

**Apogee Handcraft, Inc. v Verragio, Ltd.**

2016 NY Slip Op 31261(U)

July 6, 2016

Supreme Court, New York County

Docket Number: 156997/13

Judge: Arlene P. Bluth

Cases posted with a "30000" identifier, i.e., 2013 NY Slip Op 30001(U), are republished from various state and local government websites. These include the New York State Unified Court System's E-Courts Service, and the Bronx County Clerk's office.

This opinion is uncorrected and not selected for official publication.

**SUPREME COURT OF THE STATE OF NY  
COUNTY OF NEW YORK: PART 32**

---

**Index No.: 156997/13  
Motion Seq. 004**

**Apogee Handcraft, Inc.,**

*Plaintiff,*

*-against-*

**Verragio, Ltd.,**

*Defendant.*

**DECISION/ORDER**

**HON. ARLENE P. BLUTH, JSC**

---

Plaintiff's motion for partial summary judgment on its first cause of action (goods sold and delivered) is granted; the Clerk is directed to enter judgment in favor of plaintiff and against defendant in the sum of \$149,899.22, together with interest from August 29, 2012, plus costs and disbursements. The branch of plaintiff's motion seeking to dismiss all of defendant's seven (7) counterclaims is granted only to the extent that the first, second, fourth, fifth, sixth and seventh counterclaims are dismissed; only the third counterclaim remains.

In this action, plaintiff, a manufacturer, distributor and wholesaler of finished jewelry pieces and other items, seeks to recover monies owed for finished jewelry pieces it sold and delivered to defendant between January 29, 2012 and July 30, 2012.

In its answer, defendant asserts a general denial to the material allegations of plaintiff's claims for payment but alleges that plaintiff failed to safeguard defendant's jewelry and, as a result, unnamed counterfeiters obtained the master molds and made unauthorized copies. Defendant interposed the following counterclaims: breach of contract, "careless contractual work," breach of the implied covenant of good faith and fair dealing, breach of confidentiality and fiduciary duties, misappropriation of trade secrets, state trademark dilution and unfair and deceptive trade practices, and common law trademark infringement and unfair competition.

## Discussion

To be entitled to the remedy of summary judgment, the moving party “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 from the case” (*Winegrad v New York Univ. Med. Ctr.*, 64 NY2d 851, 853, 487 NYS2d 316 [1985]). The failure to make such prima facie showing requires denial of the motion, regardless of the sufficiency of any opposing papers (*id.*). When deciding a summary judgment motion, the court views the alleged facts in the light most favorable to the non-moving party (*Sosa v 46th St. Dev. LLC*, 101 AD3d 490, 492, 955 NYS2d 589 [1st Dept 2012]). Once a movant meets its initial burden, the burden shifts to the opponent, who must then produce sufficient evidence to establish the existence of a triable issue of fact (*Zuckerman v City of New York*, 49 NY2d 557, 560, 427 NYS2d 595 [1980]). The court’s task in deciding a summary judgment motion is to determine whether there are bonafide issues of fact and not to delve into or resolve issues of credibility (*Vega v Restani Constr. Corp.*, 18 NY3d 499, 505, 942 NYS2d 13 [2012]). If the court is unsure whether a triable issue of fact exists, or can reasonably conclude that fact is arguable, the motion must be denied (*Tronlone v Lac d’Amiante Du Quebec, Ltee*, 297 AD2d 528, 528-29, 747 NYS2d 79 [1st Dept 2002], *aff’d* 99 NY2d 647, 760 NYS2d 96 [2003]).

## Summary judgment for goods sold and delivered

In support of its motion, plaintiff submits the affidavit of its president, Cindy Yan, who states that plaintiff sold and delivered to defendant jewelry that had a fair and agreed upon value of \$162,745.46. Yan notes that plaintiff used defendant’s models to produce molds, which were shipped to plaintiff’s factory in China for production. Yan states that there was no written

agreement regarding the parties' relationship, but that each delivery was accompanied by an invoice (collectively labeled exh A). Yan further states that the goods represented by the invoices were delivered to, accepted and retained by defendant without objection. Defendant never made a complaint to plaintiff about the goods, and defendant did not revoke its acceptance as to the whole or as to any commercially reasonable unit comprising the whole. Yan states that defendant made a payment of \$12,846.24 for the goods, leaving a \$149,899.22 balance due and owing to plaintiff from defendant. Despite plaintiff's repeated requests, defendant made no further payments.

