was supposed to give him a $100,000 Letter of Credit.

* * *

Q. Do you know if the $100,000 requested amount represented a credit for payments that were to be made for the year 2005?

A. It was to be a guarantee that they would be paid.

Q. To your knowledge, did Rose Group deposit the $100,000 or did they post the Letter of Credit?

A. No, they did not.

W. Gallo Dep., at 88-90; Fetzer Aff., ¶ 20.

Bill Blass contends that Rose Group has admittedly breached the Rose Group Assignment Agreement and the License Agreements incorporated therein, by failing to pay the $100,000.00 cash deposit, or to post the $100,000 Letter of Credit.

At the signing of the Rose Group Assignment Agreement on December 20, 2004, Rose Group tendered a $50,000.00 payment as a first installment of the "2005 Royalties and Commissions" for the License Agreements (Fetzer Aff., ¶ 31; Groveman Aff., Exh 2). Bill Blass contends that, after the initial $50,000 payment, Rose Group failed to pay the Guaranteed Minimum Royalty or Guaranteed Minimum Fees under the Bill Blass Amended License Agreement and the Blassport License Agreement, in breach of those agreements.

The Bill Blass Amended License Agreement and the Blassport Agreement, both of which are incorporated within the Rose Group Assignment Agreement, each contains a provision that sets forth the damages due to Bill Blass upon Rose Group's default. Section 17.1 of the Bill Blass Amended License Agreement and the Blassport License Agreement,

entitled Defaults, provides that, if Rose Group fails to make any payment due under the agreements, the unpaid balance shall bear interest calculated from the date such payment is due at a rate equal to the prime rate charged by Citibank N.A. as of the close of business on the date the payment first became due, plus 3%.

Additionally, Section 18.1 of the Bill Blass Amended License Agreement and the Blass License Agreements, entitled Licensee Payments, provides that if the agreements are terminated, inter alia, for nonpayment, then Rose Group shall pay to Bill Blass any Sales Royalties and Sales Fees then owed; all Guaranteed Minimum Royalties and Guaranteed Minimum Fees due and payable and unpaid as of the date of termination; and the total Guaranteed Minimum Royalties and Guaranteed Minimum Fees remaining unpaid for the balance of the then-current term of the agreement.

In accordance with their terms, the Bill Blass Amended License Agreement and the Blassport License Agreement were to continue for the entire 2005 and 2006 calendar years.

By letters dated July 26, 2005 (Groveman Aff., Exhs 7 and 8), Bill Blass advised Rose Group that it had breached its obligations under the Rose Group Assignment Agreement by failing to: (1) pay Guaranteed Minimum Sales Royalties and Sales Fees presently due; and (2) provide Sales Royalty and Sales Fee Reports for the quarters ended March 31, 2005 and June 30, 2005. Bill Blass further advised Rose Group that unless the foregoing amounts due were paid and the past due reports were remitted within 30 days, Bill Blass would terminate the Rose Group Assignment Agreement in accordance with the relevant default provisions (Groveman Aff., ¶¶ 19-20; Fetzer Aff., ¶¶ 34-35).

By letter dated August 29, 2005 (Groveman Aff., Exh 9), Bill Blass notified Rose Group that, due to Rose Group's failure to cure its material breaches of the License Agreements, the Rose Group Assignment Agreement was terminated, effective immediately. The letter demanded, inter alia, that Rose Group: (1) immediately cease and desist from using BILL BLASS Marks; and (2) immediately pay to Bill Blass all amounts due, which were payable, or to become payable, and unpaid, plus any interest on such amounts calculated in accordance with the provisions of the Rose Group Assignment Agreement.

Specifically, Bill Blass demanded the sum of: (1) the Sales Royalties and Sales Fees, if any, that were due, payable and unpaid under the licenses; (2) the Guaranteed Minimum Royalties and Guaranteed Minimum Fees due, payable and unpaid under the licenses; (3) the total Guaranteed Minimum Royalties and Guaranteed Minimum Fees remaining unpaid for the balance of the terms of the licenses (through December 31, 2006); (4) any advertising minimums due, payable and unpaid under the licenses; and (5) interest on the foregoing amounts, computed in accordance with the terms of the License Agreements.

