

The Jones Group Inc. v Zamorra

2014 NY Slip Op 31448(U)

April 9, 2014

Supreme Court, New York County

Docket Number: 651402/2013

Judge: Eileen Bransten

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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK : IAS PART 3

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THE JONES GROUP INC. and JAG FOOTWEAR,
ACCESSORIES AND RETAIL CORPORATION,

Plaintiffs,

-against-

Index No.: 651402/2013
Motion Seq. No.: 002
Motion Date: 01/15/2014

ROBERTO ZAMARRA, ELLEN WEINBERG,
M. RICHARDS and KENNETH COLE
RACHEL PRODUCTIONS, INC.,

Defendants.

-----X
EILEEN BRANSTEN, J.:

This is an action by Plaintiffs The Jones Group Inc. and JAG Footwear, Accessories and Retail Corporation (“JAG”) (collectively, “Jones”) against three former employees, Defendants Roberto Zamarra, Ellen Weinberg, and Rachel M. Richards (collectively, the “Individual Defendants”), and their current employer, defendant Kenneth Cole Productions, Inc. (“KCP”). KCP now moves to dismiss the first amended complaint (“Complaint”) pursuant to CPLR 3211(a)(7). Plaintiffs oppose. For the reasons that follow, KCP’s motion is granted in part and denied in part.

I. Background

This action centers on the allegation that KCP and the Individual Defendants conspired to deprive Jones of its employees and its confidential business information. Plaintiffs allege that Defendant Zamarra began his employment with Jones in 2003. In

2006, he signed an employment agreement with Nine West Footwear Corporation, the predecessor of JAG (the “2006 Employment Agreement”), which provided for automatic renewal unless either party gave notice of termination. The 2006 Employment Agreement contained a noncompetition and nonsolicitation clause, which provided in relevant part:

For a period commencing the date hereof and continuing until two (2) years after the expiration of the Term, you shall not, directly or indirectly, hire or solicit, induce or attempt to solicit or induce, any person known by you to be an employee, officer, partner, principal, member or consultant of the Company or its subsidiaries, affiliates, successors or assigns, to terminate his or her employment or other relationship with the Company or any of its subsidiaries, affiliates, successors or assigns for any purpose.

See Affirmation of Q. Jennifer Yang (“Yang Affirm.”) Ex. S § 6(d) (2006 Employment Agreement).

On April 4, 2012, Zamarra notified Jones that he was not renewing the agreement, though he continued working for Jones until March 2013. During 2012, Zamarra entered into discussions with KCP about working for that company. On February 25, 2013, Zamarra allegedly announced his resignation from Jones, effective March 8, 2013.

Defendants Weinberg and Richards signed employment agreements with KCP on February 21, 2013 and resigned from Jones effective March 29, 2013. At their exit interviews with Jones’s Human Resources Department, Plaintiffs allege that each of the Individual Defendants signed a Proprietary Agreement indicating that they understood that Jones’s policy “strictly prohibits removal, reproduction or any other release of [Jones

proprietary] information to anyone other than associates of The Jones Group, Inc.” See First Amended Complaint (“Compl.”) ¶ 40. Plaintiffs allege that on April 1, 2013, Weinberg began working for KCP, and that Richards joined KCP at about the same time.

During the time, Plaintiffs allege that Zamorra was a highly paid senior executive employee of Jones, and subject to an employee non-solicitation covenant and confidentiality agreement. Plaintiffs further contend that KCP used Zamorra as its agent to recruit Weinberg and Richards to work for KCP and to misappropriate and transfer to KCP proprietary and confidential business information and trade secrets which belonged to Jones.

Plaintiffs now bring seven of the twelve causes of action in their Complaint against KCP. Through the instant motion, KCP seeks dismissal of each of these seven claims.

II. Discussion

On a motion to dismiss a complaint for failure to state a cause of action, all factual allegations must be accepted as truthful, the complaint must be construed in a light most favorable to the plaintiff and the plaintiff must be given the benefit of all reasonable inferences. *Allianz Underwriters Ins. Co. v. Landmark Ins. Co.*, 13 A.D.3d 172, 174 (1st Dep’t 2004). “We . . . determine only whether the facts as alleged fit within any cognizable legal theory.” *Leon v. Martinez*, 84 N.Y.2d 83, 87-88 (1994). However,

“factual claims [that are] either inherently incredible or flatly contradicted by documentary evidence are not entitled to such consideration.” *Mark Hampton, Inc. v. Bergreen*, 173 A.D.2d 220, 220 (1st Dep’t 1991) (citation omitted), *lv. denied* 80 N.Y.2d 788 (1992); *see also Caniglia v. Chicago Tribune-N.Y. News Syndicate*, 204 A.D.2d 233 (1st Dep’t 1994).

