

Discovision Assoc. v Fuji Photo Film, Co., Ltd.

2009 NY Slip Op 32162(U)

September 21, 2009

Supreme Court, New York County

Docket Number: 601859/07

Judge: Shirley Werner Kornreich

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

PRESENT: JUSTICE SHIRLEY WERNER KORNREICH PART 54
Justice

Index Number : 601859/2007
DISCOVISION ASSOCIATES
VS.
FUJI PHOTO FILM
SEQUENCE NUMBER : 007
PARTIAL SUMMARY JUDGMENT

INDEX NO. _____
MOTION DATE 8/13/09
MOTION SEQ. NO. _____
MOTION CAL. NO. _____

n this motion to/for _____

PAPERS NUMBERED

1-2
3-5
6-7

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits _____

Replying Affidavits _____

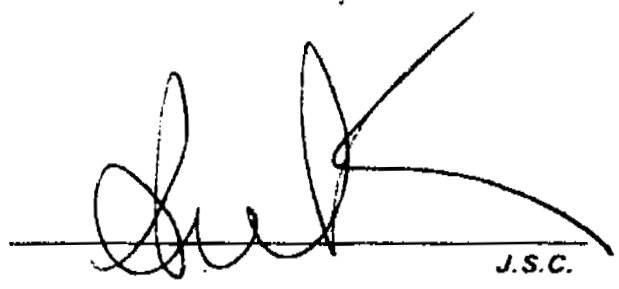
Cross-Motion: Yes No

Upon the foregoing papers, it is ordered that this motion

FILED
SEP 23 2009
COUNTY CLERK'S OFFICE
NEW YORK

**MOTION IS DECIDED IN ACCORDANCE
WITH ACCOMPANYING MEMORANDUM.
DECISION AND ORDER.**

Dated: 9/21/09


J.S.C.

Check one: FINAL DISPOSITION NON-FINAL DISPOSITION
Check if appropriate: DO NOT POST REFERENCE

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

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 54

----- X
DISCOVISION ASSOCIATES,

Plaintiff,

Index No.: 601859/07

-against-

DECISION
and ORDER

FUJI PHOTO FILM, CO, LTD., FUJIFILM U.S.A.,
INC., FUJIFILM RECORDING MEDIA, MFG. U.S.A.,
INC., and FUJI MAGNETICS GMBH.,

Defendants.

----- X
KORNREICH, SHIRLEY WERNER, J.:

This action for, *inter alia*, breach of contract arises out of a Non-Exclusive Patent License Agreement for Disc Products and Recordable Media (License Agreement) entered into between plaintiff Discovision Associates (DVA) and defendant Fujifilm Corporation, previously known as Fuji Photo Film Co., Ltd., (Fujifilm). On or about June 4, 2007, DVA commenced the instant action alleging that defendants breached the License Agreement by failing to pay royalties and properly account for their "manufacture, use, lease (rent), sale and/or transfer" of certain "License Products" as defined in the agreement. On June 11, 2007, defendants removed the action to federal court in the Southern District of New York pursuant to 28 U.S.C. §§ 1441 and 1446. On October 29, 2007, the District Court (Crotty, J.) granted plaintiff's motion to remand the action to this court. Following remand, in a decision dated May 23, 2008, the Hon. Herman Cahn (retired) denied defendants Fujifilm U.S.A., Inc. and Fujifilm Recording Media Mfg. U.S.A.'s motion to dismiss the action. In a subsequent decision dated August 12, 2008, Justice Cahn dismissed the third-party action. DVA now moves for partial summary judgment against

Fujifilm, pursuant to CPLR § 3212, on the ground that the License Agreement unambiguously requires Fujifilm to pay royalties on all its dealings in Licensed Products regardless of whether or not it exercised its right to use any "Licensed Patents." Fujifilm opposes.

I. Background

In support of its motion, plaintiff offers copies of the License Agreement and the affidavit of Eric. J. Lobenfeld, counsel for Fujifilm, dated June 1, 2009, submitted in support of Fujifilm's motion in the Appellate Division to extend its time to perfect its appeal from Justice Cahn's August 12, 2008, decision. The License Agreement executed by DVA and Fujifilm, effective January 1, 1995, contains the following pertinent terms and conditions. Pursuant to § 3.0 of the agreement entitled "Non-Exclusive License Grant," DVA granted Fujifilm "a worldwide, non-exclusive, royalty bearing license under the Licensed Patents." License Agreement at § 3.1. In pertinent part, § 2.10 defined "Licensed Patents" to mean:

all patents owned by DVA as of the effective date of this Agreement, including utility models and design patents, and any patents, including utility models and design patents, issuing from pending patent applications owned by DVA as of the effective date of this Agreement, directed to Licensed Products and/or any Manufacturing Apparatus and/or any Manufacturing Process, under which patents and patent applications...DVA has, as of the effective date of this Agreement, the right to grant licences to [Fujifilm] of the scope granted herein.

