

**Epstein Eng'g P.C. v Cataldo**

2011 NY Slip Op 30435(U)

February 25, 2011

Sup Ct, New York County

Docket Number: 603146/08

Judge: Judith J. Gische

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

PRESENT: HON. JUDITH J. GISCHE

*Justice*

PART 10

Epstein Engineering P.C.

Plaintiff (s),

INDEX NO. 603146/08

MOTION DATE \_\_\_\_\_

- v -

Thomas Cataldo et al

MOTION SEQ. NO. 002

Defendant(s).

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

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

Answering Affidavits — Exhibits \_\_\_\_\_

Replying Affidavits \_\_\_\_\_

Cross-Motion:  Yes  No

PAPERS NUMBERED

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Upon the foregoing papers, the court's decision on this (these) motion (s) is as follows:

**FILED**

FEB 28 2011

NEW YORK COUNTY CLERK'S OFFICE

**MOTION IS DECIDED IN ACCORDANCE WITH THE ACCOMPANYING MEMORANDUM DECISION**

*and compliance conference scheduled for 4/7/10 at 9:30 am in Part 10*

Dated: FEB 25 2011

Hon. Judith J. Gische, J.S.C.

Check one:  FINAL DISPOSITION  NON-FINAL DISPOSITION

Check if appropriate:  DO NOT POST  REFERENCE  SETTLE/SUBMIT ORDER

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 10**

-----X  
Epstein Engineering, P.C.,

Plaintiff (s),

-against-

Thomas Cataldo, Cataldo Engineering, P.C., and  
Steven Gregorio,

Defendant (s).  
-----X

**DECISION/ORDER**

Index No.: 603146/08

Seq. No.: 002

**PRESENT:**

Hon. Judith J. Gische

J.S.C.

**FILED**

FEB 28 2011

NEW YORK  
COUNTY CLERK'S OFFICE

Recitation, as required by CPLR 2219 [a], of the papers considered in ~~the~~ review of this  
(these) motion(s):

<b>Papers</b>	<b>Numbered</b>
Cataldo defs' n/m (protective order) w/JER affirm, TCC affid, exhs .....	1
Pltf's x/m (compel) w/ BHW affirm, ASE affid, exhs .....	2
Def SG opp to x/m w/IDT affirm, exhs .....	3
Cataldo defs' reply and in opp to x/m w/JER affirm. TCC affid, JMM affirm, exh .....	4
Pltf's reply w/BHW affirm, exhs .....	5
Pltf's supp affirm (BHW), exhs .....	6
Transcript OA 12/9/10 .....	7

*Upon the foregoing papers, the court's decision and order is as follows:*

**Gische J.;**

This is a tort action based upon allegations of unfair competition. Issue has been joined by the defendants, the preliminary conference was held and the parties are in the midst of discovery. Presently before the court is a motion by Thomas Cataldo and Cataldo Engineering, P.C. (collectively "Cataldo") for a protective order limiting the discovery demands of plaintiff. Plaintiff Epstein Engineering, P.C. ("Epstein") has cross moved to compel Cataldo and defendant Steven Gregorio ("Gregorio") to comply with its discovery demands, to compel Epstein's non-party witness to comply with the

subpoenas they served, and directing Cataldo and Gregorio not to interfere with Epstein's non-party discovery. Gregorio and Cataldo separately oppose the cross motion and Epstein opposes the motion by Cataldo.

The facts of this case were set forth in the court's decision and order dated January 5, 2010 denying Gregorio's pre-answer motion to dismiss ("prior order"). The reader is presumed to be familiar with that decision and, therefore, the facts of this case will only be set forth in a condensed form.

### **Arguments**

Cataldo and Gregorio were, at one time, employed by Epstein. Cataldo held a supervisory role, whereas Gregorio worked under his direction. Epstein contends that Cataldo, while in Epstein's employ, and with Gregorio's assistance, misappropriated trade secrets and proprietary information about Epstein's past, present and future business projects. Epstein has asserted claims against Cataldo for breach of fiduciary duty and loyalty, unfair competition, conversion and fraud. The claim against Gregorio is for "assistance" in that breach of fiduciary duty. According to Epstein, defendant Thomas Cataldo formed Cataldo Engineering, P.C. in April 2007, while still employed with Epstein and he continued to operate that business clandestinely until September 2, 2008 when he was confronted and resigned. The motions before the court involve the scope of discovery. Whereas Cataldo seeks a protective order against several non-party subpoenas that Epstein has served, Epstein seeks to enforce its discovery demands.

