

Chicken Soup for the Soul Publishing, LLC v Cinsay, Inc.
2012 NY Slip Op 31992(U)
July 16, 2012
Supreme Court, New York County
Docket Number: 109932/11
Judge: Donna M. Mills
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SUPREME COURT OF THE STATE OF NEW YORK— NEW YORK COUNTY

PRESENT : DONNA M. MILLS
Justice

PART 58

CHICKEN SOUP FOR THE SOUL PUBLISHING, LLC

INDEX No. 109932/11

Plaintiff,

MOTION DATE _____

-v-

MOTION SEQ. NO. 001

CINSAY, INC.,

Defendant.

MOTION CAL No. _____

The following papers, numbered 1 to _____ were read on this motion to _____

PAPERS NUMBERED

Notice of Motion/Order to Show Cause-Affidavits- Exhibits... 1-3

Answering Affidavits - Exhibits 4-8

Replying Affidavits _____

FILED - 11

CROSS-MOTION: YES NO

JUL 27 2012

Upon the foregoing papers, it is ordered that this motion is:

NEW YORK
COUNTY CLERK'S OFFICE

DECIDED IN ACCORDANCE WITH ATTACHED MEMORANDUM DECISION.

Dated: 7/16/12


J.S.C.

DONNA M. MILLS, J.S.C.

Check one: FINAL DISPOSITION

NON-FINAL DISPOSITION

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK : JAS PART 58

..... x
CHICKEN SOUP FOR THE SOUL PUBLISHING,
LLC

Index No. 109932/11

Plaintiff,

- against -

FILED

CINSAY, INC.,

JUL 27 2012

Defendant.

..... x
HON. DONNA M. MILLS, JSC.:

NEW YORK
COUNTY CLERK'S OFFICE

Plaintiff, Chicken Soup for the Soul Publishing, Inc., s/h/a
Chicken Soup for the Soul, LLC ("Chicken Soup"), moves, pursuant
to CPLR 3212, for summary judgment on the Complaint.

Defendant, Cinsay, Inc., cross-moves, pursuant to CPLR
3211(a)(8), to dismiss the Complaint for lack of personal
jurisdiction and the named plaintiff's lack of standing to sue.
In the alternative, defendant cross-moves to dismiss, pursuant to
CPLR 327, based on the doctrine of forum non conveniens.

BACKGROUND

Chicken Soup commenced this action seeking to recover
damages from Cinsay for the alleged breach of a Licensing
Agreement between the parties. The Complaint includes the
following factual allegations.

Chicken Soup is a Connecticut limited liability company.
Cinsay is a Nevada corporation with its principal place of
business in Dallas, Texas.

On March 22, 2010, Chicken Soup, as licensor, and Cinsay, as
Company, entered into a Licensing Agreement, pursuant to which,

Chicken Soup agreed to license to Cinsay certain rights to use the Chicken Soup's name, for a term of four years. Section 2 of the Licensing Agreement, entitled Grant of Rights, provides, in part:

(a) Subject to compliance with all the terms and conditions of this Agreement, Licensor hereby grants to Company, during the Contract Period and in the Contract Territory, the limited, non-transferrable, non-exclusive, revocable right and license to use the Property in connection with the manufacture, advertisement, distribution and sale of Licensed Products through Company's Website Platform only to consumers in the Contract Territory during the Contract Period, and Company does hereby agree to manufacture, advertise, distribute and sell Licensed Products through Company's Website Platform to consumers in the Contract Territory during the Contract Period

(Licensing Agreement, Not of Mot, Exh B). Section 6, entitled Guaranteed Royalty, required Cinsay to pay Chicken Soup "guaranteed, annual, non-refundable, recoupable royalties" in the amount of \$80,000, upon the execution of the agreement; \$40,000 by March 1, 2011, \$40,000 by March 1, 2012, and \$40,000 by March 1, 2013 (*id.*).

Section 12, entitled Approval and Quality Control of Licensed Products, states, in part:

(a) Licensor will have the right to approve or disapprove, at all stages of development, the quality, style, design, colors, appearance, material, prototypes, packaging and workmanship of all Licensed Products, and to approve or disapprove any and all endorsements, trademarks, trade names, designs, slogans, and/or logos used in

connection with the Licensed Products. Company will not distribute or sell any such product which has not been approved by Licensor or which is, at any time, disapproved by Licensor in accordance with the provisions hereinbelow.