A. *Third Cause of Action: Inducing and Aiding and Abetting Breach of the Duty of Loyalty Against KCP*

A claim for aiding and abetting a breach of fiduciary duty requires: (1) a breach by a fiduciary of obligations to another, (2) that the defendant knowingly induced or participated in the breach, and (3) that plaintiff suffered damage as a result of the breach. *Kaufman v. Cohen*, 307 A.D.2d 113, 125 (1st Dep’t 2003). “Constructive knowledge of the breach of fiduciary duty by another is legally insufficient to impose aiding and abetting liability.” *Id.*; *see also Global Mins. & Metals Corp. v. Holme*, 35 A.D.3d 93, 101-102 (1st Dep’t 2006) (“Actual knowledge, as opposed to merely constructive knowledge, is required and a plaintiff may not merely rely on conclusory and sparse allegations that the aider or abettor knew or should have known about the primary breach of fiduciary duty.”). Instead, “[a] person knowingly participates in a breach of fiduciary duty only when he or she provides ‘substantial assistance’ to the primary violator.” *Kaufman*, 307 A.D.2d at 126.

In support of count three, Plaintiffs allege that KCP induced and substantially assisted the Individual Defendants in breaching their duty of loyalty to Plaintiffs by: (1) causing Zamarra to solicit and negotiate Weinberg and Richard's resignation from Jones in order to work for KCP; (2) causing Zamarra to solicit other Jones employees to work for KCP; (3) seeking and accepting information from the Individual Defendants concerning Jones's confidential business information, trade secrets and documents; (4) soliciting the Individual Defendants to perform work for KCP while they were still working for Jones; and, (5) supporting and encouraging Zamarra's solicitation of Jones's customers while he was still employed by Jones. *See* Compl. ¶ 74. Each of these allegations will be addressed in depth below.

1. Solicitation of Weinberg and Richards to Work For KCP

Plaintiffs allege that as a senior executive at Jones, Zamarra had a duty of loyalty to the company, as well as a contractual duty, not to solicit other Jones employees to leave their jobs and come to work for KCP.

Based upon a review of the email accounts and company cell phones used by the Individual Defendants before they left Jones's employ, the Complaint alleges that "KCP was using Zamarra as its agent to recruit [Weinberg and Richards]" to resign from Jones and come with him to KCP. *See* Compl. ¶ 51. Those emails begin with a November 25,

2012 message from Zamorra in which he “proposed to ‘cut’ at KCP” and indicated that Kenneth Cole “was on board with all changes, he wants my players.” *Id.* The emails continue through February 3, 2013, and generally show that Zamorra was aware of the specifics of KCP’s employment offers to Weinberg and Richards. In addition, these emails state that, at least to some extent, he was communicating with Weinberg and Richards regarding the salary they would need in order to leave Jones, and that he assisted in setting up a meeting between Weinberg and Richards and KCP personnel.

Plaintiffs contend that Zamorra had a fiduciary duty not to recruit his former associates to move to KCP with him when he changed jobs. It is, however, far from clear that Zamorra had a “duty of loyalty” separate and apart from his alleged contractual duty of non-solicitation to refrain from soliciting his former colleagues to join him at KCP. “[T]he mere inducement of an at-will employee to join a competitor [is not] actionable, unless dishonest means are employed, or the solicitation is part of a scheme designed solely to produce damage.” *Men Women NY Model Mgmt., Inc. v. Ford Models, Inc.*, 32 Misc.3d 1236[A] at *4 (Sup. Ct. N.Y. Cnty. Aug. 15, 2011) (quoting *Headquarters Buick-Nissan v. Michael Oldsmobile*, 149 A.D.2d 302, 304 (1st Dept 1989)). Here, it is not alleged that Weinberg and Richards were other than at-will employees, nor is it alleged that either Zamorra or KCP used dishonest means or that they offered jobs to Weinberg and Richards solely in order to produce damage to Jones.

