STATE OF NEW YORK
SUPREME COURT COUNTY OF ALBANY

GERHARD BECKMANN
and JAMES G. KUDLACK,

Plaintiffs,

-against-

THOMAS KRYZAK,

Defendant.

DECISION and ORDER
INDEX NO. 2963-11
RJI NO. 01-12-105833

Supreme Court Albany County All Purpose Term, January 18, 2013
Assigned to Justice Joseph C. Teresi

APPEARANCES:
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TERESI, J.:

Plaintiffs, considering their Amended Complaint in a light most favorable, allegedly entered an agreement with Defendant to develop a business based on their idea for a new type of dredging device. The device is colloquially described as an inverted lunch box, and is referred to as Environmental Lunch Box (hereinafter "ELB"). The parties' intended to jointly patent, market and earn profits from the ELB.

Plaintiffs' Amended Complaint alleges that Defendant breached his part of the agreement

and seeks the imposition of a constructive trust on Defendant's use of his Patent[1] for the ELB, along with attorney's fees and damages.[2] Issue was joined, discovery is complete and a trial date certain has been set. Defendant now moves for summary judgment, arguing that Plaintiffs' action is barred by both collateral estoppel and the statute of frauds, and because this action wrongly seeks to litigate the validity of his patent.[3] Defendant also seeks dismissal of Plaintiffs' attorney's fees claim. Plaintiffs oppose the motion. Although Defendant demonstrated his entitlement to dismissal of Plaintiffs' attorney's fees claim, he failed to meet his prima facie burden on the balance of his summary judgment motion.

As the Decision and Order previously discussed, Defendant bears "the initial burden of making a prima facie showing of entitlement to judgment as a matter of law." (Augur v Augur, 90 AD3d 1111 [3d Dept. 2011]; Alvarez v Prospect Hosp., 68 NY2d 320 [1986]). He must proffer "evidentiary proof in admissible form" (Ulster County v CSI, Inc., 95 AD3d 1634, 1636 [3d Dept 2012]), and his "burden may not be met by pointing to gaps in... proof." (DiBartolomeo v St. Peter's Hosp. of City of Albany, 73 AD3d 1326 [3d Dept. 2010]; Antonucci v Emeco Industries, Inc., 223 AD2d 913 [3d Dept1996]). Only if Defendant makes his prima facie

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[1] Patent No: US 7,264,713 B2; Date of Patent: September 4, 2007; hereinafter referred to as the "ELB Patent."

[2] This Court's Decision and Order, dated February 17, 2012 (hereinafter "Decision and Order"), previously dismissed Plaintiffs' declaratory judgment and punitive damages claims.

[3] To the extent Defendant seeks dismissal of Plaintiffs' cause of action sounding in tortious interference with a prospective business relations, his motion is granted on consent. Plaintiffs' counsel explicitly concedes that no such claim has been stated.

Additionally, contrary to his memorandum of law, Defendant is not entitled to summary judgment because "plaintiffs have failed to demonstrate their entitlement to the imposition of a constructive trust." Such argument attempts to improperly shift the burden on this motion, and is otherwise unsupported by an affirmative factual showing.

showing will Plaintiffs be required to establish, by admissible proof, the existence of a genuine issue of fact. (Zuckerman v. City of New York, 49 NY2d 557 [1980]; Winegrad v New York Univ. Med. Ctr., 64 NY2d 851 [1985]).

Considering the collateral estoppel portion of Defendant's motion first, he failed to establish his entitlement to judgment as a matter of law.

"The equitable doctrine of collateral estoppel precludes a party from relitigating in a subsequent action or proceeding an issue clearly raised in a prior action or proceeding and decided against that party." (Gadani v DeBrino Caulking Assoc., Inc., 86 AD3d 689, 691-92 [3d Dept 2011]; Ryan v New York Tel. Co., 62 NY2d 494 [1984]; Martin v Rosenzweig, 70 AD3d 1112 [3d Dept 2010]). To invoke the "doctrine of collateral estoppel [Defendant] bears the [initial] burden of establishing that the identical issue was necessarily decided in the prior action." (Nachum v Ezagui, 83 AD3d 1017, 1018 [2d Dept 2011], quoting Leung v Suffolk Plate Glass Co., Inc., 78 AD3d 663 [2d Dept 2010]).

Preliminarily, Defendant failed to properly support his motion with the parties' deposition testimony. Although Defendant submitted each of the parties' deposition transcripts, not one was signed. Nor did Defendant demonstrate the admissibility of the transcripts pursuant to CPLR §3116(a). As such, the transcripts did not constitute evidentiary proof in admissible form and will not be considered. (Marks v Robb, 90 AD3d 863 [2d Dept 2011]; Marmer v IF USA Exp., Inc., 73 AD3d 868 [2d Dept 2010]). In addition, because Defendant's attorney's affirmation is not based upon "personal knowledge of the operative facts [it is of no]... probative value." (2 North Street Corp. v Getty Saugerties Corp., 68 AD3d 1392 [3d Dept 2009]; Groboski v Godfroy, 74 AD3d 1524 [3d Dept 2010]).

Defendant's admissible proof is similarly unavailing. Defendant properly submitted his own affidavit and one page of his ELB Patent. Neither document, however, details the issues the US Patent and Trademark Office (hereinafter "PTO") necessarily decided in granting Defendant's patent application (which was not submitted). Nor do they demonstrate that Plaintiffs' instant breach claims are identical to those issues decided by the PTO in granting his ELB Patent. The PTO's September 28, 2011 Office Action (hereinafter "2011 PTO Action") likewise fails to sufficiently establish Defendant's entitlement to dismissal. The 2011 PTO Action denied, according to Defendant, Plaintiffs' "applications []for co-inventorship and for sole inventorship." Neither issue, however, has been raised in this action. Rather, the issue here is Defendant's breach of the parties' business creation agreement. Moreover, reviewing the 2011 PTO Action itself, it did not necessarily decide Plaintiffs' breach claims. Instead, it specifically rejected Plaintiffs' application because it was "anticipated by [the ELB Patent.]"