Central to these motions is a stipulation among the parties dated June 17, 2010 ("discovery stipulation"). The discovery stipulation set forth the parties' respective rights

and obligations with respect to discovery. Notably, it was stipulated that Cataldo would provide certain information with respect to client files on such projects "begun on or prior to September 2, 2008" including any work done while Thomas Cataldo was employed by Epstein. This entailed Cataldo providing "a list of all such clients and projects/properties, subject to inquiry at the Cataldo defendants' deposition...for the period of January 1, 2007 through December 31, 2009." The discovery stipulation touches upon other documents to be provided but ultimately provides that:

"6. All provisions of this Stipulation shall be expressly without prejudice to further inquiry at the party's deposition and the right of any party to seek and/or compel additional discovery where deemed warranted, in accordance with the provisions of the CPLR and the rules and directives of the Court."

The parties were deposed and after defendants' depositions, Epstein served seven (7) non-party subpoenas. Identical subpoenas are each served on various members of the construction industry, managing agents and architects who have conducted business with Cataldo. The documents requested are for the relevant time period from "January 1, 2007 to the present." The subpoenaed parties are persons or entities whose names appear on one or both lists of clients/projects that Cataldo provided to the plaintiff in response to its discovery demands. One list is for projects pre-September 2, 2008. The other list is for Cataldo projects commenced post-September 2, 2008.

Three of the non-party witness depositions were completed. A fourth deposition of a nonparty witness ("Toscana") was commenced but not completed. Cataldo notified Toscana that this motion for a protective order was being made and that Toscana did not have to appear.

Cataldo argues that the parties' discovery stipulation prevents plaintiff from obtaining discovery from non-parties, but even if it does not, such discovery is limited to information about projects that Cataldo worked on, etc., prior to September 2, 2008, the date of his resignation. An alternative argument by Cataldo is that the stipulation would only allow discovery about projects through December 31, 2009 – not through the current date, as the subpoenas each demand. Thus, Cataldo seeks the imposition of a time limitation on the information and documentation that must be provided by the subpoenaed non-parties and also a limitation on what they have to provide.

Plaintiff argues in opposition to Cataldo's motion that Cataldo waived any objections to the non-party subpoenas by allowing the first four depositions to proceed and not bringing a motion for a protective order sooner. Epstein also claims that it had no choice but to serve these subpoenas because Cataldo was clearly stonewalling questions posed to him at his deposition and that the only way to obtain this information is from third parties. No copy of the Cataldo or Gregorio deposition transcripts were provided with the cross motion, nor is there an affidavit of Good Faith. Epstein contends that the document demands made of the non-parties are not overboard and information about post-resignation projects is discoverable because it goes to the issue of damages.

Another branch of Epstein's motion is to compel responses to the Plaintiff's Second Demand for Discovery and Inspection ("2<sup>nd</sup> discovery demand"). The 2<sup>nd</sup> discovery demand dated September 16, 2010 was served September 17<sup>th</sup> but demands responses "on or before September 30, 2010," less than 20 days after it was served. Cataldo contends this short deadline is in contravention of CPLR 3120. Gregorio

separately argues that he received the demands before he received a copy of the transcript of his deposition. Apparently Epstein delivered the transcript to an old address for his attorney. The cross motion also seeks sanctions against Cataldo and Gregorio and an order directing them to stop interfering with the non-party witnesses' depositions.