(b) Before distributing or selling any Licensed Products hereunder, Company will submit to Licensor ... for its examination and approval or disapproval, a pre-production sample of each sku thereof together with detailed information on materials, packaging, containers, hang tags, labels and the like. Licensor will within fourteen (14) calendar days of receipt of such sample, examine and either approve or disapprove such sample, and notify Company in writing of its approval or disapproval by the end of the period. If any submitted item is disapproved, Company will be advised of the specific reasons for such disapproval in each case

(*id.*).

Section 22, entitled Termination, states, in part:

(a) If either Party at any time during the Contract Period of this Agreement will (i) fail to make any payment of any sum of money herein specified to be made, or (ii) fail to materially observe or perform any of the covenants, agreements, or obligations hereunder (other than the payment of money), the non-defaulting party may terminate this Agreement as follows: as to (a) if such payment is not made within ten (10) days after defaulting Party will have received written notice of such failure to make payment, or as to (b) if such material default is not cured (if capable of cure) within thirty (30) days after the defaulting party will have received written notice specifying such default

(e) Upon the termination of this Agreement, notwithstanding anything to the contrary

herein, all rights licensed to Company under this Agreement immediately revert to Licensor without any further notice and all unpaid Guaranteed Royalty payments and any other payments due Licensor, including reimbursements and earned Royalty payments, for the Contract Period shall be deemed to be fully earned and shall be paid to Licensor within five (5) days from the effective date of termination ...

(*id.*).

Section 33, entitled Prevailing Party, states:

If any Party to this Agreement brings an action to enforce its rights under this Agreement, the prevailing Party will be entitled to recover its costs and expenses, including reasonable attorneys' fees, incurred in connection with such action, including any appeal of such action. For these purposes, the term "prevailing Party" will mean the Party that will have substantially prevailed on the principal substantive issues in dispute

(*id.*).

It is undisputed that Cinsay made the \$80,000 Guaranteed Royalty payment upon the execution of the Licensing Agreement, but failed to make any additional payments. It is also undisputed that Chicken Soup sent Cinsay written requests for payment. Cinsay failed to comply with the requests for payment and this action ensued.

The Complaint alleges a cause of action for breach of the Guaranteed Royalty payments provision of the Licensing Agreement, and seeks to recover damages in the amount of \$120,000, plus costs, expenses, and interest.

Cinsay answered, generally denying the allegations in the Complaint, and asserting numerous affirmative defenses, including lack of personal jurisdiction over Cinsay and the named plaintiff's lack of standing to sue.

Chicken Soup now seeks summary judgment on the Complaint. In addition to opposing the summary judgment motion, Cinsay seeks to dismiss the Complaint for lack of personal jurisdiction over it, based on the named plaintiff's lack of standing to sue, and based on the doctrine of forum non conveniens.

DISCUSSION

The Complaint alleges that the Court has jurisdiction over Cinsay pursuant to CPLR 302(a)(1), which authorizes the courts of this State to exercise personal jurisdiction over any nondomiciliary who, in person or through an agent, "transacts any business within the state" as to any cause of action arising from such transaction. The purpose of CPLR 302 is to extend the jurisdiction of our State courts to nonresidents who have engaged in some purposeful activity in the State in connection with the matter in suit (see *Parke-Bernet Galleries, Inc. v Franklyn*, 26 NY2d 13, 16 [1970]). CPLR 302 is a single-act statute requiring one purposeful transaction to confer jurisdiction in New York (*id.*). The key inquiry is whether defendant purposefully availed itself of the privilege of conducting activities within New York and thereby invoked the benefits and protections of its laws (*id.* at 18). The burden of proving personal jurisdiction is on the

party asserting it (*see Ziperman v Frontier Hotel of Las Vegas*, 50 AD2d 581 [2d Dept 1975]).

