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| Londontown, Inc. v Nordic Beauty Supply |
| 2017 NY Slip Op 30093(U) |
| January 13, 2017 |
| Supreme Court, New York County |
| Docket Number: 651346/2016 |
| Judge: Nancy M. Bannon |
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SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: Hon. Nancy Bannon
Justice

PART 42

LONDONTOWN, INC.

INDEX NO. 651346/2016

- v -

MOTION DATE 9/20/2016

NORDIC BEAUTY SUPPLY, d/b/a HOT4YOUR
APS, d/b/a HM, d/b/a/ HOTMAKEUP, et al.

MOTION SEQ. NO. 001

The following papers were read on this motion for leave to enter a default judgment (CPLR 3215).

Notice of Motion/ Order to Show Cause — Affirmation — Affidavit(s) —
Exhibits — Memorandum of Law----- No(s). 1

In this action, inter alia, to recover damages for breach of contract and trademark infringement, the plaintiff moves pursuant to CPLR 3215 for leave to enter a default judgment against the defendant, which does not oppose the motion. The motion is granted to the extent that the plaintiff may enter a default judgment on the first, third, fourth, fifth, and sixth causes of action, and is otherwise denied.

The complaint alleges that the plaintiff, a manufacturer and distributor of cosmetics, entered into an agreement with the defendant, a company with its principal place of business in Denmark, pursuant to which the plaintiff agreed to supply the defendant with cosmetics for resale to upscale retailers in Scandinavia, and the defendant agreed to act as the exclusive wholesaler in those countries, carry and offer for sale only the plaintiff's line of cosmetics, refrain from distributing any competitors' products, and refrain from engaging in any deceptive, misleading, illegal, or unethical business practices. The complaint further alleges that the defendant instead repackaged the plaintiff's cosmetics under its own brand name and sold them to retailers so as to circumvent the terms of the agreement. The complaint alleges six causes of action: (1) breach of contract, (2) breach of the implied covenant of good faith and fair dealing, (3) trademark infringement in violation of the Lanham Act (15 USC §§ 1114, et seq.), (4) unfair competition and false designation of origin under the Lanham Act (15 USC § 1125[a]), (5) common-law unfair competition, and (6) a right to injunctive relief.

The court grants the motion in connection with the first, third, fourth, fifth, and sixth causes of action, as the plaintiff has provided proof of service of the summons and complaint upon the defendant in Denmark in accordance with the laws of that country, which permit service of process by mail (see Hague Convention on the Service Abroad of Judicial and Extra Judicial Documents in Civil or Commercial Matters [the Hague Convention] [20 UST 361, 658 UNTS 163, TIAS 10072]; Official Journal of the European Union, L 120, 5.5.2006, p. 23; Official Journal of the European Union L 331, 10.12.2008, p. 21), proof of the facts constituting these causes of action, and proof of the defendant's default (see CPLR 3215[f]; Rivera v Correction Officer L. Banks, 135 AD3d 621 [1st Dept 2016]), it

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE
FOR THE FOLLOWING REASON(S):

timely moved for that relief (see CPLR 308[2]; 320[a], 3215[c]; Gerschel v Christensen, 128 AD3d 455, 457 [1st Dept 2015]), and satisfied the notice requirements for this motion (CPLR 3215[g]).

As proof of the facts constituting its claims, the plaintiff submits the complaint, an affidavit of its managing director, an attorney's affirmation, an affidavit of service, the subject agreement, and copies of both the defendant's and its own advertisements for cosmetics, showing that the defendant retained the trade name of each particular product that was provided to it by the plaintiff, and thereafter repackaged and advertised each product under its own brand name. Thus, for instance, it repackaged the plaintiff's fingernail restorative denominated by the plaintiff as "kur" under the name "nail-kur," and sold it under the defendant's Hotmakeup brand rather than the plaintiff's Londontown brand.