Plaintiffs attempt to analogize to the facts of *Men Women NY Model Mgmt. v. Ford Models, Inc.*, which sustained an aiding and abetting claim; however, the complaint in that case underscores the deficiencies in Plaintiff's pleading, as it alleged far greater affirmative action by the defendant-company than the Complaint here. There, it was alleged that, for the purpose of evaluating a potential transaction to acquire Men Women NY Model Management ("Women"), the defendant, Ford Models, Inc. ("Ford"), had a confidentiality agreement with Women, granting it access to Women's confidential sensitive business information. It was further alleged that Ford's purchase offer was ultimately rejected by Women as inadequate, and that thereafter, Ford recruited Women's employees but asked them to delay their departures for a short period of time, "further encouraging the diversion of Women's modeling relationships and business opportunities to Ford." 32 Misc.3d 1236(A) at *2. Women further alleged that "Ford was attempting to 'take' what it could not 'buy' by poaching plaintiff's top executives and inducing them to breach their fiduciary duties to Women by encouraging other employees to leave Women" and that ultimately 9 of Women's 35 employees resigned to join Ford. *Id.* at *4. These allegations are a far cry from what is alleged against KCP here.

The emails and messages on which Jones bases its allegation that KCP used Zamarra as its agent to recruit Weinberg and Richards begin with an alleged message

dated November 25, 2012.¹ Neither the recipient, nor the meaning, of the message is clear. Although the Complaint suggests that the message referred to Jones employees that Zamarra intended to bring over to KCP, the quoted language about persons Zamarra “proposed to ‘cut’ at KCP” suggests it may have referred to existing KCP employees that Zamarra intended to fire when he came to work at KCP, not Jones employees that he intended to bring with him. Further, the language indicating that Kenneth Cole was “on board” with Zamarra’s proposal, by itself, demonstrates no more than that KCP reacted favorably to Zamarra’s proposal, whatever it was, and not that KCP affirmatively encouraged Zamarra to recruit Jones employees.

Plaintiff omits a January 13, 2013 email from Zamarra to Gayle Catropa at KCP from its listing of emails. In this document, Zamarra lists a number of issues of concern to him, in addition to his proposed compensation. Those issues include the following:

2. I need to negotiate immediately with My [sic] current SVP to get her on board. As this role is critical and I need her on My [sic] team. This will also include my VP of design. Both roles will cost money and I need to have the funds to bring in talent. This is why I keep asking about YP and KT’s termination status.

Please understand that all of the above is rigid based on my current personal situation. ... That is why I cannot waiver on what I have listed above.

¹ Unlike the emails, relied on by Jones, a copy of the November 25, 2012 message does not appear to have been included in Plaintiffs’ papers, perhaps because it was a text message rather than an email.

See Affirmation of Robert S. Whitman (“Whitman Affirm.”) Ex. D (1/13/13 email from Roberto Zamorra to Gayle Catropa). The Court notes that all of the emails referred to in the Complaint concerning the possible employment of Weinberg and Richards by KCP follow Zamorra’s urging that his “Team” be hired along with him, suggesting that rather than KCP using Zamorra as its agent to recruit his former associates to work for KCP, Zamorra was initiating their recruitment. Indeed, his question in the January 13, 2013 email about the termination status of YP and KT would appear to clarify that his November 25, 2012 mention of the persons he proposed to cut at KCP referred not to Jones employees, but existing KCP employees.

Thus, the documents used to support Jones’s claim that “KCP used Zamorra as its agent to recruit Weinberg and Richards,” *see* Compl. ¶ 51, coupled with the documents submitted by KCP, which Jones failed to include, indicate little more than that KCP acceded to Zamorra’s urgings that KCP hire his former colleagues, and not that KCP was using Zamorra as its agent to recruit them.

Thus, even assuming that Zamorra indeed had a fiduciary duty (apart from a contractual duty) to not solicit his former associates to work for KCP, Plaintiffs’ allegations fail to state that KCP gave “substantial assistance” to Zamorra beyond agreeing to hire the former associates that Zamorra wished to bring with him to KCP.