Bill Blass transmitted a letter dated September 28, 2005 to Rose Group (id., Exh 10) demanding, inter alia, that it; (1) cease all use of the Licensed Marks and other intellectual property licensed under the Rose Group Assignment Agreement; (2) pay all amounts due or past due under the Rose Group Assignment Agreement to Bill Blass; (3) deliver a complete and accurate schedule of its inventory to Bill Blass; and (4) transfer and deliver all registrations, filings and rights with regard to the licensed marks or other intellectual property owned by Bill Blass, all samples of articles, all sketches and other

materials designed or approved by Bill Blass, all labels, tags and other material bearing the Licensed Marks or other intellectual property to Bill Blass.

Bill Blass contends that, to date, Rose Group has breached the Rose Group Assignment Agreement by its failure to: (1) make payment of all Sales Royalties and Sales Fees due and payable and unpaid as of the date of termination; (2) provide Bill Blass with a Letter of Credit in an amount equal to $100,000 or to deposit that sum in escrow in favor of Bill Blass; (3) make payment of all Guaranteed Minimum Royalty and Minimum Fees due and payable and unpaid as of the date of termination; (4) make payment of the total Guaranteed Minimum Royalty and Guaranteed Minimum Fees remaining unpaid for the balance of the initial term of the Agreement; and (5) make payment of all actual damages suffered by Bill Blass.

Bill Blass commenced this action on October 25, 2005. In its first, second, and third causes of action, Bill Blass seeks damages for breach of the Amended Bill Blass License Agreement, the Blassport License Agreement, and the Rose Group Assignment Agreement. In its fifth cause of action, Bill Blass seeks a declaratory judgment declaring Rose Group's obligations to Bill Blass under the terminated License Agreements. In its sixth cause of action, Bill Blass seeks permanent injunctive relief based on the September 28, 2005 letter demanding that Rose Group "cease and desist" from its post-termination misappropriation of the BILL BLASS Marks and other intellectual property, and for failing to abide by the post-termination provisions of the Licensing Agreements.

On January 11, 2006, Rose Group filed its verified answer. For its first affirmative defense, Rose Group alleges fraud in the inducement of the Rose Group

Assignment Agreement.

As set forth below, Bill Blass has established its entitlement to partial summary judgment on its first, second, third and sixth causes of action, and Rose Group has failed to raise any triable issues of fact precluding Bill Blass' entitlement to the relief demanded.

To establish a right to recover for breach of contract, a party must prove (1) the existence of a contract; (2) performance of the contract by the injured party; (3) breach by the other party; and (4) damages (Noise In Attic Prods., Inc. v London Records, 10 AD3d 303 [1st Dept 2004]; accord J&L Am. Enters., Ltd. v DSA Direct, LLC, 10 Misc 3d 1076(A) [Sup Ct, NY County 2006]).

The New York Court of Appeals has consistently held that "when parties set down their agreement in a clear, complete document, their writing should as a rule be enforced according to its terms" (W.W.W. Assoc. v Giancontieri, 77 NY2d 157, 162 [1990]; accord R/S Assoc. v New York Job Dev. Auth., 98 NY2d 29 [2002]). Thus, "[w]here the intent of the parties can be determined from the face of the agreement, interpretation is a matter of law and the case is ripe for summary judgment" (American Express Bank Ltd. v Uniroyal, Inc., 164 AD2d 275, 277 [1st Dept 1990], lv denied 77 NY2d 807 [1991] [citations omitted]). Accordingly, where, as here, evidence of the terms of a contract and of one party's breach is clear, summary judgment is appropriate (Baby Togs, Inc. v IMI Sys., Inc., 205 AD2d 335 [1st Dept 1994], lv dismissed 84 NY2d 1026 [1995]; Benjamin Elec. Eng'g. Works v Rampart Constr. Assoc., 173 AD2d 370 [1st Dept], lv dismissed 78 NY2d 1006 [1991]).