In order to state a cause of action for goods sold and delivered, a plaintiff must demonstrate that: (1) it had a contract with the buyer; (2) the buyer failed to pay the purchase price, and (3) the buyer accepted the goods. *See* Uniform Commercial Code § 2-709 [1] [a]; *Weil v Murray*, 161 FSupp2d 250, 254-55 (SD NY 2001). Here, plaintiff has demonstrated that it sold goods to defendant, that such goods were delivered and that said defendants failed to pay for such goods. Plaintiff also submitted documentary proof showing that the goods were delivered. These allegations, taken together with the documentary proof, are sufficient to demonstrate plaintiff's entitlement to judgment as a matter of law on this cause of action, and the burden shifts to defendant to raise a triable issue of fact.

In opposition, defendant failed to raise a material issue of fact. Defendant does not dispute that plaintiff delivered master models to defendant. In fact, defendant's attorney stated in an affirmation dated 11/17/14 (submitted on motion sequence 2), that "defendant does not contest an obvious fact that plaintiff provided certain good and services to defendant for some of which defendant refused to pay" (affirmation of plaintiff's counsel, exh 8). Instead, defendant claims that plaintiff's alleged unlawful conduct caused "damages to Defendant at a magnitude

that simply is incomparable with the amount of Defendant's alleged indebtedness to Plaintiff' (affirmation of defendant's counsel ¶ 2). That does not raise an issue of fact with respect to plaintiff's claim for goods sold and delivered.

Thus, the uncontroverted evidence established a sale and delivery of the goods in question, the defendant's acceptance of the goods and its failure either to pay the agreed upon price or raise any objection to the sale terms, as reflected in the invoices. *See Sunkyong America, Inc. v Beta Sound of Music Corp.*, 605 NYS2d 62, 199 AD2d 100 (1st Dept 1993). Accordingly, the branch of plaintiff's motion for summary judgment on the first cause of action for goods sold and delivered is granted.

#### **Plaintiff's motion to dismiss defendant's counterclaims**

As its first counterclaim, defendant alleges that plaintiff breached its contractual obligations by failing to prevent unauthorized copying of the master models. The elements of a breach of contract claim are "the existence of a contract, the plaintiff's performance thereunder, the defendant's breach thereof, and resulting damages" (*Harris v Seward Park Hous. Corp.*, 79 AD3d 425, 426, 913 NYS2d 161 [1st Dept 2010]). In support of its motion, plaintiff asserts this counterclaim must be dismissed because plaintiff never agreed to implement any specific security measures regarding the molds, and thus there can be no breach. Plaintiff further asserts that plaintiff did not breach a duty of ordinary care because Paul Yan stated in his affidavit that the molds were kept under lock and key when not in use and a representative of plaintiff was on premises during the entire production process, which is the industry standard. Additionally, plaintiff notes that defendant's principal, Barry Nizguretsky, testified at his deposition that he is not aware of any sales of counterfeit goods made from the molds that were in plaintiff's

possession.

In opposition, defendant fails to specifically address its breach of contract counterclaim, much less raise any issue of fact. Defendant submitted no evidence that specific security measures were included as part of its agreement with plaintiff or that plaintiff breached any such provision.

Accordingly, the branch of plaintiff's motion for summary judgment dismissing defendant's first counterclaim alleging breach of contract is granted and this counterclaim is hereby dismissed.

As its second counterclaim, defendant asserts "careless contractual work"/negligence. In support of its motion to dismiss this counterclaim, plaintiff asserts that because it alleges the same facts as the first counterclaim and that this claim is duplicative of the breach of contract claim, it must be dismissed. In opposition, defendant fails to address its negligence counterclaim, much less raise any issue of fact. Accordingly, the branch of plaintiff's motion for summary judgment dismissing defendant's second counterclaim alleging negligence is granted and this counterclaim is hereby dismissed.