Here, Chicken Soup insists that Cinsay had a purposeful transaction in New York City in connection with the Licensing Agreement. Specifically, Chicken Soup contends that the parties reached a "meeting of the minds" regarding the Licensing Agreement during contract negotiations on January 13, 2012, at the Harvard Club, located at 27 West 44th Street, New York, New York. To support its position, Chicken Soup submits, among other things, a January 15, 2010 email from Matthew Papish, the President and Chief Executive Officer ("CEO") of Cinsay, to William J. Rouhana, Jr., the CEO of Chicken Soup, referencing the parties "meeting of the minds" regarding the Licensing Agreement, and further stating, "I'm pretty clear how this deal can work for both parties and would like to close this up by the end of next week" (Rouhana Affid, Exh 2). The Court finds that this submission amply demonstrates that Cinsay purposefully availed itself of the privilege of doing business in New York so as to be subject to the jurisdiction of the State's courts. Cinsay's assertion that its CEO was introduced to principals from Chicken Soup while in New York on an unrelated matter, and that all of the negotiations concerning the Licensing Agreement took place in Texas or California, are belied by the email submission. Thus, the Court can properly exercise personal jurisdiction over Cinsay in this action.

Cinsay also asserts that the named plaintiff lacks standing to bring this action since it was not a party to the Licensing Agreement. Specifically, Cinsay notes that the caption in the Complaint in this action lists "Chicken Soup for the Soul Publishing, LLC" as plaintiff, whereas the Licensing Agreement names "Chicken Soup for the Soul Publishing, Inc." as Licensor. Defendant's assertion is unavailing given that the correct party plaintiff is in Court, albeit under an incorrect name or title as party plaintiff, and Cinsay is not prejudiced by the mistake (see *Covino v Alside Aluminum Supply Co.*, 42 AD2d 77, 80 [1973]).

Furthermore, a review of Complaint and Licensing Agreement reveals references to both "Chicken Soup for the Soul Publishing, LLC" and "Chicken Soup for the Soul Publishing, Inc." throughout. For example, the introductory clause in the Complaint refers to "Chicken Soup for the Soul Publishing, Inc." (Complaint, Not of Mot, Exh A), and §16 of the Licensing Agreement lists "Chicken Soup for the Soul Publishing, LLC" as Licensor. A mistake or irregularity relating to the name of a party involving a misnomer or misdescription of the legal status of a party is not fatal since it does not affect a substantial right of a party (*id.*). Instead, such mistakes fall within the category of irregularities which are subject to correction by amendment (*id.*). Thus, all that is required here is an amendment changing the name of the corporate plaintiff in the caption to "Chicken Soup for the Soul Publishing, Inc." instead of "Chicken

Soup for the Soul Publishing, LLC". Dismissal of the action is not warranted (*id.*).

Alternatively, Cinsay seeks to dismiss the action based on the doctrine of forum non conveniens. The common law doctrine of forum non conveniens permits a court to stay or dismiss any action where it is determined that the action, although jurisdictionally sound, would be better adjudicated elsewhere (see CPLR 327; *Islamic Republic of Iran v Pahlavi*, 62 NY2d 474, 478-479 [1984]). The burden rests upon the defendant challenging the forum to demonstrate relevant public or private interest factors which militate against accepting the litigation (*Islamic Republic of Iran v Pahlavi*, *supra*, at 479). The Court may consider several factors, including the burden on the New York courts, the potential hardship to the defendant, and the availability of an alternate forum in which plaintiff may bring suit (*id.*). The Court may also consider whether the parties are residents of New York and whether the transaction out of which the cause of action arose occurred primarily in a foreign jurisdiction (*id.*). No single factor is controlling (*id.*). The Court, after considering and balancing the various competing factors, must determine in the exercise of its sound discretion whether to retain jurisdiction (*id.*).

Here, Cinsay asserts that neither party is a New York resident, and that California is a more appropriate forum to hear this dispute. Cinsay also argues that there is no substantial

connection to New York since the Licensing Agreement did not require performance in this State. Cinsay further maintains that although its CEO met principals from Chicken Soup in New York, the negotiations concerning the Licensing Agreement occurred in Texas and California.

Cinsay also asserts that it did not deal with Chicken Soup directly, but instead, dealt with Chicken Soup's marketing agency, IMG. Cinsay states that although IMG is based in New York, it also maintains offices in California, and Cinsay has dealt with IMG's agents in California.