"The elements of a breach of contract claim are formation of a contract between the parties, performance by the plaintiff, the defendant's failure to perform, and resulting damage." Flomenbaum v New York Univ., 71 AD3d 80, 91 (1st Dept 2009). The plaintiff established that it entered into the subject distribution agreement with the defendant, and performed thereunder, and the defendant breached the agreement by advertising and marketing cosmetics with the plaintiff's trade name that was repackaged and sold under its own brand name. The plaintiff thus demonstrated that the defendant violated article 3.1 of the agreement, which obligated the defendant to "not engage in any deceptive, misleading, illegal or unethical business practice," nor, without the express written consent of the plaintiff, to "take on the distribution of any other nail related products which in the [plaintiff's] sole discretion may compete with [the plaintiff]," and article 7.2, which prohibited the defendant from using the plaintiff's "trade names and/or trademarks without prior, express written consent of [the plaintiff]" or using any of the plaintiff's "trademarks or trade names or any word, symbol or design confusingly similar hereto." The second cause of action, which alleges breach of an implied covenant of good faith and fair dealing, is duplicative of the breach of contract cause of action since the obligation of good faith will generally be implied and enforced in a contract such as the one here, and the breach of such implied duty is intrinsically related to damages attributable to breach of the underlying contract. See TAG 380, LLC v ComMet 380, Inc., 40 AD3d 1, 8 (1st Dept. 2007), mod. on other grounds, 10 NY3d 507 (2008). Hence, entry of a default judgment in connection with the breach of contract cause of action is sufficient to compensate the plaintiff for any breach of such an implied covenant.

In an action for trademark infringement asserted pursuant to the Lanham Act (15 USC § 1114[1]), the plaintiff must show that it has either established or registered the trademark (Two Pesos, Inc. v Taco Cabana, Inc., 505 US 763, 768 [1992]), and that the defendant's use of the trademark is likely to cause confusion or mistake so as to deceive; actual confusion need not be shown. See Allied Maintenance Corp. v Allied Mech. Trades, 42 NY2d 538, 543 (1977); Dell Publ. Co. v Stanley Publs., 9 NY2d 126, 132 (1961). In an action for unfair competition, whether under the Lanham Act (15 USC § 1125[a]) or the common law, a showing of a likelihood of confusion, rather than actual confusion, is required to state and establish a cause of action. See Allied Maintenance Corp. v Allied Mech. Trades, supra, at 543; Dell Publ. Co. v Stanley Publs., supra at 132. A cause of action alleging common-law unfair competition must also be based on a showing of bad faith, and bad faith may be presumed by the use of a counterfeit mark, such as the defendant's use of the "kur" trademark here. See Fendi

Adele S.R.L. v Filene's Basement, Inc., 696 F Supp 2d 368, 389 (SD NY 2010). The gist of a Lanham Act violation based on a false designation of origin is an unauthorized use that "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, . . . or as to the origin, sponsorship, or approval of . . . goods [or] services." 15 USC. § 1125(a); see Rescuecom Corp. v Google, Inc., 562 F3d 123, 130 (2nd Cir. 2009); Estee Lauder Inc. v The Gap, Inc., 108 F3d 1503, 1508-1509 (2nd Cir. 1997). An action alleging violation of the Lanham Act may be based on wrongful conduct occurring outside of the United States. See Steele v Bulova Watch Co., 344 US 280 (1952). The plaintiff provided the court with proof of the facts in connection with these causes of action by submitting the affidavit of its managing director and the advertisements published by the defendant, in which the defendant employed the trade names created and registered by the plaintiff to market identical items repackaged under its own brand name. Consequently, the plaintiff is entitled to the entry of a default judgment on the third, fourth, and fifth causes of action.

The plaintiff is also entitled to a default judgment awarding permanent injunctive relief on the sixth cause of action. However, inasmuch as an injunction barring the defendant from advertising and selling the infringing items is inconsistent with an award directing the destruction of the items, as authorized by 15 USC § 1118 (see Fendi Adele S.R.L. v Filene's Basement, Inc., supra, at 392), the determination of the appropriate remedy will be referred to a referee.