2. Solicitation of Other Jones employees

Plaintiffs fail to allege that Zamarra solicited employees other than Weinberg and Richards to leave Jones for KCP in other than conclusory terms, so this allegation fails as well. *See, e.g., Ahead Realty LLC v. India House, Inc.*, 92 A.D.3d 424, 425 (1st Dep't 2012) (dismissing claim as "insufficient" because "complaint contains only conclusory allegations that fail to state a cause of action upon which relief may be granted); *Schonfeld v. Thompson*, 243 A.D.2d 343, 343-44 (1st Dep't 1997) (affirming dismissal of claims deemed conclusory and lacking factual support in the pleading).

3. Solicitation of the Time and Skills of Jones Employees

The Complaint also alleges that KCP "solicited [the Individual Defendants] to perform work for the benefit of KCP, thereby misappropriating their time, labor and skills." *See* Compl. ¶ 54.

In support of this allegation, the Complaint references four emails: (1) a January 13, 2013 email from Richards to Zamarra in which she said that she was "going to already start working on stuff [for KCP] when I'm in Paris. Just bang out my [Jones] responsibilities then move on"; (2) a February 17, 2013 email from Kenneth Cole to Zamarra to set up a meeting with him and Weinberg in Las Vegas to "work with shoes" and to "strategize"; (3) a March 1, 2013 email from Kenneth Cole to Zamarra asking him

to attend a showroom walkthrough on March 6, 2013; and, (4) a March 20, 2013 email from Zamorra to a KCP executive asking to meet in private because “Rachel and I need to be careful that she isn’t seen here until she is officially out of Jones [sic] which is two weeks from now. We don’t want to get sued.” *Id.*

There is no indication in the January 13, 2013 email from Richards to Zamorra that she failed to carry out her responsibilities for Jones. To the contrary, it suggests that Richards intended to do her required work for Jones. Again, nothing in the February 17, 2013, March 1 or March 20 emails suggest that any of the Individual Defendants were not performing their required work for Jones in the final days of their employment. The showroom walkthrough that KCP asked Zamorra to attend on March 6, 2013, was scheduled a mere two days before Zamorra’s employment at Jones ended. Thus, taking these allegations in the light most favorable to Plaintiffs, they nonetheless fail to state the sort of “substantial assistance” required for a breach of fiduciary duty.

4. Misappropriation of Jones’s Confidential Information

Jones also alleges that KCP and the Individual Defendants misappropriated Jones’s confidential and proprietary information. Plaintiffs allege, for example, that “[a]s early as January 31, 2013, Richards and Zamorra were discussing ‘the need to start a ‘stash’ of things to bring with us’ and the ‘need to save ideas’ for KCP.’” (Compl. ¶ 55.) Further,

Plaintiffs contend that after signing the employment agreement with KCP, Richards sent herself copies of Jones documents, while Weinberg also sent copies of Jones documents to herself and to Zamarra, after he announced his resignation. *Id.* However, there is no allegation that KCP requested or encouraged the Individual Defendants to take those actions.

Plaintiffs further allege that shortly before he started work at KCP, Zamarra sent additional Jones documents to the Senior Director of Production and Product Development and/or the Senior Director of Merchandising at KCP. These documents included “a class plan template that we use at Jones group,” nonpublic vendor information and a “Masters List ... containing non-public information about Jones material and suppliers.” *Id.* ¶ 57. Plaintiffs also allege that shortly after Zamarra began to work at KCP, he received other nonpublic Jones documents from various Jones employees, including Weinberg and Richards, and forwarded them to high-level KCP employees. *Id.*

Although Plaintiffs have failed to allege any actions by KCP to induce or aid and abet Zamarra, Richards or Weinberg to take copies of Jones’s documents, the calculus changes with respect to Zamarra’s actions after he became an employee of KCP. At that point, if, as it is alleged, Zamarra provided Jones’s confidential documents to other high-level KCP staff, he was acting on behalf of KCP. While it is not clear that Plaintiffs will be able to establish that the documents contained proprietary information or trade secrets,

or that they sustained damages as a result of KCP allegedly obtaining their documents, KCP's motion to dismiss is denied with respect to that aspect of the third cause of action, pertaining to Zamorra's actions after becoming a KCP employee.

