

**Givati v Air Techniques, Inc.**

2010 NY Slip Op 32087(U)

July 26, 2010

Supreme Court, Nassau County

Docket Number: 000234-09

Judge: Timothy S. Driscoll

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**SUPREME COURT-STATE OF NEW YORK  
SHORT FORM ORDER**

**Present:**

**HON. TIMOTHY S. DRISCOLL**  
**Justice Supreme Court**

-----X  
**ZAKI GIVATI,**

**Plaintiff,**

**-against-**

**AIR TECHNIQUES, INC.,**

**Defendant.**

**TRIAL/IAS PART: 22  
NASSAU COUNTY**

**Index No: 000234-09  
Motion Seq. No. 1  
Submission Date: 5/21/10**

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**The following papers have been read on this motion:**

- Notice of Motion, Affidavit in Support, Affirmation in Support and Exhibits.....X**
- Defendant's Memorandum of Law in Support.....X**
- Affidavit in Opposition and Exhibits.....X**
- Plaintiff's Memorandum of Law in Opposition.....X**
- Reply Affirmation in Further Support.....X**

This matter is before the Court for decision on the motion filed by Defendant Air Techniques, Inc. ("Air Techniques" or "Defendant") on February 16, 2010, and submitted on May 21, 2010. For the reasons set forth below, the Court denies Defendant's motion in its entirety.

**BACKGROUND**

**A. Relief Sought**

Defendant moves for an Order, pursuant to CPLR § 3212, awarding summary judgment in favor of Defendant and against Plaintiff and dismissing the Amended Complaint ("Complaint") in its entirety.

Plaintiff Zaki Givati (“Plaintiff”) opposes Defendant’s motion.

B. The Parties’ History

The Complaint (Ex. Y to Goldstein Aff. in Supp.) alleges as follows:

Plaintiff is an individual residing in Nassau County, New York. Defendant, a New York corporation with its principal place of business in Suffolk County, New York, is a manufacturer of dental equipment, including but not limited to dental imaging equipment.

Plaintiff and Defendant entered into a written consulting agreement (“Consulting Agreement”) dated October 25, 1995 and amended September 19, 1996 for the purpose of developing an imaging system (“System”) for scanning storage phosphor plates (“Project”). Plaintiff and Defendant subsequently terminated the Consulting Agreement pursuant to a written agreement dated April 28, 1998 (“April 1998 Agreement”) (Ex. A to Compl). Applied Data Corporation (“Applied Data”), which is not a party to this action, was also a party to the Consulting and April 1998 Agreements. Plaintiff and Applied Data are referred to collectively as the “Consultants.”

The April 1998 Agreement provides, *inter alia*, that 1) Defendant shall pay the Consultants a technology fee of \$100 per System for the first to the 1,000<sup>th</sup> System sold using the technology developed during the Project; and 2) after the sale of the 1,000<sup>th</sup> System, Defendant shall pay the Consultants a technology fee of \$75 per System sold within a seven (7) year period commencing with the sale of the 1,001<sup>st</sup> System. Plaintiff alleges that, pursuant to the terms of the April 1998 Agreement, the technology fee is due and payable to the Consultants regardless of whether the System incorporates technology developed by the Consultants during the course of the Project, or otherwise.

The April 1998 Agreement further provides that 1) any patent issued to the Consultants based on technology developed during the Project, or on any other specified imaging inventions developed by the Consultants while they are under contract with or consulting for Defendant, shall be assigned to Defendant; 2) the Consultants will receive a royalty from Defendant, to be agreed on in the future, with respect to any product that is manufactured by or sold by or on behalf of Defendant and covered by any claim of the patent; 3) the technology fees and/or royalties (“Technology Fee”) due to the Consultants shall apply to the Systems sold anywhere in the world by or on behalf of Defendant and/or its affiliate Durr, regardless of whether Defendant

and Durr remained affiliated; and 4) the Consultants are to be paid a minimum of \$5,000 per quarter through December 31, 2004, reduced by technology fees, consulting fees or royalties paid in the same calendar year.

In September of 2005, Plaintiff discovered that Defendant and/or Durr was selling the System in the form of 1) Defendant's line of "Scan X" imaging systems, and 2) Durr's line of "VistaScan" imaging systems (Compl. at ¶ 12).

Plaintiff further alleges that, on or about September 25, 1996, Plaintiff disclosed to Defendant two patentable imaging concepts, based on technology that Plaintiff developed during the Project. Defendant and Durr subsequently obtained several patents for devices that used the technology disclosed by Plaintiff.

In addition, pursuant to a separate agreement dated April 29, 1998 between Plaintiff and Applied Data, Plaintiff is entitled to payment from Defendant representing 60% of all sums payable to the Consultants pursuant to the April 1998 Agreement. Plaintiff alleges that it has demanded payment from Defendant of sums allegedly owed, and Defendant has denied any liability to Plaintiff.