Accordingly, that portion of Defendant's motion seeking summary judgment by operation of the doctrine of collateral estoppel is denied because Defendant failed to meet his prima facie burden. Thus, "the sufficiency of [Plaintiffs'] opposition papers [are] of no relevance." (Hickey v Arnot-Ogden Medical Center, 79 AD3d 1400, 1402 [3d Dept 2010]; Anderson v Skidmore Coll., 94 AD3d 1203 [3d Dept 2012]).

Turning to Defendant's motion premised upon the Statute of Frauds, GOL §5-701(a)(1), again he failed to demonstrate his prima facie entitlement to judgment.

GOL §5-701(a)(1) renders void any oral agreement that "[b]y its terms is not to be performed within one year from the making thereof." "In deciding if an oral agreement falls within the statute of frauds, it matters not that it was unlikely or improbable that the contract

could be performed within a year; rather, [t]he critical test ... is whether 'by its terms' the agreement is not to be performed within a year." (Gelman v Buehler, 91 AD3d 425, 426-27 [1st Dept 2012], quoting Freedman v Chemical Constr. Corp., 43 NY2d 260 [1977][internal quotation marks omitted]; Hydro Investors, Inc. v Trafalgar Power, Inc., 6 AD3d 882 [3d Dept 2004]; Pugliese v Mondello, 57 AD3d 637 [2d Dept 2008]).

On this record, Defendant proffered no proof to establish that the alleged oral agreement, by its terms, cannot be performed within one year. Nor has he even alleged that such a provision exists. Defendant's singular reliance on the lack of a writing is insufficient. Because Defendant did not demonstrate that the agreement upon which Plaintiffs' Amended Complaint is based contains a term that prohibits its performance within one year, he is not entitled to summary judgment pursuant to GOL §5-701(a)(1). Accordingly, this portion of his motion is denied.

Similarly unavailing is that portion of Defendant's motion for summary judgment based upon Plaintiffs' alleged wrongful challenge to the validity of his ELB Patent. As the Decision and Order clearly stated: "actions involving [fraud, constructive trusts, or] contracts relating to patents... are not considered suits arising under [Federal patent] laws, and are properly brought in the State court." (Am. Harley Corp. v Irvin Indus., Inc., 27 NY2d 168, 172 [1970]; Mechanical Plastics Corp. v Rawlplug Co., Inc., 119 AD2d 641, 643 [2d Dept 1986]; Research Corp. v Singer-Gen. Precision, Inc., 36 AD2d 987, 988 [3d Dept 1971]; Carbon Activation U.S., Inc. v Gen. Carbon Corp., 278 AD2d 442 [2d Dept 2000]; Farrell v Comstock Group, Inc., 211 AD2d 493 [1st Dept 1995]; Frigi-Griffin, Inc. v Leeds, 52 AD2d 805 [1st Dept 1976]). Moreover, the Decision and Order already dismissed Plaintiffs' claim that challenged the validity of Defendant's ELB Patent. Because Defendant failed to show Plaintiffs' Amended Complaint's

breach claims arise under the Federal patent laws, this portion of his motion is denied.

Turning to Defendant's motion for summary judgment dismissing Plaintiffs' attorney's fees claim, he duly demonstrated his entitlement to summary judgment.

"The American Rule provides that, unless a shifting of counsel fees is provided for by statute[, court rule] or contract, each party is responsible for its own counsel fees." (Flemming v Barnwell Nursing Home and Health Facilities, Inc., 56 AD3d 162, 167 [3d Dept 2008] affd, 15 NY3d 375 [2010]; Schuyler Meadows Country Club, Inc. v Holbritter, 95 AD3d 1408 [3d Dept 2012] lv to appeal denied, 19 NY3d 813 [2012]).

Here, the Amended Complaint seeks to recover the attorney's fees Plaintiffs incurred when challenging Defendant's ELB Patent. The Amended Complaint does not, however, set forth a statute, court rule or contract that authorizes such fee shifting. As such, Plaintiffs failed to state a cause of action for attorney's fees. Moreover, in opposition, Plaintiffs' raised no triable issue of material fact by alluding to this Court's equitable power to award attorneys fees.[4]

Accordingly, Plaintiffs' cause of action for attorney's fees is dismissed.

This Decision and Order is being returned to the attorneys for Plaintiffs. A copy of this Decision and Order and all other original papers submitted on this motion are being delivered to the Albany County Clerk for filing. The signing of this Decision and Order shall not constitute entry or filing under CPLR §2220. Counsel is not relieved from the applicable provision of that section respecting filing, entry and notice of entry.

So Ordered.

Dated: January 7, 2013
Albany, New York

JOSEPH C. TERESI, J.S.C.

[4] Plaintiffs neither cited to nor raised an issue under 35 USCA §285.

PAPERS CONSIDERED:

1. Notice of Motion, dated December 4, 2012; Affidavit of Terence Hannigan, dated December 4, 2012; Affidavit of Thomas Kryzak, dated December 4, 2012, with attached Exhibits A-O.
2. Affidavit of Gerhard Beckmann, dated January 11, 2013; Affidavit of James Kudlack, dated January 10, 2013; Affidavit of Louis-Jack Pozner, dated January 10, 2013, with attached Exhibits A-H.
3. Affidavit of Timothy Hannigan, dated January 18, 2013, with attached unnumbered exhibit.