5. Solicitation of Jones's Customers

Finally, Plaintiffs allege that the Individual Defendants, with KCP's support, solicited Jones's customers on behalf of KCP. Although Plaintiffs allege that on February 28, 2013, Weinberg assisted Zamorra in "populating his list of contacts before his departure from Jones," *see* Compl. ¶ 59, and that Zamorra had discussions with at least one high-level customer of Jones about working with her once he left Jones, Plaintiffs fail to allege that KCP actually assisted or gave support to Zamorra with his efforts to solicit customers. At best they allege that KCP "was aware of at least one instance" of Zamorra's alleged solicitation of a Jones customer and that Kenneth Cole emailed Zamorra to say that he "[g]ot a couple of nice supportive emails. Its [sic] great to see." *Id.* ¶ 61. This allegation does not constitute "substantial assistance" necessary to sustain an aiding and abetting cause of action.

B. *Fifth Cause of Action: Tortious Interference, Inducing and Aiding and Abetting Breach of Non-Solicitation Covenant Against KCP*

In their fifth cause of action, Plaintiffs allege that KCP both knew about Zamarra's non-solicitation obligations under the 2006 Employment Agreement and intentionally induced him to breach those obligations. Specifically, Plaintiffs contend that KCP caused Zamarra to solicit and negotiate the resignation of Weinberg and Richards from Jones, as well as their employment by KCP. *See* Compl. ¶ 85.

To state a claim for tortious interference with contract, the Complaint must allege "the existence of a valid contract between the plaintiff and a third party, defendant's knowledge of that contract, defendant's intentional procurement of the third-party's breach of the contract without justification, actual breach of the contract, and damages resulting therefrom." *Lama Holding Co. v. Smith Barney*, 88 N.Y.2d 413, 424 (1996). Moreover, "[t]he knowledge on defendant's part of plaintiff's contract rights must be actual. It is not sufficient that defendant should have known of those rights if defendant did not in fact know of them." *Monex Fin. Serv. Ltd. v. Dynamic Currency Conversion, Inc.*, 19 Misc 3d 1113(A), at *6 (Sup. Ct. Nassau Cnty. 2008), *aff'd as mod.* 62 A.D.3d 675 (2d Dep't 2009).

On February 17, 2012, Kenneth Cole emailed Zamarra asking him to "conf when you can ASAP as to the specifics of your prior agreement with Jones in regard to 'soliciting other employees'" and asked Zamarra to send a copy of the agreement to

KCP's general counsel, Mike Colosi. On February 18, 2013, Zamarra answered Cole's email stating:

I just spoke to my attorney who read the contract. Since the contract has expired she is confident that we will have no issues. The contract spells out - if under a severance tied to the terms of the contract I agree to non solicit for two years. Since the contract is expired and no longer enforceable the terms of the contract aren't applicable. I never received a severance from the company that is tied to the contract nor have they attempted to renew the contract terms. Therefore, the document is expired.

See Yang Affirm. Ex. T (email from Roberto Zamarra to Kenneth Cole dated 2/18/2013).

Apparently, on February 21, 2013, at 5:37 p.m. Zamarra faxed a copy of the 2006

Employment Agreement to Sara Silver at KCP. *See Whitman Affirm. Ex. G.*

Plaintiffs allege that, on March 29, 2013, after learning of the resignations of Weinberg and Richards, Jones's Associate General Counsel wrote to Zamarra, with a copy to KCP, reminding him of the non-solicitation provision of the 2006 Employment Agreement. *See Compl.* ¶ 43. Then, on April 5, 2013, Steven M. Kayman, counsel for Jones, wrote to Zamarra with a copy to KCP "to advise him of Jones's concerns about his violations of the legal obligations he owed to Jones and to again remind him of both his non-solicitation and trade secret and confidential business information covenants under the 2006 Agreement." *Id.* ¶ 44. On April 12, 2013, Kayman wrote to KCP's general counsel advising him of Jones's concerns. *Id.* ¶ 45. On April 12, 2013, KCP's counsel, Michael F. Colosi, wrote to Jones's General Counsel stating:

Unfortunately we were not aware that [Zamorra] was subject to a non-solicitation period. As we do with all incoming executives, we inquired as to whether [Zamorra] had any ongoing contractual obligations with his former employer that might impact his employment with our company, such as a non-competition or non-solicitation provision. Based on his belief that his employment agreement with the Jones Group had been terminated in its entirety, [Zamorra] confirmed that he was not subject to any such restrictions.

Now that we are aware of the two year non-solicitation obligation, we will ensure that [Zamorra] is not involved in any recruiting or solicitation of employees of the Jones Group during the applicable period.