Fujifilm was thus permitted to "make, have made, use, lease (rent), sell and/or otherwise Transfer Licensed Products" defined in the agreement as "Digital Discs," "Video Discs" and "Recordable Media." *Id.* at §§ 2.7, 3.1.1. The license also permitted Fujifilm to "make, have made, use, or have used" certain apparatuses and processes relating to the manufacture of such Licensed Products. *Id.* at §§ 2.8, 2.9, 3.1.2. With regard to the license, § 3.2 provides that "[n]o license is granted by DVA to [Fujifilm] in this Section 3.0, either expressly or by implication, estoppel, or

otherwise, other than under the Licensed Patents.”

In exchange for this license, pursuant to Section 5.0 entitled “Royalties and Other Payments,” Fujifilm agreed to pay DVA royalties for:

each Licenced Product for which [Fujifilm] is licensed hereunder in the country of manufacture; or

each Licensed Product for which [Fujifilm] is licenced hereunder in the country of use, lease, sale or Transfer.

Id. at § 5.1. Section 5.0 goes on, *inter alia*, to outline a royalty payment schedule for each Licensed Product, i.e. Recordable Media, Digital Disc and Video Disc, which is manufactured, used, leased, sold and/or Transferred by Fujifilm under the agreement. In addition, § 1.5 provides that:

The parties, having examined the relative value to one another of avoiding potential disputes over infringement of DVA patents and determination of royalties due on past, present and future sales, have independently concluded, in the interest of convenience of the parties, that their respective business interests will be best served by [Fujifilm] taking a license under the terms of this Agreement.

Finally, § 14.1.5 states: “Nothing contained within this Agreement shall be construed as...an obligation upon DVA to make any determination as to the applicability of its patents to any of [Fujifilm’s] products.”

In opposition, Fujifilm offers, *inter alia*, the Declaration of Tadayoshi Hirahara, a member of Fujifilm’s Intellectual Property Legal Division. Mr. Hirahara avers that he participated in some discussions between the parties regarding the License Agreement. In these discussions, Mr. Hirahara states that it was Fujifilm’s position that the License Agreement placed no reporting requirement or royalty obligation for any Licenced Products that do not practice any of the “Licensed Patents” as defined in the agreement.

II. *Conclusions of Law*

It is well established that summary judgment may be granted only when it is clear that no triable issues of fact exist. *Alvarez v Prospect Hosp.*, 68 NY2d 320, 325 (1986). The burden is upon the moving party to make a *prima facie* showing of entitlement to summary judgment as a matter of law. *Zuckerman v City of New York*, 49 NY2d 557, 562 (1980); *Friends of Animals, Inc. v Associated Fur Mfts., Inc.*, 46 NY2d 1065, 1067 (1979). A failure to make such a showing requires a denial of the summary judgment motion, regardless of the sufficiency of the opposing papers. *Ayotte v Gervasio*, 81 NY2d 1062, 1063 (1993). If a *prima facie* showing has been made, the burden shifts to the opposing party to produce evidentiary proof sufficient to establish the existence of a material issue of fact. *Alvarez, supra*, 68 NY2d at 324; *Zuckerman, supra*, 49 NY2d at 562. The papers submitted in support of and in opposition to a summary judgment motion are examined in a light most favorable to the party opposing the motion. *Martin v Briggs*, 235 AD2d 192, 196 (1st Dept 1997). Mere conclusions, unsubstantiated allegations, or expressions of hope are insufficient to defeat a summary judgment motion. *Zuckerman, supra*, 49 NY2d at 562. Upon the completion of the court's examination of all the documents submitted in connection with a summary judgment motion, the motion must be denied if there is any doubt as to the existence of a triable issue of fact. *Rotuba Extruders, Inc. v Ceppos*, 46 NY2d 223, 231 (1978).

Contracts must be interpreted based upon the parties' intentions arising from the language of the agreement itself. *Lopez v Fernandito's Antique*, 305 AD2d 218, 219 (1st Dept 2003). Clear and unambiguous language should be understood in its plain, ordinary, popular meaning, and where such language is employed, extrinsic evidence should not be considered to determine

the parties' intentions. *Id.* The court must not disregard common sense to properly interpret a contract and "must enforce a contract in accordance with the true expectations of the parties in light of the circumstances existing at the time of the formation of the contract." *Reiss v Financial Performance Corp.*, 279 AD2d 13, 19 (1st Dept 2000). Moreover, the court must avoid interpreting a contract so as to leave certain clauses meaningless. *Two Guys from Harrison-N.Y. v S.F.R. Realty Assoc.*, 63 NY2d 396, 403 (1984); *HSBC Bank USA v Nat'l Equity Corp.*, 279 AD2d 251, 253 (1st Dept 2001) (where two seemingly conflicting provisions reasonably can be reconciled, court is required to do so, giving both effect); *Yoi-Lee Realty Corp. v 177th Street Realty Assoc.*, 208 AD2d 185, 190 (1st Dept 1995) ("contracts should be construed to give full force and effect to their provisions and not in a manner so as to render them meaningless.").