The court notes that the affidavit of the plaintiff's managing director and the affidavit of service were notarized by a New Jersey notary, but do not include the certificate of conformity required by CPLR 2309. The defects do not require the denial of the motion, and may be cured by the submission of the proper certificate nunc pro tunc. See Todd v Green, 122 AD3d 831, 832 (2nd Dept 2014); see also Bank of New York v Singh, 139 AD3d 486, 487 (1st Dept 2016).

In light of the foregoing, it is

ORDERED that plaintiff's motion is granted, without opposition, to the extent that it is granted leave to enter a default judgment against the defendant on the first, third, fourth, fifth, and sixth causes of action, and the motion is otherwise denied; and it is further,

ORDERED that a Judicial Hearing Officer (JHO) or Special Referee shall be designated to hear and report to this Court on the following individual issues of fact, which are hereby submitted to the JHO/Special Referee for such purpose:

1. the issue of the amount due to the plaintiff for compensatory damages on the first, third, fourth, and fifth causes of action;
2. the issue of the amount due to the plaintiff for punitive damages, if any, on the third and fourth causes of action;
3. the issue of the amount due to the plaintiff as an award of an attorney's fee; and
4. the issue of the appropriate equitable relief to be awarded to the plaintiff;

and it is further,

ORDERED that this matter is hereby referred to the Special Referee Clerk (Room 119M, 646-386-3028 or spref@nycourts.gov) for placement at the earliest possible date upon which the calendar of the Special Referees Part (Part SRP), which, in accordance with the Rules of that Part (which are posted on the website of this court at www.nycourts.gov/supctmanh at the "References" link under "Courthouse Procedures"), shall assign this matter to an available JHO/Special Referee to hear and report as specified above, and it is further

ORDERED that counsel for plaintiff shall, within 15 days from the date of this Order, submit to the Special Referee Clerk by fax (212-401-9186) or email, an Information Sheet (which can be accessed at the "References" link on the court's website) containing all the information called for therein and that, as soon as practical thereafter, the Special Referee Clerk shall advise counsel of the date fixed for the appearance of the matter upon the calendar of the Special Referees Part, and it is further

ORDERED that the plaintiff shall serve a proposed accounting within 24 days from the date of this order and the defendant shall serve objections to the proposed accounting within 20 days from service of plaintiff's papers and the foregoing papers shall be filed with the Special Referee Clerk at least one day prior to the original appearance date in Part SRP fixed by the Clerk as set forth above, and it is further

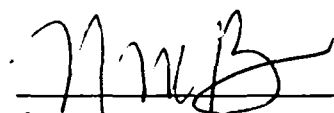
ORDERED that the parties shall appear for the referenced hearing, including with all witnesses and evidence they seek to present, and shall be ready to proceed, on the date first fixed by the Special Referee Clerk subject only to any adjournment that may be authorized by the Special Referees Part in accordance with the Rules of that Part, and it is further

ORDERED that the hearing will be conducted in the same manner as a trial before a Justice without a jury (CPLR 4320[a]) (the proceeding will be recorded by a court reporter, the rules of evidence apply, etc.) and, except as otherwise directed by the assigned JHO/Special Referee for good cause shown, the trial of the issues specified above shall proceed from day to day until completion, and it is further

ORDERED that any motion to confirm or disaffirm the Report of the JHO/Special Referee shall be made within the time and in the manner specified in CPLR 4403 and 22 NYCRR 202.44.

This constitutes the Decision and Order of the court.

Dated: January 13, 2017

 JSC
HON. NANCY M. BANNON

1. Check one: CASE DISPOSED NON-FINAL DISPOSITION
2. Check as appropriate: MOTION IS: GRANTED DENIED GRANTED IN PART OTHER