### Discussion

#### *Cataldo's Motion*

At the outset, the court dispels Epstein's misapprehension that Cataldo lacks standing to challenge the subpoenas served on the non-parties, either because the Cataldo defendants lack standing or took too long to make this motion. Although the subpoenaed party has the burden of objecting to the production demanded (Gertz v. Richards, 233 A.D.2d 366 [1<sup>st</sup> Dept 1996]), if the subpoenaed party does not challenge the subpoena, a party not subpoenaed, but affected by the subpoena, can do so provided the challenging party is asserting a valid ownership or possessory interest in the information demanded (Norkin v. Hoey, 181 A.D.2d 248 [1<sup>st</sup> Dept. 1992]). Furthermore, pursuant to CPLR 3103 the court may "at any time on its own initiative, or on motion of any party" deny, limit, condition or regulate the use of any disclosure device. Therefore, it is discretionary with the court to consider such motion even if "late."

The discovery disputes presented show the parties' fundamental disagreement about what an employee disloyalty action entails and what the prima facie elements are of such a claim. Thus, whereas the defendants claim that Epstein is only entitled to discovery regarding Cataldo's interactions, contacts, and business agreements with

Epstein's existing clients while he was employed by Epstein (i.e. pre-September 2, 2008 information) Epstein argues that it is entitled to discovery about those clients that were generated through Cataldo's efforts as well, even after he resigned. Cataldo has already provided lists of projects commenced pre-September 2, 2008 and post-September 2, 2008. The persons, etc., subpoenaed are on those lists.

Generally, an employee may solicit an employer's customers only when employment relationship has been terminated (Catalogue Service of Westchester, Inc. v. Wise, 63 A.D.2d 895 [1<sup>st</sup> Dept 1978]). An employee will not, however, be relieved from liability for an advantage secured by him or her after the termination of his or her employment, if obtained as a result of an opportunity gained by him or her by reason of his or her employment relationship (Duane Jones Co. v. Burke, 306 N.Y. 172 1954)). Furthermore, where, as here, there are claims that the employee formed and conducted his or her business while employed by the plaintiff/employer, the employee must account to his principal for "secret profits" and s/he also forfeits his or her right to compensation for services rendered by him if s/he proves disloyal (Maritime Fish Products, Inc. v. World-Wide Fish Products, Inc., 100 A.D.2d 81 [1<sup>st</sup> Dept 1984]). The measure of damages for breach of fiduciary duty is the amount of loss sustained, including lost opportunities for profit on the properties by reason of the faithless fiduciary's conduct (105 East Second Street Associates v. Borrow, 175 A.D.2d 746 [1<sup>st</sup> Dept 1991]). Consequently, Epstein is entitled to discovery to ascertain whether Cataldo took or diverted business opportunities for himself without the express consent and approval of his employer.

Applying these principals of law, yet also giving effect to the parties' discovery

stipulation limiting the scope of discovery, Epstein correctly argues that non-party discovery is not prohibited by that stipulation and may, in fact, yield matter "material and necessary in the prosecution or defense" of its claims against the defendants (Allen v. Crowell-Collier Pub. Co., 21 N.Y.2d 403 [1968]). The Cataldo defendants have failed to meet their burden of showing that the disclosure sought by Epstein from the non-parties by subpoena is improper (Roman Catholic Church of the Good Shepherd v. Tempco Systems, 202 A.D.2d 257, 258 [1<sup>st</sup> Dept 1994]).

The court does agree, however, with Cataldo that Epstein is not entitled to the information "to date" but such discovery is limited to the period of January 2007 through December 31, 2009. Without the discovery stipulation, Epstein could have sought and enforced its demand for post-December 31, 2009 projects directly from Cataldo. However, the parties agreed to a temporal limitation on discovery. Epstein cannot circumvent the parties' stipulation by seeking discovery from non-parties that it has agreed the defendants themselves are not obligated to provide. Non-party discovery is not a substitute for discovery from a party. The court cannot and will not revise the parties' stipulation. Consequently, the subpoenas are limited in time to coincide with the parties' discovery subpoena, i.e. period of January 1, 2007 through December 31, 2009."

Turning to the substantive demands in the subpoena, Cataldo has failed to show that the demands (items 1 - 9 ) are over broad or being made solely to harass their clients. Claims that production is "burdensome" belong to the subpoenaed parties, not the defendants. Therefore, the motion to limit the subpoena in scope is denied except as follows. The language contained in footnote one to the subpoena is hereby stricken.