As its third counterclaim, defendant alleges that plaintiff breached the implied covenant of good faith and fair dealing when plaintiff failed to protect the models and molds from unauthorized copying. "Implicit in all contracts is a covenant of good faith and fair dealing in the course of contract performance" (*Dalton v Educ. Testing Serv.*, 87 NY2d 384, 389, 639 NYS2d 977 [1995]). "This embraces a pledge that neither party shall do anything which will have the effect of destroying or injuring the right of the other party to receive the fruits of the contract" (*id.* [internal quotations and citation omitted]).

In support of its motion to dismiss this counterclaim, plaintiff asserts (1) it is based on the

same factual allegations of the first and second counterclaims, and (2) plaintiff had no additional duty other than to exercise ordinary care, which it did.

In opposition, defendant refers to plaintiff's president's deposition testimony that she was not aware of any safeguarding procedures to prevent counterfeiting. Defendant further asserts that plaintiff was *the only jewelry manufacturer* that was in possession of defendant's master models and molds at the time that defendant's associate acquired 33 allegedly counterfeit master models in China.

Although defendant has not submitted evidence that shows how many counterfeit master models were sold, part of plaintiff's duty to act in good faith included ensuring that the models were secured. Because plaintiff was allegedly the only party to receive these models, there is an issue of fact regarding how counterfeit models were found in China. Accordingly, because defendant raised an issue of fact as to whether plaintiff injured defendant's rights by failing to prevent counterfeiting, plaintiff's motion to dismiss the third counterclaim, breach of the implied covenant of good faith and fair dealing, is denied.

As its fourth counterclaim, defendant alleges that plaintiff breached confidentiality and fiduciary duties. To state a claim for breach of a fiduciary duty, defendant must allege that (1) plaintiff owed a fiduciary duty, (2) plaintiff committed misconduct, and (3) defendant suffered damages caused by that misconduct. *See Burry v Madison Park Owner LLC*, 84 AD3d 924 NYS2d 77 (1st Dept 2011). Defendant alleges that there is a fiduciary duty between a jewelry merchant and a jewelry manufacturer and that plaintiff breached this duty when it failed to protect the master models from unauthorized copying.

In support of its motion to dismiss this counterclaim, plaintiff asserts that an arm's-length business relationship, such as between the parties here, does not give rise to a fiduciary

relationship, and without an agreement providing for a relationship of trust or special circumstances indicating same, a fiduciary relationship will not be inferred. In opposition, defendant merely cited case law setting forth the elements of a claim for breach of a fiduciary duty but fails to demonstrate that plaintiff has any fiduciary duty to defendant. Thus, defendant has not raised an issue of fact. The Court cannot infer or create a fiduciary relationship under these circumstances. Accordingly, the branch of plaintiff's motion seeking summary judgment dismissing the fourth counterclaim, for breach of confidentiality and fiduciary duty, is granted and this counterclaim is hereby dismissed.

As its fifth counterclaim, defendant alleges that by not safeguarding the master models it was entrusted with, plaintiff misappropriated defendant's trade secrets. A trade secret is "any formula, pattern, device or compilation of information which is used in one's business and which gives him an opportunity to obtain an advantage over competitors who do not know how to use it" (*Ashland Mgt. v Janien*, 82 NY2d 395, 407, 604 NYS2d 912 [1993]). "To prevail on a claim for misappropriation of trade secrets, a plaintiff must demonstrate: (1) that it possessed a trade secret, and (2) that the defendants used that trade secret in breach of an agreement, confidential relationship or duty, or as a result of discovery by improper means" (*Schroeder v Pinterest Inc.*, 133 AD3d 12, 27, 17 NYS3d 678 [1st Dept 2015] [internal quotations and citation omitted]).

In support of its motion for summary judgment dismissing this counterclaim, plaintiff asserts that there are no trade secrets involved in this dispute. Plaintiff contends that defendant is actually claiming copyright infringement, which is preempted by federal law and beyond the subject matter jurisdiction of a state court. In opposition, defendant simply re-states the conclusion that its master model was in fact a trade secret. Defendant does not explain how either of the two elements of this cause of action are met and, therefore, fails to raise an issue of fact.