The terms and conditions of the License Agreements are unambiguous. Upon the execution of the Rose Group Assignment Agreement, Rose Group was to either post a Letter of Credit in the amount of $100,000, or to deposit $100,000 in escrow in favor of Bill Blass. Additionally, Rose Group was to pay Bill Blass Minimum Guaranteed Royalty and Fees, computed in accordance with the Rose Group Assignment Agreement, which incorporates the complete terms and conditions of the Amended Bill Blass License Agreement and the Blassport License Agreement. Rose Group does not dispute that it failed to make any of the above payments (see Rose Group Mem., at 5 ["there is no dispute that [Rose Group] did not pay the other amounts that are claimed by plaintiff [and] "[t]here is also no dispute that a letter of credit was not provided by Rose"; see also W. Gallo Dep., at 88-90]). Moreover, Rose Group does not contend that any of the documents at issue are ambiguous.

As the Appellate Division found in Singer Asset Fin. Co., LLC v Melvin (33 AD3d 355 [1st Dept 2006]):

> Plaintiff met its burden of proof on summary judgment by establishing that the parties entered into a purchase agreement, that Melvin signed the agreement, that she received consideration, and that she defaulted under its terms. Since the purchase agreement establishes the clear intention of the parties, it is enforceable. Melvin failed to raise any triable issue regarding the existence of a valid agreement or her default. Further, she did not in any way claim, let alone raise an issue of fact that the agreement was based on mistake or fraud as required by CPLR 3016 (b). ... Accordingly, the court should have granted plaintiff summary judgment on the breach of contract cause of action and injunctive relief to enforce the agreement.

Id. at 357 (citations omitted).

Likewise, here, Bill Blass has met its burden of proof on the summary judgment motion by clearly establishing a breach of contract by Rose Group. Bill Blass has established that the parties entered into the Amended Bill Blass License Agreement, the Blassport License Agreement and the Rose Group Assignment Agreement, and that Rose Group signed each agreement. Bill Blass has further established that Rose Group received consideration in the form of an exclusive license for the Bill Blass Signature line in accordance with its terms, an exclusive license for the Blassport line in accordance with its terms, and in the form of Bill Blass' consent for the assignment to the Rose Group from Donkenny of the Licensing Agreement. Finally, Bill Blass has established that Rose Group defaulted under the unambiguous terms of the agreements by, inter alia, failing to make payment of all outstanding Sales Royalties and Sales Fees due and payable, failing to make payment of all Guaranteed Minimum Royalty and Guaranteed Minimum Fees due and payable and unpaid as of the date of termination, and by refusing to post either a Letter of Credit in an amount equal to $100,000, or to deposit that sum in an escrow account in favor of Bill Blass. Bill Blass has also established that the agreements clearly evince the intent of the parties. As such, the agreements are enforceable, and Bill Blass is entitled to summary judgment on the first, second, and third causes of action for breach of contract (see id.; see also First Investors Corp. v Liberty Mut. Ins. Co., 152 F3d 162 [2d Cir 1998]).

Bill Blass is also entitled to injunctive relief enforcing the termination of the License Agreements, and in accordance with the post-termination provisions of the License Agreements (see Singer Asset Fin. Co., LLC v Melvin, 33 AD2d 355, supra [granting summary judgment on cause of action seeking injunctive relief to enforce the agreement]).