Although Cinsay's assertions highlight its preference to adjudicate this action in California, the assertions do not substantiate disturbing plaintiff's choice of forum. No undue burden on the New York courts or hardship to the Cinsay is apparent. Furthermore, the Licensing Agreement is governed by New York Law, and the parties agreed to submit to the jurisdiction of New York courts to arbitrate their disputes under the agreement (see Licensing Agreement, Not of Mot, Exh B, §34). Thus, in an exercise of its discretion, the Court denies the branch of the cross motion that seeks to dismiss the action based on the doctrine of forum non conveniens.

Turning to the motion for summary judgment, it is well settled that the proponent must make a prima facie showing of entitlement to judgment as a matter of law, tendering sufficient evidence to demonstrate the absence of any material issues of

fact (see *Winegrad v New York Univ. Med. Ctr.*, 64 NY2d 851, 853 [1985]; *Zuckerman v City of New York*, 49 NY2d 557, 562 [1980]). Once this showing has been made, the burden shifts to the party opposing the motion to produce evidentiary proof in admissible form sufficient to establish the existence of material issues of fact which require a trial of the action (*Zuckerman v City of New York*, *supra*). Mere conclusions, expressions of hope, or unsubstantiated allegations or assertions are insufficient to defeat summary judgment (*id.*).

As stated, the Complaint alleges a cause of action for breach of the Guaranteed Royalty payments section of the Licensing Agreement. Chicken Soup's evidentiary proof, including the Licensing Agreement and the written statements of default of the Guaranteed Royalty payments by Cinsay, sufficiently establish a prima facie showing of entitlement to judgment on its breach of contract claim (see *Furia v Furia*, 116 AD2d 694, 695 [2d Dept. 1986]).

In opposition, Cinsay does not dispute that it failed to make all of the Guaranteed Royalty payments contemplated by the Licensing Agreement. Instead, Cinsay asserts that it declined to make the Guaranteed Royalty payments based on the alleged breach of the Licensing Agreement by Chicken Soup.

Furthermore, Cinsay argues that the summary judgment motion should be denied as premature or, at the very least, based on the existence of triable issues of fact. On review of the

submissions, the Court agrees that material issues of fact exist which require a trial of this action.

Cinsay argues that the summary judgment motion is premature since the parties have not yet conducted discovery, and facts essential to opposing the summary judgment motion are in exclusively within Chicken Soup's knowledge and control (see CPLR 3212[f]). Cinsay maintains that Chicken Soup repeatedly withheld approval of the products it submitted for licensing, and that discovery is necessary to determine whether Chicken Soup's actions were reasonable. Cinsay also asserts that discovery is warranted to determine the actual termination date of the Licensing Agreement, which is relevant to Chicken Soup's damage claim.

Cinsay further contends that summary judgment is not appropriate since triable issues of fact exist as to whether the Licensing Agreement is illusory and unenforceable due to lack of any enforceable obligations on the part of Chicken Soup, and whether Chicken Soup breached the terms of the Licensing Agreement by repeatedly and unreasonably withholding approval of Cinsay's submissions. In addition, Cinsay contends that triable issues of fact exist as to the actual termination date of the Licensing Agreement, and, as such, the validity of the amount of Chicken Soup's claim for damages. Cinsay maintains that the Guaranteed Royalty payments due under section 22 of the Licensing Agreement vary depending on when the agreement is terminated.

In reply, Chicken Soup disputes Cinsay's assertion that it complied with the requirements of the Licensing Agreement for submitting product samples for approval, asserting instead, that Cinsay sent IMG only a few pictures of concepts for production of various products. Chicken Soup further asserts that, upon receipt of the pictures, it either requested the actual pre-production samples or rejected the proposed product concepts because of their inferior quality. Chicken Soup claims that Cinsay usually did not respond to its request for actual pre-production samples. Chicken Soup also denies receiving notice of any issues with its product approval process, or its alleged default under the Licensing Agreement, prior to the commencement of this action.

These factual disputes regarding the parties' performance under the Licensing Agreement preclude summary judgment.

Accordingly it is


ORDERED that the motion for summary judgment is denied; and it is further

ORDERED that the cross motion to dismiss the Complaint is also denied; and it is further

ORDERED that the caption in this action is amended to change the name of the corporate plaintiff to "Chicken Soup for the Soul Publishing, Inc."

Dated: 7/16/12

ENTER



J. S. C.

DONNA M. MILLS, J.S.C.

FILED

JUL 27 2012

NEW YORK
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