See Whitman Affirm. Ex. H (April 12, 2013 Letter from Michael F. Colosi to Ira M. Dansky).

Nearly all of the emails relied on by Jones to establish that KCP induced Zamorra to violate the non-solicitation provision of his 2006 Employment Agreement occurred between November 25, 2012 and February 13, 2013. *See* Compl. ¶ 51 (referencing emails dated November 25, 2012, January 13, 2013, January 14, 2013, January 28, 2013, February 2, 2013, February 3, 2013 and February 13, 2013). These dates are prior to February 17, 2013, when KCP apparently requested a copy of Zamorra's employment agreement with Jones, and prior to February 21, 2013, when a copy of that agreement was faxed to KCP.

Documents provided by KCP appear to indicate that Zamorra sent a copy of the 2006 Employment Agreement to Sara Silver of KCP at 5:37 p.m. on February 21, 2013, the date that Weinberg and Richards signed the KCP employment agreements, and that

the countersigned employment agreements were returned to Weinberg and Richards by KCP on the morning of February 22, 2013, the day after KCP presumably received a copy of Zamarra's employment agreement. *See* Whitman Affirm. Ex. E, F & G. Thus, KCP's February 17, 2013 request for a copy of Zamarra's employment agreement with Jones, and its apparent February 21, 2013 receipt of a copy of that agreement, raise questions of fact about whether KCP had knowledge of the noncompetition provision in Zamarra's 2006 contract with Jones prior to hiring Weinberg and Richards.

Citing *Cantor Fitzgerald Associates, L.P. v. Tradition North America, Inc.*, 299 A.D.2d 204 (1st Dep't 2002), KCP argues that Plaintiffs have failed to allege "but for" causation, i.e. that the contract would not have been breached, but for the defendant's conduct. In *Cantor Fitzgerald*, however, evidence at trial established that the employees who breached their contracts with plaintiff, their former employer, by going to work for the defendant, had already become dissatisfied with their prior employment and were determined to breach their contracts with the plaintiff. Defendants fail to show any such facts here that would necessitate dismissal of Jones's tortious interference claim.

Because of the question of fact as to whether KCP was aware of the non-solicitation provision in Zamarra's 2006 Employment Agreement prior to the time it agreed to hire Weinberg and Richards, the court need not reach Jones's argument that to

avoid liability for tortious interference, KCP was required to rescind its employment offers to Weinberg and Richards.

C. Seventh Cause of Action: Tortious Interference, Inducing and Aiding and Abetting Breach of Confidentiality Provision Against KCP

In their seventh claim, Plaintiffs allege that KCP knew about Zamarra's confidentiality obligations under the 2006 Employment Agreement and that KCP intentionally induced and substantially assisted him in breaching those obligations. According to the allegations in the Complaint, KCP became aware of the provisions of the 2006 Employment Agreement at some time between February 17 and February 25, 2013. However, there are no allegations that KCP took any action to encourage Zamarra to obtain confidential information in breach of the 2006 Employment Agreement before that time period. Accordingly, Plaintiff's attempt to plead tortious interference with the confidentiality provisions of the 2006 Employment Agreement fails, since it is grounded in Zamarra's alleged misappropriation of Jones's confidential information before KCP allegedly had knowledge of the 2006 Employment Agreement.

The Complaint also alleges, however, that on March 5, 13, and 14, 2013, Zamarra provided Jones's information to KCP staff members, which they retained on their computers. This purportedly occurred after KCP was aware of the provisions of the 2006 Employment Agreement, and, with respect to the March 13 and 14 receipt of information,

after Zamarra had begun working for KCP. Thus, to that extent, KCP's motion to dismiss the seventh cause of action is denied.

D. *Ninth Cause of Action: Conversion Against KCP*

Plaintiffs next allege that the Individual Defendants provided copies of Jones's confidential business information and trade secrets to KCP, which KCP retained on its computer system and did not return to Jones. Plaintiffs allege that KCP therefore is liable for conversion of Jones's property.

Citing *State of New York v. Seventh Regiment Fund*, 98 N.Y.2d 249, 259-260 (2002), KCP contends that the cause of action for conversion must be dismissed because "a defendant who, though having custody of goods, does not exclude the owner from the exercise of his rights is not liable for conversion."