However, Bill Blass is not entitled to summary judgment on its fifth cause of action for a declaratory judgment declaring Rose Group's obligations to Bill Blass under the terminated Licensing Agreements. A declaratory judgment "is generally appropriate only where a conventional form of remedy is not available and a declaratory judgment will serve some practical and useful purpose" (Automated Ticket Sys., Ltd. v Quinn, 90 AD2d 738, 739 [1st Dept 1982] [internal quotation marks and citation omitted], affd 58 NY2d 949 [1983]), such as "quieting or stabilizing an uncertain or disputed jural relation either as to present or prospective obligations" (James v Alderton Dock Yards, 256 NY 298, 305 [1931]). Thus, "[a] cause of action for a declaratory judgment is unnecessary and inappropriate when the plaintiff has an adequate, alternative remedy in another form of action, such as breach of contract" (Apple Records v Capitol Records, 137 AD2d 50, 54 [1st Dept 1988] [dismissing causes of action for declaratory judgment]; see also Main Evaluations, Inc. v State of New York, 296 AD2d 852 [4th Dept], appeal dismissed 98 NY2d 762 [2002]; Artech Info. Sys., L.L.C. v Tee, 280 AD2d 117 [1st Dept 2001]; BGW Dev. Corp. v Mount Kisco Lodge No. 1552 of Benevolent and Protective Order of Elks of US of Am., 247 AD2d 565 [2d Dept], lv denied 92 NY2d 813 [1998]).

Here, Bill Blass is not seeking a declaration as to the relative rights of the parties with respect to the matter in controversy; rather, it is seeking a declaration that the License Agreements are terminated because of Rose Group's breach. This is not the function of a declaratory judgment action. Moreover, Bill Blass clearly "has an adequate alternative remedy" – its cause of action for breach of contract (see Apple Records v Capitol Records, 137 AD2d 50, supra; Main Evaluations, Inc. v State of New York, 296 AD2d 852, supra).

In its submissions in response to the summary judgment motion, Rose Group fails to raise any triable issues of fact. First, Rose Group contends that there was no consideration for the License Agreements because Bill Blass has not presented admissible evidence of its ownership of trademark registrations for the trademarks covered by the License Agreements (see Rose Group Mem., at 7, 8).

In the United States, trademark rights are created through use, not registration (see Hydro-Dyamics, Inc. v George Putnam & Co., 811 F2d 1470, 1473 (Fed Cir 1987] ["trademark rights in the United States are acquired by ... adoption and use, not by registration"]). A registration provides its owner with additional rights and presumptions, e.g., presumptions of validity and ownership (see 15 USCA § 1057 [b]).

Bill Blass and its predecessor-in-interest, Bill Blass Ltd., have been using the BILL BLASS Marks in connection with clothing and apparel for more than 30 years (Groveman Reply Aff., ¶ 4). This use, by itself, establishes Bill Blass' ownership rights in the BILL BLASS Marks, and the right to license marks to third parties, such as defendant, for clothing and related goods (see Hydro-Dyamics, Inc. v George Putnam & Co., 811 F2d 1470, supra) .

In any event, Bill Blass has presented evidence that it is also the owner of seven separate trademark registrations for the BILL BLASS Marks in connection with clothing and apparel, including coats (see Groveman Reply Aff., Exh 1 [attaching certified copies of trademark registrations]). These registrations are prima facie evidence of plaintiff's ownership of the BILL BLASS Marks (15 USCA § 1057 [b] ["A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence

of the validity of the registered mark and of the registration of the mark, [and] of the registrant's ownership of the mark ..."]). There is sufficient evidence in the record to establish that Bill Blass owns the trademarks that are the subject of the License Agreements, and that, therefore, Bill Blass has established the required elements of its prima facie case for breach of the License Agreements.

Rose Group also asserts that the License Agreements are not supported by consideration, and that therefore, Rose Group is entitled to rescind the agreements. Rose Group maintains that the failure of consideration was due to Bill Blass' willful wrongdoing in not undertaking an advertising campaign, which made performance by Rose Group materially more difficult: "Blass's deliberate decision not to spend any money on product advertising resulted in a lack of department store sales, and made the label valueless" (Rose Group Mem., at 13). Rose Group argues that, as a result of Bill Blass' failure to advertise, any obligation that it had under the License Agreements to pay royalties and sales fees to Bill Blass was discharged..