Accordingly, the branch of plaintiff's motion for summary judgment dismissing defendant's fifth counterclaim, misappropriation of trade secrets, is granted and this counterclaim is hereby dismissed.

As its sixth counterclaim, defendant alleges state trademark dilution and unfair deceptive trade practices. Specifically, defendant claims that plaintiff's alleged failure to safeguard defendant's master models damaged defendant's goodwill and business reputation and diluted the distinctiveness of its marks in violation of General Business Law §360-1.

In support of its motion for summary judgment dismissing this counterclaim, plaintiff asserts that this section of the General Business Law authorizes injunctive relief, but not damages. Additionally, plaintiff argues that because defendant has not alleged that plaintiff or anyone else is actually using defendant's allegedly distinctive mark, or a modified version of that mark, defendant has failed to state a claim under General Business Law §360-1. In support, plaintiff cites to *Allied Maintenance Corp. v Allied Mech. Trucking, Inc.*, 42 NY2d 536, 399 NYS2d 628 (1977) (decided under prior statute General Business Law §368) for the proposition that this counterclaim should be dismissed because defendant failed to show that plaintiff actually used defendant's mark. In opposition, defendant simply repeats that plaintiff has allowed an unauthorized copying of the models. Thus, defendant fails to raise an issue of fact. Accordingly, the branch of plaintiff's motion for summary judgment dismissing defendant's sixth counterclaim alleging negligence is granted and this counterclaim is hereby dismissed.

As its seventh counterclaim, defendant alleges common law trademark infringement and unfair competition.

To state a cause of action for statutory trademark infringement pursuant to General Business Law § 360-k or under the common law, defendant must allege that the plaintiff's use of

the trademark “is likely to cause confusion, mistake or to deceive” (General Business Law §360-k [a]; *see also Allied Maintenance Corp. v Allied Mech. Trades*, 42 NY2d 538, 543 [1977] [former version of statute]; *Beverage Mktg. USA, Inc. v South Beach Beverage Co., Inc.*, 20 AD3d 439, 439-440 [2d Dept 2005]). In support of its motion to dismiss this counterclaim, plaintiff asserts that defendant has not alleged that plaintiff, or anyone else, is using any mark or any variation, reproduction or counterfeit of any mark owned by defendant. In opposition, defendant does not address this branch of plaintiff’s motion.

Under New York law, an unfair competition claim involving misappropriation concerns the taking and use of the claimant’s (here, the defendant’s) property to compete against the claimant’s own use of the same property. *See ITC Ltd. v Punchgini, Inc.*, 9 NY3d 467, 850 NYS2d 366 (2007). In support of this branch of its motion, plaintiff points out that defendant has not alleged that plaintiff took or used anything belonging to defendant; defendant alleges only that plaintiff permitted the unauthorized copying of defendant’s copyrighted designs by unnamed entities. Plaintiff also asserts that there is no proof that plaintiff or any other entity ever used the designs in commerce. In opposition, defendant fails to address this branch of plaintiff’s motion.

Accordingly, the branch of plaintiff’s motion for summary judgment dismissing defendant’s seventh counterclaim is granted, and this counterclaim hereby dismissed in its entirety.

Accordingly, it is

ORDERED that plaintiff’s motion for summary judgment on its first cause of action is granted and the Clerk is directed to enter judgment in favor of plaintiff and against defendant in the amount of \$149,899.22 together with interest from August 29, 2012, plus costs and

disbursements to be taxed by the Clerk upon submission of an appropriate bills of costs; and it is further

ORDERED that plaintiff's motion for summary judgment dismissing the defendant's counterclaims is granted only to the extent that the first, second, fourth, fifth, sixth and seventh counterclaims are dismissed; the third counterclaim stands.

This is the Decision and Order of the Court.

**Dated: July 6 2016**  
**New York, New York**



---

**HON. ARLENE P. BLUTH, JSC**