Jones argues that in the digital age, intangible property such as computer files are subject to an action for conversion regardless of exclusivity. Relying on the case of *Thyroff v. Nationwide Mutual Insurance Company*, 8 N.Y.3d 283 (2007), Jones contends that the Court of Appeals has recognized that the tort of conversion can apply to electronic records and cites the recent case of *New York Racing Association v. Nassau Regional Off-Track Betting Corp.*, 29 Misc. 3d 539, 546 (Sup. Ct. Nassau Cnty. 2010). In *New York Racing Association*, the court denied the Defendants' motion to dismiss a

conversion claim “even though [the plaintiff] was not ‘excluded’ from access to the electronic data.” In so finding, the court stated that the Court of Appeals in *Thyoff* suggested that a plaintiff could maintain a cause of action for conversion when its electronically stored data was misappropriated, regardless of whether the plaintiff was excluded from access to that intangible property.

The facts of this case, however, are not in accord with *Thyoff*. In *Thyoff*, the plaintiff alleged that he no longer had access to his computer files and could establish the element of deprivation of his property. Further, in discussing the applicability of the tort of conversion to intangible property, the Court of Appeals specifically pointed to the situation where a thief transfers shares of stock from a person’s financial account to the account controlled by the thief and the situation where electronic documents are converted by a third party by pressing the delete button - thereby depriving the owner of access to its documents. *Thyoff*, 8 N.Y.3d at 292. Plaintiffs do not allege such a deprivation here.

This Court therefore concludes that the element of deprivation of property still applies to the tort of conversion, and that Plaintiffs’ ninth cause of action therefore must be dismissed since no deprivation is asserted.

E. *Tenth Cause of Action: Misappropriation of Trade Secrets and Confidential Information Against KCP*

Plaintiffs next allege that KCP, through its senior employees and Zamorra, received and retained Jones's nonpublic confidential and proprietary information on its computer system, since at least March 2013.

To establish misappropriation of trade secrets, Plaintiffs must allege that "(1) [KCP] possessed a trade secret; and (2) that Defendants are using such trade secret in breach a duty of loyalty or as a result of discovery by improper means." *1-800 Postcards, Inc. v. AD Die Cutting & Finishing Inc.*, 28 Misc 3d 1216(A), at *2 (Sup. Ct. N.Y. Cnty. 2010). According to KCP, since it had no duty of loyalty to Jones, the tort of misappropriation of trade secrets cannot lie. As previously discussed, however, when Zamorra was an employee of KCP, he may have breached a duty of loyalty to Jones by allegedly providing Jones's property to other senior employees of KCP.

KCP further contends that, in any case, Jones has failed to sufficiently allege that the information allegedly in KCP's possession contains trade secrets. According to KCP, to establish that information is entitled to protection as trade secrets, the following factors must be alleged:

- (1) the extent to which the information is known outside of the business;
- (2) the extent to which it is known by employees and others involved in the business;

- (3) the extent of measures taken by the business to guard the secrecy of the information;
- (4) the value of the information to the business and its competitors;
- (5) the amount of effort or money expended by the business in developing the information; [and]
- (6) the ease or difficulty with which the information could be properly acquired or duplicated by others.

J&L Am. Enter., Ltd. v. DSA Direct, LLC, 10 Misc. 3d 1076(A), at *4-*5 (Sup. Ct. N.Y. Cnty. 2006) (quoting *Ashland Mgmt., Inc. v. Janien*, 82 N.Y.2d 395, 407 (1993) (citation omitted)). According to KCP, Jones has only made boilerplate allegations that the information in question is “non-public, confidential and proprietary information that Jones has expended time, money and skill to develop,” see Compl., ¶ 107, and that is insufficient. Moreover, according to KCP, the information it is alleged to have consists of business cards, which are publicly available and, therefore, do not constitute trade secrets and a list of suppliers (the Master List), which cannot be considered a trade secret. See *SRM Beauty Corp. v. Sook Yin Loh*, 30 Misc.3d 1222(A) (Sup. Ct. Queens Cnty. 2011).

Whether particular information is, in fact, secret is a question of fact. *Ashland Mgmt. Inc.*, 82 N.Y.2d at 407. Though it may be more difficult for Jones to establish the business cards of potential suppliers constituted confidential information, Jones alleges

that the Boutique 9 Materials List of contacts in China, was, in fact, secret, and KCP has not provided any information to counter that allegation.