Section 7.2 of the License Agreements, entitled Advertising Payment, clearly required Rose Group to pay an amount equal to 1% of its Net Sales per annum up to and including five million dollars in sales, and an amount equal to 2% of its Net Sales per annum of $5,000,000 and above. This section also states that:

> [Bill Blass] shall spend the amount so paid by [Rose Group] to advertise the name and/or mark "Bill Blass" in such manner as [Bill Blass] determines are appropriate in its sole discretion.

Clearly, Bill Blass was under no obligation to expend any specific amount, or any amount

at all, on advertising. Whether Bill Blass chose to spend one dollar, or a million dollars, on advertising was a decision to be made by Bill Blass in its sole discretion, based upon the amounts paid by Rose Group (which, admittedly, were zero).

Thus, Rose Group's argument that Bill Blass' reduced advertising for the time period at issue constitutes failure of consideration permitting it to rescind the agreement is wholly without merit.

Bill Blass is also entitled to summary judgment dismissing Rose Group's first affirmative defense for fraud in the inducement, for its failure to plead this defense with particularity as required by CPLR 3016 (b).

CPLR 3016 (b) provides:

> **(b) Fraud or mistake.** Where a cause of action or defense is based upon misrepresentation, fraud, mistake, willful default, breach of trust or undue influence, the circumstances constituting the wrong shall be stated in detail.

In its verified answer at page 4, Rose Group alleges that "[p]laintiff's claims are barred because plaintiff induced Rose to enter into the alleged "Rose Group Assignment Agreement" by means of fraud.

However, Rose Group does not allege, with factual specificity, the pleading requirements necessary to sustain a claim of fraudulent inducement under New York law. "To state a cause of action for fraudulent inducement, it is sufficient that the claim alleges a material misrepresentation, known to be false, made with the intention of inducing reliance, upon which the victim actually relies, consequently sustaining a detriment" (Merrill Lynch, Pierce, Fenner & Smith, Inc. v Wise Metals Group, LLC, 19 AD3d 273, 275 [1st Dept 2005];

see also Nurnberg v Hobo Corp., 30 AD3d 359 [1st Dept 2006]; Rivera v JRJ Land Prop. Corp., 27 AD3d 361 [1st Dept 2006]). "Each of the foregoing elements must be supported by factual allegations containing the details constituting the wrong sufficient to satisfy CPLR 3016 (b)" (Cohen v Houseconnect Realty Corp., 289 AD2d 277, 278 [2d Dept 2001]). Dismissal of a claim for fraud is warranted where the requisite elements are not pleaded with sufficient particularity (Rabouin v Metropolitan Life Ins. Co., 307 AD2d 843 [1st Dept 2003]; Zaref v Berk & Michaels, P.C., 192 AD2d 346 [1st Dept 1993]).

The barebone allegations of Rose Group's first affirmative defense are bereft of any factual data sufficient to support pleading a cause of action for fraudulent inducement, and must be dismissed (see Glenesk v Guidance Realty Corp., 36 AD2d 852, 853 [2d Dept 1971] [affirmative defenses "being totally bereft of factual data, are fatally deficient and should be struck out by this court sua sponte" and "[d]efenses which merely plead conclusions of law without supporting facts are insufficient"]). For instance, Rose Group has utterly "failed to allege any material misrepresentation by [Bill Blass at the time the Rose Group Assignment Agreement was executed] and/or a material omission that [Bill Blass] knew to be false" (Wint v ABN Amro Mtg. Group, Inc., 19 AD3d 588, 589 [2d Dept 2005]; see also Priolo Communications, Inc. v MCI Telecomm. Corp., 248 AD2d 453 [2d Dept 1998] [fraud claim is fatally defective where plaintiff failed to allege that the defendant, at the time of making agreement, never intended to fulfill promise]). Likewise, Rose Group's answer is also devoid of any allegations averring conduct by Bill Blass with respect to the Rose Group Assignment Agreement that suggests an intent to deceive (see Giant Group, Ltd. v Arthur Andersen LLP, 2 AD3d 189 [1st Dept 2003] [fraud claim dismissed for failure to