The Complaint contains four (4) causes of action: 1) breach of contract related to the payment of the technology fee, 2) breach of contract related to the payment of royalties, 3) a request for a declaratory judgment regarding Defendant's alleged obligation to make payments to Plaintiff pursuant to the April 1998 Agreement, and 4) fraud in the inducement. In its Answer to Amended Complaint ("Answer") (Ex. AA to Didora Aff.), Defendant denies the substantive allegations in the Complaint and asserts numerous defenses.

In his Affidavit in Support, Jeff Goldstein ("Goldstein") affirms, *inter alia*, as follows:

From 1991 to 1997, Goldstein was a consultant to Air Techniques in connection with its development of new product lines. In 1997 he became Chief Financial Officer and Vice President of Air Techniques, and served as President and Chief Executive Officer of Air Techniques from 2000 to 2007.

Goldstein affirms, *inter alia*, that 1) the technology of scanning photostimulable phosphor plates using a laser beam, the process on which Plaintiff's claim is based, was patented in the 1970s and neither Plaintiff nor Defendant was involved in creating that technology; 2) Defendant retained Plaintiff as a consultant to develop a device, to be based on this pre-

existing technology, that Defendant would manufacture, distribute and market; 3) Plaintiff delivered to Plaintiff a prototype (“Prototype”) of a marketable laser scanner of which Air Techniques, pursuant to the parties’ agreement, became the owner; and 4) based on its testing and analysis of the Prototype, Defendant concluded that the Prototype developed by Plaintiff was inadequate and never adopted its design.

In April of 1998, the parties ended the Project under the Consulting Agreement and entered into the April 1998 Agreement. By the terms of that Agreement, Plaintiff would not receive a technology fee for scanning systems sold under pre-existing technology. Defendant notes that Plaintiff conceded at his deposition that he did not invent phosphor storage plate technology.

Goldstein also, *inter alia*, 1) outlines the history of dental imaging in the medical field and the introduction of digital technology into that field; 2) affirms that Defendant hired Plaintiff to develop a product based on pre-existing technology; 3) submits that Defendant fully compensated Plaintiff pursuant to the terms of the parties’ agreements; and 4) explains why Defendant concluded that the Prototype was flawed.

In his Affidavit in Opposition, Plaintiff disputes Goldstein’s interpretation of the April 1998 Agreement that Plaintiff would be entitled to a technology fee only if the Systems sold incorporated technology developed by Plaintiff. Plaintiff submits that the April 1998 Agreement includes no such limitation. Plaintiff also submits, based on documentary evidence including the deposition testimony of Elliot Germunder (“Germunder”), Defendant’s Director of Engineering, that the term “Project” included not only work performed by Plaintiff and his partner, but also by people involved in the Project.

Plaintiff also submits that the Prototype, which constituted an imaging system for the scanning of phosphor plates, came within the definition of the Project. He contends that it follows, therefore, that the scanners sold by Defendant and Durr also constituted imaging systems for the scanning of phosphor plates. Plaintiff provides documentary evidence, including e-mails and facsimile messages, supporting his claim that Defendant and Durr’s current line of scanners were developed in connection with the Project and were based on the Prototype developed by Plaintiff.

Plaintiff also disputes Goldstein’s qualifications to explain the purported differences

between the Prototype and the scanner allegedly developed by a representative of Durr. Plaintiff submits that, in light of the facts that Goldstein lacks an engineering background and was not part of Defendant's engineering department or its research and development team, he lacks the expertise to provide the opinion set forth in his Affidavit. Plaintiff submits that there remain questions of fact as to whether, and if so to what extent, Defendant's scanners differ from the Prototype.

Plaintiff also submits that 1) notwithstanding the pre-existence of certain technology, Defendant's decision to retain Plaintiff was prompted by its need to create a device that it was unable to create on its own; 2) the April 1998 Agreement did not terminate his contractual relationship with Defendant; and 3) he is entitled to royalty payments to the extent that Defendant and Durr obtained patents based on Plaintiff's work.

C. The Parties' Positions

Defendant submits that it has demonstrated its right to summary judgment by, *inter alia*, establishing that 1) Defendant did not sell any product based on technology developed by Plaintiff; 2) Plaintiff is not entitled to royalty payments because he failed to satisfy certain conditions precedent including a) obtaining a patent for an invention that he developed, and b) assigning that patent to Defendant; and 3) Plaintiff's fraud claim is barred, either because it arises under the parties' contract and is therefore impermissibly duplicative of that claim, or because it arises from an oral promise and is barred by the Statute of Frauds.