Jones also argues that the cases relied on by KCP were decided on the grounds that no precautionary measures had been employed by the plaintiff to maintain secrecy of documents, and here, Jones maintained confidentiality agreements with its employees.

Since on a motion to dismiss, the allegations in the complaint must be liberally construed, the motion to dismiss the tenth cause of action is denied.

F. *Eleventh Cause of Action: Unfair Competition Against KCP*

Plaintiffs further allege that KCP engaged in unfair competition by misappropriating the labor, skills and expenditures of Jones by soliciting the Individual Defendants to perform work for KCP while they were still employed by Jones. In addition, Plaintiffs contend that KCP misappropriated and used Jones's property and confidential information. *See* Compl. ¶ 111.

To plead an unfair competition claim, Plaintiffs must allege "the bad faith misappropriation of a commercial advantage which belonged exclusively to [them]." *LoPresti v. Mass. Mut. Life Ins. Co.*, 30 A.D.3d 474, 476 (2d Dep't 2006); *see also Ahead Realty, LLC v. India House, Inc.*, 92 A.D.3d 424, 425 (1st Dep't 2012) (same).

KCP seeks dismissal here on the grounds that the Complaint fails to plead the requisite elements of bad faith and misappropriation of a competitive advantage. Review of the Complaint, however, belies KCP's claim. Plaintiffs plead that "KCP solicited and engaged the Individual Defendants to perform work for KCP in bad faith," and that KCP "knowingly and in bad faith collected, retained and used Jones Property." *See* Compl. ¶ 112. Moreover, Plaintiffs assert that KCP used the "Jones Property" "for the benefit of KCP." *Id.* ¶ 57. Accordingly, at this preliminary juncture, the Court concludes that Plaintiffs have pleaded these elements and that KCP's motion to dismiss count eleven is denied.

G. *Twelfth Cause of Action: Unjust Enrichment Against KCP*

To establish unjust enrichment, the plaintiff must demonstrate that "(1) the other party was enriched, (2) at that party's expense, and (3) that it is against equity and good conscience to permit [the other party] to retain what is sought to be recovered."

Mandarin Trading Ltd. v. Wildenstein, 16 N.Y.3d 173, 182 (2011). The plaintiff must also show a relationship between the parties. "Although privity is not required for an unjust enrichment claim, a claim will not be supported if the connection between the parties is too attenuated." *Id.* (citing *Sperry v. Crompton Corp.*, 8 N.Y.3d 204, 215 (2007)); *see also Georgia Malone & Co., Inc. v. Rieder*, 86 A.D.3d 406, 408 (1st Dep't

2011), *affd* 19 NY3d 511 (2012) (“[A]lthough privity is not required for an unjust enrichment claim, a claim will not be supported unless there is a connection or relationship between the parties that could have caused reliance or inducement on the plaintiff’s part.”). Here, Jones has pleaded no relationship with KCP other than that of competitor, therefore, a claim for unjust enrichment is too attenuated and will not lie.

H. *Request for Attorney’s Fees*

Plaintiffs contend that the 2006 Employment Agreement with Zamarra contains an attorneys’ fees fee-shifting provision. KCP is not, however, a party to that agreement, therefore, any attorneys’ fees provision contained in that contract would not apply to KCP. Thus, the longstanding American rule, under which, absent agreement of the parties, statute or court rule, each party bears its own attorneys’ fees, would apply here. *Matter of A.G. Ship Maintenance Corp. v. Lezak*, 69 N.Y.2d 1, 5 (1986).

III. **Conclusion**

Accordingly, it is hereby

ORDERED that Defendant Kenneth Cole Productions, Inc.’s motion to dismiss is granted with respect to the ninth and twelfth causes of action and the request for

attorneys' fees and is granted in part with respect to the third and seventh causes of action as set forth above; and it is further

ORDERED that Defendant Kenneth Cole Productions, Inc.'s motion to dismiss is otherwise denied; and it is further

ORDERED that the defendant is directed to serve an answer to the complaint within 20 days after service of a copy of this order with notice of entry; and it is further

ORDERED that counsel are directed to appear for a preliminary conference conference in Room 442, 60 Centre Street, on ~~May 20~~ ^{June 24th}, 2014, at 10:00 AM.

RS

Dated: New York, New York
April 9, 2014

ENTER:



Hon. Eileen Bransten, J.S.C.