A written agreement will be construed as ambiguous only if it is reasonably susceptible of more than one interpretation. *RM Realty Holdings Corp. v Moore*, 2009 NY Slip Op 5682, *4-5 (1st Dept 2009) citing *Chimart Assoc. v Paul*, 66 NY2d 570, 573 (1986). In determining whether an agreement is ambiguous, the court should:

examine the entire contract and consider the relation of the parties and the circumstances under which it was executed. Particular words should be considered, not as if isolated from the context, but in the light of the obligation as a whole and the intention of the parties as manifested thereby. Form should not prevail over substance and a sensible meaning of words should be sought.

RM Realty, 2009 NY Slip Op 5682 at *5 quoting *Kass v Kass*, 91 NY2d 554, 556 (1998) quoting *Atwater & Co. v Panama R.R. Co.*, 246 NY 519, 524 (1927).

Here, in examining the License Agreement in a light most favorable to Fujifilm, as the court must, plaintiff has not met its burden regarding its interpretation of the agreement. DVA

* 7]

argues that the License Agreement unambiguously requires Fujifilm to pay royalties on its dealings in Licenced Products, as defined in § 2.10, regardless of whether or not it used any Licensed Patents. DVA bases this position on the recital decree contained in § 1.5 and its interpretation of Section 5.0, specifically §§ 5.3 and 5.4, which DVA claims requires Fujifilm to pay royalties for all Licensed Products regardless of the involvement of any Licensed Patents. Fujifilm contends that it is not obligated to pay royalties on any Licensed Products that do not use any of DVA's patents. Fujifilm states that its position throughout this litigation is that it does not owe DVA any further royalty payments because the optical disk products it sold during the past few years did not practice any of the Licensed Patents. On this point, Fujifilm argues that the License Agreement clearly states that with respect to the future manufacture and sale of Licensed Products, that Fujifilm would pay royalties only if the products practiced the Licensed Patents.

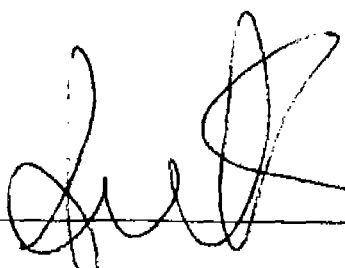
In reading the License Agreement as a whole, it is ambiguous as to whether or not Fujifilm is required to pay royalties on all its dealings in Licensed Products regardless of whether or not such products practiced any of the Licensed Patents. Section 3.0 granted Fujifilm a royalty bearing license pursuant to the Licensed Patents. Section 2.10 defines "Licensed Patents," in part, as being directed towards the use of the Licenced Products. Pursuant to section 3.2, this royalty bearing license was granted to Fujifilm solely under the Licensed Patents. In Section 5.0, Fujifilm agreed to pay DVA royalties for certain listed Licensed Products which are "licensed hereunder." Reading these clauses together, the clauses could be reconciled to read that Fujifilm was required to pay royalties only on the contractually designated "licensed products," i.e. those that practiced DVA's patents. However, incorporating section 14.1.5 into the mix clouds the issue. On its face, section 14.1.5 would seem to state that DVA had no obligation to check the applicability of its patents to any of the Licensed Products. If DVA was not required to see if any

of its patents applied to any of the Licensed Products at issue, then it would be illogical to say that Fujifilm was required to pay royalties only on products that practiced the patents. This, read in combination with sections 2.10, 3.0, 3.2, 5.0, creates a clear issue of fact within the four corners of the document regarding the parties intentions as to whether or not Fujifilm was required to pay royalties on Licensed Products which did not practice any of the patents. Moreover, the recital contained within section 1.5 of the License Agreement requires Fujifilm to "take[] a license under the terms of the[] Agreement" so the parties could, in theory, avoid any disputes as to the infringement of DVA's patents or any royalties that accrue thereunder.

Since the various clauses of the License Agreement offer conflicting predicates as to the breadth and scope of the royalty bearing license, further discovery and a complete evidentiary record is necessary to derive the parties intentions as to the meaning and comprehensiveness of the license. Accordingly, it is

ORDERED that plaintiff's motion for partial summary judgment is denied.

ENTER



_____ J.S.C.

DATE: September 21, 2009
New York, NY

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