Plaintiff opposes Defendant's motion, submitting, *inter alia*, that 1) the April 1998 Agreement does not state that Plaintiff is entitled to a technology fee only if the Systems sold by Defendant incorporated technology developed by Plaintiff; 2) Defendant is attempting improperly to limit Plaintiff's rights to royalties under the April 1998 Agreement to technology developed by Plaintiff or his partners, rather than technology developed during the Project; and 3) the scanner sold by Defendant and Durr was based on the Prototype developed by Plaintiff.

RULING OF THE COURT

A. Summary Judgment Standards

To grant summary judgment, the court must find that there are no material, triable issues of fact, that the movant has established his cause of action or defense sufficiently to warrant the court, as a matter of law, directing judgment in his favor, and that the proof tendered is in

admissible form. *Menekou v. Crean*, 222 A.D.2d 418, 419-420 (2d Dept 1995). If the movant tenders sufficient admissible evidence to show that there are no material issues of fact, the burden then shifts to the opponent to produce admissible proof establishing a material issue of fact. *Id.* at 420. Summary judgment is a drastic remedy that should not be granted where there is any doubt regarding the existence of a triable issue of fact. *Id.*

#### B. Relevant Causes of Action

To establish a cause of action for breach of contract, one must demonstrate: 1) the existence of a contract between the plaintiff and defendant, 2) consideration, 3) performance by the plaintiff, 4) breach by the defendant, and 5) damages resulting from the breach. *Furia v. Furia*, 116 A.D.2d 694 (2d Dept. 1986).

The essential elements of a cause of action sounding in fraud are 1) a misrepresentation or a material omission of fact which was false and known to be false by defendant, 2) made for the purpose of inducing the other party to reply upon it, 3) justifiable reliance of the other party on the misrepresentation or material omission, and 4) injury. *Colasacco v. Robert E. Lawrence Real Estate*, 68 A.D.3d 706 (2d Dept. 2009), quoting *Orlando v. Kukielka*, 40 A.D.3d 829, 831 (2d Dept., 2007).

#### C. Relevant Contract Principles

The Court must construe a contract in accordance with the parties' intent, which is generally discerned from the four corners of the document itself. *MHR Capital Partners v. Presstek*, 12 N.Y.3d 640, 645 (2009). A written agreement that is complete, clear and unambiguous on its face must be enforced according to the plain meaning of its terms. *Id.* When a contract term is ambiguous, however, parol evidence may be considered to elucidate the disputed portions of the agreement. *Blue Jeans v. Basciano*, 286 A.D.2d 274 (1<sup>st</sup> Dept. 2001).

#### D. Statute of Limitations for Fraud Claim

An action based upon fraud shall be commenced within the greater of six years from the date the cause of action accrued or two years from the time the plaintiff discovered the fraud or could with reasonable diligence have discovered it. CPLR § 213(8). A cause of action accrues, for the purpose of measuring the period of limitations, when all of the facts necessary to the cause of action have occurred so that the party would be entitled to relief in court. *Poughkeepsie v. Espie*, 41 A.D.3d 701, 704 (2d Dept. 2007), *app. dism.*, 9 N.Y.3d 1003 (2007), quoting *Matter*

of *Motor Veh. Acc. Indem. Corp. v. Aetna Cas.*, 89 N.Y.2d 214, 221 (1996). A cause of action alleging fraud accrues at the time the plaintiff possesses knowledge of facts from which the fraud could have been discovered with reasonable diligence. *Poughkeepsie at 705* (town's cause of action for fraud accrued when it executed more expensive lease agreement that defendant, allegedly falsely, represented was necessary for unexpected renovations costs).

E. Declaratory Relief

Declaratory relief is usually unnecessary where a full and adequate remedy is already provided by another well-known form of action. *James v. Alderton Dock Yards*, 256 N.Y. 298, 305 (1931), *reh den.*, 256 N.Y. 681 (1931).

F. Application of these Principles to the Instant Action

The Court concludes that there are numerous issues of fact rendering summary judgment inappropriate, including but not limited to whether the scanners sold by Defendant were based on the Prototype developed by Plaintiff. The Court also rejects Defendant's claim that the fraud claim is improperly duplicative of the breach of contract claim, or barred by the Statute of Frauds. Accordingly, the Court denies Defendant's motion in its entirety.

All matters not decided herein are hereby denied.

This constitutes the decision and order of the Court.

Counsel for the parties are reminded of their required appearance before the Court for a Compliance Conference on September 9, 2010 at 9:30 a.m.

ENTER

DATED: Mineola, NY

July 26, 2010



HON. TIMOTHY S. DRISCOLL

J.S.C.

**ENTERED**  
**JUL 28 2010**  
**NASSAU COUNTY**  
**COUNTY CLERK'S OFFICE**