set forth facts sufficient to establish inference of scienter]), or that Rose Group relied on the purported knowing misrepresentation of Bill Blass to its detriment (see Gelmac Quality Feeds, Inc. v Ronning, 23 AD3d 1019, 1020 [4th Dept 2005] ["a necessary element of a cause of action for fraudulent inducement is detrimental reliance on a material representation known to be false"]).

Therefore, Bill Blass' motion for summary judgment dismissing Rose Group's first affirmative defense is granted.

Although Rose Group cross-moves for leave to amend its first affirmative defense, the proposed amendment still falls far short of pleading the prevailing legal standard. As such, the cross motion to amend must be denied.

While leave to amend a pleading is freely granted (CPLR 3025 [b]; Edenwald Contr. Co. v City of New York, 60 NY2d 957 [1983]), "in order to conserve judicial resources, an examination of the underlying merits of the proposed causes of action is warranted" (Non-Linear Trading Co. v Braddis Assoc., 243 AD2d 107, 116 [1st Dept 1998]; see also Nab-Tern Constructors v City of New York, 123 AD2d 571 [1st Dept 1986]). Where, as here, the proposed amended complaint lacks merit, leave to amend is routinely rejected (see e.g. Pasalic v O'Sullivan, 294 AD2d 103 [1st Dept 2002]; Probst v Cacoulidis, 295 AD2d 331 [2d Dept 2002]).

In its proposed answer, Rose Group attempts the cure the barebones and conclusory allegations for its defense of fraudulent inducement by alleging that:

> Plaintiff's claims are barred because plaintiff induced Rose to enter into the alleged "Rose Group Assignment Agreement" by means of fraudulent representations, to wit, plaintiff, by

> Michael Groveman, falsely represented during negotiations with Ronald Gallo of the Rose Group in the fall of 2004 that plaintiff was engaged in negotiations to license manufacturers of "bridge line" *Blass*-labeled women's clothing that would be complementary to the women's coat line that plaintiff was seeking to induce defendant to produce under the license from plaintiff. Plaintiff's representations were false because plaintiff was not engaged in such negotiations. Rose Group relied upon plaintiff's aforesaid representations because the sale of complementary women's clothing products was very important in driving sales of women's coats.

However, these new allegations fail to establish the elements of either scienter or detrimental reliance.

With respect to scienter, in support of the proposed amended claim for fraudulent inducement, Rose Group alleges that Groveman, Bill Blass' President, made false representations to Ronald Gallo in the fall of 2004 that Bill Blass was engaged in negotiations to licence the Bill Blass "bridge line" to other manufacturers sometime in the future, and that such representations were false because plaintiff was not engaged in such negotiations. William Gallo also alleges in his affidavit that Groveman made representations to Rose Group that "Blass was licensing a 'bridge line' of *Blass*-label clothing (such as sportswear but not coats), to be sold in better department stores," and that the foregoing statement fraudulently induced Rose Group to enter into the Assignment Agreement (W. Gallo Aff., ¶ 4).