The language, in sum and substance, notifies the subpoenaed witnesses that the list of documents demanded may later be expanded to include "plans, specifications, applications, filings and reports." This information is beyond the scope of what is discoverable since the issue is remuneration that Cataldo received which would have otherwise belonged to Epstein. The details of the projects are neither material nor relevant to the disputes in this case. To the extent that Epstein argues this information is needed to support its punitive damages claim, that argument is not readily apparent to the court as there is no motion before the court for it to decide the merits of that claim.

*Epstein's cross motion*

Epstein's cross motion for the imposition of sanctions under CPLR 3126 is denied. Plaintiff's counsel failed to submit an affirmation of good faith demonstrating that he conferred with defense counsel in an attempt to settle the disclosure issues raised in the cross motion (22 NYCRR 202.7 [a]; CPLR 3101 [a]; Chichilnisky v. Trustees of Columbia University in City of New York, 45 A.D.3d 393 [1<sup>st</sup> Dept 2006]; 25A Place 57, LLC v. Board of Managers of Place 57 Condominium, 27 Misc.3d 1213(A) [Sup Ct. N.Y. Co]).

The cross motion is also denied because the 2<sup>nd</sup> discovery demand notified the defendants that they had fewer than twenty (20) days in which to respond and provide the documents demanded. Even were the court persuaded that the incorrect date in the notice was simply a typographical error, Gregorio states that he received plaintiff's discovery demand before he received the transcript because plaintiff sent the transcript to an old address.

Finally, the striking of a pleading is the most drastic of the CPLR § 3126 remedies (see Corsini v. U-Haul Intern., Inc., 212 AD2d 288 *Lv App Dism in part Denied in part Corsinj v. U-Haul Intern., Inc.*, 87 NY2d 964 *Lv App Dism Corsini v. U-Haul Intern., Inc.*, 87 NY2d 965 [1996]). The relief sought is wholly unjustified by anything in Epstein's cross motion.

To the extent that the demands are still outstanding, the court will require that the parties' time to respond to post-EBT demands is extended by an additional twenty (20) days following entry of this decision/order.

*Civility and Sanctions*

Each side complains that the other has acted in an uncivilized manner. Among the complaints lodged are that Epstein's counsel has threatened Cataldo with financial and professional ruin and Epstein claims that Cataldo's lawyer is "interfering" with the subpoenaed non-party witnesses. Each side seeks redress from the court: Epstein seeks an order directing Cataldo's lawyer to "not further interfere with plaintiff's nonparty discovery" and Cataldo seeks an order "prohibiting the plaintiff from engaging in "harassing conduct."

None of this behavior occurred in the court's presence. Although the New York courts have adopted "Standards of Civility," these are precatory and not enforceable, providing only that lawyers "should" extend courtesies to opposing counsel if they do not prejudice their own client's rights ([www.nycourts.gov/jipl/standardsofcivility.pdf](http://www.nycourts.gov/jipl/standardsofcivility.pdf)). Where, however, the attorney's conduct involves continuous incivility towards clients and other attorneys, and adversely reflects on his or her fitness to practice law, the remedy is found in the disciplinary rules (DR 1-102[A][7]; In re Dilmaghani, 78 AD3d 39

[1<sup>st</sup> Dept 2010]). Therefore, the motion and cross motion for directives that counsel act in a civilized manner and refrain from threats is denied.

**Conclusion**

Cataldo's motion for a protective order is granted only to the extent provided, otherwise it is denied. Epstein's cross motion to compel is denied for the reasons stated. The motion and cross motion for sanctions and an order that the attorneys conduct themselves in a civil, non-harassing, etc., manner are denied in their entirety.

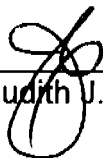
This case was adjourned without a date. Clearly, discovery is still in complete. The court directs that all sides appear for a **compliance conference on March 24, 2011 in Part 10.**

Any relief requested but not specifically addressed is hereby denied.

This constitutes the decision and order of the court.

Dated: New York, New York  
February 25, 2011

So Ordered:

  
\_\_\_\_\_  
Hon. Judith J. Gische, JSC

**FILED**

FEB 28 2011

NEW YORK  
COUNTY CLERK'S OFFICE