

<b>MPEG LA, L.L.C. v Haier Am. Trading, LLC</b>
2018 NY Slip Op 31414(U)
June 25, 2018
Supreme Court, New York County
Docket Number: 651611/2017
Judge: Gerald Lebovits
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**NEW YORK STATE SUPREME COURT  
NEW YORK COUNTY: PART 7**

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MPEG LA, L.L.C.,

Plaintiff,

Index No.: 651611/2017  
**DECISION/ORDER**  
Motion Seq. No. 007

-against-

HAIER AMERICA TRADING, LLC, HAIER  
DEUTSCHLAND GmbH, HAIER ELECTRICAL  
APPLIANCES CORP., LTD., HAIER  
ELECTRONIC SALES CO., LTD., and HAIER  
EUROPE TRADING S.R.L.,

Defendants.

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HAIER AMERICA TRADING, LLC, HAIER  
DEUTSCHLAND GmbH, HAIER ELECTRICAL  
APPLIANCES CORP., LTD., HAIER  
ELECTRONIC SALES CO., LTD., and HAIER  
EUROPE TRADING S.R.L.,

Third-Party Plaintiffs,

-against-

MPEG LA, L.L.C.,

Plaintiff/Counterclaim Defendant,

-and-

SAMSUNG ELECTRONICS COMPANY,  
LIMITED, LG ELECTRONICS, INC., ZENITH  
ELECTRONICS, LLC, KONINKLIJKE PHILIPS  
N.V., PANASONIC CORPORATION, and THE  
TRUSTEES OF COLUMBIA UNIVERSITY IN  
THE CITY OF NEW YORK,

Third-Party Defendants.

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Recitation, as required by CPLR 2219 (a), of the papers considered in reviewing plaintiff and third-party defendants' motion to dismiss defendants' counter- and third-party claims.

<b>Papers</b>	<b>Numbered</b>
Plaintiff and Third-Party Defendants' Joint Notice of Motion .....	1
Plaintiff and Third-Party Defendants' Affirmation in Support (John D. Holden) .....	2
Plaintiff and Third-Party Defendants' Memorandum of Law in Support.....	3
Defendants' Affirmation in Opposition .....	4
Defendants' Memorandum of Law in Opposition.....	5
Plaintiff and Third-Party Defendants' Memorandum of Law in Reply.....	6

*Windels Marx Lane & Mittendorf, LLP*, New York (Jonathan D. Holden of counsel), for plaintiff and counterclaim-defendant MPEG LA, L.L.C.

*Harris Beach PLLC*, New York (Elliot Aaron Hallak of counsel), for defendants Haier America Trading, LLC, Haier Deutschland GmbH, Haier Electrical Appliances Corp., LTD., Haier Electronic Sales Co., LTD., and Haier Europe Trading S.R.L.

*Whiteman Osterman Hanna LLP*, New York (Alan J. Goldberg of counsel), and *Sidley Austin LLP*, San Francisco, California (Peter K. Huston of counsel), and *Sidley Austin LLP*, Palo Alto, California (Peter H. Kang of counsel), for third-party defendants LG Electronics, Inc., and Zenith Electronics, LLC.

*Weil, Gotshal & Manges LLP*, New York (David L. Yohai of counsel), for third-party defendant Panasonic Corporation.

*Baker Botts L.L.P.*, New York (Paul A. Ragusa of counsel), for third-party defendant Trustees of Columbia University in the City of New York.

*Finnegan, Henderson, Farabow, Williams & Connolly LLP Garret & Dunner, LLP.*, Washington DC (Frank A. DeCosta III of counsel), for third-party defendant Koninklijke Philips N.V.

*Williams & Connolly L.L.P.*, Washington DC and New York (Samuel Davidoff of counsel), for third-party defendant Samsung Electronics Co., Ltd.

Gerald Lebovits, J.

Plaintiff, MPEG LA, a patent pool licensing group, sued for monetary damages for breach of contract against Haier America Trading, LLC, Haier Deutschland GmbH, Haier Electrical Appliances Corp., Ltd., Haier Electronics Sales Co., Ltd., and Haier Europe Trading S.R.L. Plaintiff alleges that defendants, which all have license agreements administered by MPEG-LA, are liable for the following:

“The Licensee Defendants . . . breached their respective license agreements by failing to report or pay royalties for any period after July 31, 2015. Haier America and Haier Europe further breached

by failing to submit to an audit or provide necessary books and records to the auditor. By its breaches of the license agreements, Haier America also breached a settlement agreement in which it agrees to abide by the terms of the license agreements and to report and pay royalties for the duration of the license agreements. In a separate guaranty agreement, Haier Electrical guaranteed the performance and payment obligations of the Licensee Defendants under the license agreements.” (Complaint, at 1-2)

Defendants filed an answer on August 15, 2017, adding third-party defendants Samsung Electronics Co., Ltd., LG Electronics, Inc., Zenith Electronics, LLC., Koninklijke Philips N.V., Panasonic Corporation, and the Trustees of Columbia University in the City of New York. In their answer, defendants assert counterclaims against plaintiff and third-party defendants alleging violations of the New York Donnelly Act and for declaratory relief, breach of contract, promissory estoppel, and breach of the duty of good faith and fair dealing. (Answer, Affirmative Defenses, Counterclaim, and Third-Party Complaint, at 22.)