However, even assuming these allegations are true, Rose Group's proposed amended allegation of fraud in the inducement is insufficient on its face. In order to properly plead scienter, Rose Group must allege facts to show that at the time the promissory representation was made, Groveman never intended to honor or act on his statement (Lanzi

v Brooks, 54 AD2d 1057 [3d Dept 1976], affd 43 NY2d 778 [1977]; accord Non-Linear Trading Co. v Braddis Assoc., 243 AD2d 107, supra). Rose Group does not allege that at the time that Groveman made these representations, he never intended to negotiate with potential "bridge line" manufacturers. Rather, it merely avers that the fact that Bill Blass did not enter into a bridge licensing agreement coterminous with the Rose Group licensing agreements is proof of Groveman's intent to deceive. These allegations are insufficient to prove scienter (see Benderson Dev. Co. v Hallaway Props., 115 AD2d 339, 339 [4th Dept 1985], affd 67 NY2d 963 [1986] [allegations of fraud in the inducement were insufficient to establish scienter because there was "no factual allegation ... that the declarants at the time the promissory representations were made never intended to honor them"]; Lanzi v Brooks, 54 AD2d 1057, 1058 [3d Dept 1976], affd 43 NY2d 778 [1977] ["any inference drawn from the fact that the expectation did not occur is not sufficient to sustain plaintiff's burden of showing that the defendant falsely stated his intentions"]; see e.g. Giant Group, Ltd. v Arthur Andersen LLP, 2 AD3d 189, supra [fraud claim dismissed for failure to set forth facts sufficient to establish inference of scienter]). As such, Rose Group's allegations are insufficient to establish scienter as a matter of law.

Moreover, in order to state a claim for fraudulent inducement, it is mandatory that detrimental reliance on a material representation known to be false be demonstrated (Merrill Lynch, Pierce, Fenner & Smith, Inc. v Wise Metals Group, LLC, 19 AD3d 273, supra). Rose Group submits the affidavit of William Gallo to bolster its claim that issues of fact have been raised as to its detrimental reliance. Gallo alleges that Rose Group sustained losses due to its inability to sell "a Spring line of *Blass*-labeled coats (in appropriate spring

fashion fabrics) for sale in department stores in the spring of 2005" (W. Gallo Aff., ¶ 5). Gallo further alleges that "[d]epartment store sale of these coats proved to be minimal" and that, "[a]s a result, it became impossible in the spring and summer of 2005 for Rose Group to sell these stores a fall line of *Blass*-labeled women's coats" (id.).

Gallo's current allegations, however, are directly controverted by his previous deposition testimony that, in order to sell Bill Blass Licensed Products for the Spring '05 Collection, Rose Group would have had to have shipped Bill Blass Licensed Products to retail outlets in November and December of 2004, and in January 2005 (W. Gallo Dep., at 119 [Semetis Reply Aff., Exh 2]). Moreover, Rose Group does not dispute that it only received the rights to the License Agreements at issue through the Rose Group Assignment Agreement upon its execution on December 22, 2004 (see Rose Group's Response to Rule 19-A Statement, ¶¶ 15-16). Gallo also testified that Rose Group did not create a Spring '05 Collection because Rose Group obtained the rights to the Bill Blass License Agreement "too late" to pull together a collection for Spring 2005 (Gallo Dep, at 122-123]).

Where a party submits an affidavit that is directly contradicted by its prior deposition testimony, the later assertions are incapable of raising an issue of fact, and are thus insufficient to defeat a summary judgment motion (Nespola v Strang Cancer Prevention Ctr., 36 AD3d 774 [2d Dept 2007]; Naposki v Au Bar, 271 AD2d 371 [1st Dept 2000]).

Since Rose Group's allegations of detrimental reliance are insufficient to either state a defense of, or raise an issue of fact as to, fraudulent inducement, its cross motion for leave to file an amended answer must be denied.

Rose Group also contends that Bill Blass has not established its entitlement to damages. Rose Group contends that the guaranteed minimum sales and royalties sought by Bill Blass pursuant to the License Agreements for 2005 and 2006, both of which were years that Rose Group earned substantial monies under these agreements (Groveman Reply Aff., ¶¶ 46-51), constitute impermissible penalties and are contrary to public policy. However, payment of guaranteed minimums for the anticipatory breach of a licensing agreement is a category of damages expressly permitted under New York law based upon the parties' interdependent obligations (Long Island R.R. Co. v Northville Indus. Corp., 41 NY2d 455, 463 [1977] ["Under [the doctrine of anticipatory breach], if one party to a contract repudiates his duties thereunder prior to the time designated for performance and before he has received all of the consideration due him thereunder, such repudiation entitles the nonrepudiating party to claim damages for total breach"]; accord Norcon Power Partners L.P. v Niagara Mohawk Power Corp., 92 NY2d 458 [1998]). Clearly, Rose Group abandoned the License Agreements, and is subject to payment of the contractually agreed minimums.

With respect to the damages that it has incurred as to the first, second and third causes of action, Bill Blass contends that the total outstanding Guaranteed Minimum Royalties and Guaranteed Minimum Fees for 2005 and 2006 for the breach of the Rose Group Assignment Agreement, and the Licensing Agreements incorporated therein, by Rose Group, is $475,000 ($525,000 minus $50,000 already paid by Rose Group), and that, pursuant to Section 17.1 of the agreements, it is entitled to partial summary judgment against Rose Group in the total amount of $475,000, plus interest, computed at 9.50% per annum

from August 29, 2005.

However, Rose Group sharply disputes Bill Blass' computation of damages, contending that there are inconsistencies and gaps in Bill Blass' evidence with respect to the damage amounts. Plaintiff's damage calculations are based upon the affidavit of Ronald Fetzer, its chief financial officer. At paragraph 41 of his affidavit, Fetzer provides a summary table with two parts, "I" and "II," which, when added together, result in a total amount of $525,000 in damages. However, as Rose Group points out, both Part I and Part II refer to amounts that plaintiff is claiming under the same license agreement – the Bill Blass Amended License Agreement. Obviously, Bill Blass cannot recover damages twice for breach of the same contract Thus, there is an issue of fact as to the amount of damages to which Bill Blass is entitled. Hence, summary judgment on the first, second and third causes of action is granted as to liability only, and the issue of the amount of damages to which Bill Blass is entitled will be referred to a Special Referee to hear and report.

Accordingly, it is

ORDERED that the motion of plaintiff Bill Blass International LLC for partial summary judgment on its first, second and third causes of action is granted as to liability only; and it is further

ORDERED that the issue of the amount of damages to which plaintiff is entitled on its first, second and third causes of action of is referred to a Special Referee to hear and report with recommendations, except that, in the event of and upon the filing of a stipulation of the parties, as permitted by CPLR 4317, the Special Referee, or another person designated by the parties to serve as referee, shall determine the aforesaid issue; and it is

further

ORDERED that this motion is held in abeyance pending receipt of the report and recommendations of the Special Referee and a motion pursuant to CPLR 4403 or receipt of the determination of the Special Referee or the designated referee; and it is further

ORDERED that counsel for the plaintiff shall, within 30 days from the date of this order, serve a copy of this order with notice of entry, together with a completed Information Sheet[1], upon the Special Referee Clerk in the Motion Support Office in Rm. 119 at 60 Centre Street, who is directed to place this matter on the calendar of the Special Referee's Part (Part 50 R) for the earliest convenient date; and it is further

ORDERED that plaintiff's motion for partial summary judgment on its sixth cause of action for injunctive relief is granted, and plaintiff is directed to settle an order with respect to this cause of action; and it is further

ORDERED that plaintiff's motion for partial summary judgment on its fifth cause of action for a declaratory judgment is denied; and it is further

ORDERED that plaintiff's motion dismissing the first affirmative defense for fraudulent inducement is granted; and it is further

ORDERED that the cross motion of defendant Rose Group of New York, LLC a/k/a the Rose Group NY LLC, for leave to file an amended answer is denied; and it is further

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[1] Copies are available in Room 119 at 60 Centre Street, and on the Court's website.

ORDERED that the remainder of the action shall continue.

Dated: 7/18/07

ENTER:

J.S.C.

BERNARD J. FRIED
J.S.C.

FILED
JUL 18 2007
NEW YORK
COUNTY CLERK'S OFFICE