Six days later, defendants filed a similar action in federal court<sup>1</sup> involving the same parties and raising issues arising from the same dispute. In the federal action, defendants added three Sherman Antitrust Act claims and three claims of declaratory judgment of nonessentiality claims and patent misuse.<sup>2</sup> Defendants then filed an amended answer in this court. All parties agreed to a stipulation waiving service of process, setting a date to answer the amended counterclaims and third-party defendant claims until January 2, 2018, and staying this proceeding till January 2, 2018.<sup>3</sup> MPEG LA and third-party defendants (the moving parties) moved to dismiss defendants’ counter- and third-party claims as duplicative under CPLR 3211(a) (4) or, alternatively, to stay defendants’ counter- and third-party claims pending the federal action under CPLR 2201 and CPLR 3211 (a) (4), and to stay defendants’ 4th and 8th-14th affirmative defenses under CPLR 2201. Defendants filed their opposition to the motion. At the oral argument, defendants failed to appear to oppose the moving parties’ motion.

**I. Moving Parties’ Motion to Dismiss Defendants’ Counterclaims and Third-Party Claims Under CPLR 3211 (a) (4)**

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<sup>1</sup> *Haier America Trading, L.L.C. v Samsung Electronics Co., Ltd., LG Electronics, Inc., Panasonic Corporation; Koninklijke Philips N.V., Zenith Electronics, LLC, Trustees of Columbia University in the City of New York, and MPEG LA, L.L.C.*, Case No. 1:17-cv-921 (TJM/CFH), was filed in the District Court for the Northern District of New York on August 21, 2017. (Plaintiff and Third Party’s Affirmation in Support, Exhibit A.)

<sup>2</sup> Defendants in this action assert only one claim for declaratory judgment of nonessentiality.

<sup>3</sup> All parties agreed to a similar stipulation in federal court on September 25, 2017. The stipulation stayed the action and the time to answer until January 2, 2018.

The moving parties' motion to dismiss defendants' counter- and third-party claims is granted upon default because defendants failed to appear on the scheduled court date. (David D. Siegel, Practice Commentaries, McKinney's Cons Laws of NY, CPLR 3215:1.)

The moving parties' motion to dismiss defendants' counter- and third-party claims is also granted for reasons stated in the moving parties' papers. A court's authority with regard to dismissal is discretionary when "there is another action pending between the same parties for the same cause of action in a court of any state or the United States." (CPLR 3211[a] [4].) New York courts usually apply the first-in-time rule to dismiss an action filed second. (*See e.g. City Trade & Indus., Ltd. v New Cent. Jute Mills Co.*, 25 NY2d 49, 58 [1969] ["[T]he court which has first taken jurisdiction is the one in which the matter should be determined."].) But this rule is discretionary when two actions are filed virtually simultaneously. "Virtually simultaneously" has been broadly interpreted. (*See IRX Therapeutics, Inc. v Landry*, 150 AD3d 446, 446 [1st Dept 2017] [finding that although "this action was filed first, chronology is not dispositive, particularly since both actions are at the earliest stages of litigation"].)

The federal and state actions were filed virtually simultaneously: defendants filed their answer in this court on August 15, 2017, and their complaint in the federal court on August 21, 2017. The state and federal actions appear to be progressing at the same pace, and no discovery has been requested as of the dates on the parties' papers in this motion.

When deciding whether to dismiss a duplicative action, there must be substantially similar parties and claims. (*Syncora Guar. Inc. v J.P. Morgan Sec. LLC*, 110 AD3d 87, 96 [1st Dept 2013].) The parties agree that the parties and claims are substantially the same in both actions.<sup>4</sup> CPLR 3211 "vests a court with broad discretion in considering whether to dismiss an action on the ground that another action is pending between the same parties on the same cause of action." (*Whitney v Whitney*, 57 NY2d 731, 732 [1982].) Accordingly, this court finds it appropriate to dismiss the first-filed counter- and third-party claims as duplicative of the defendants' federal suit.

## **II. Moving Parties' Motion to Stay Defendants' Counterclaims and Third-Party Claims Under CPLR 2201**

The moving parties' motion in the alternative to stay defendants' counter- and third-party defendant claims is denied as academic because the counter- and third-party defendant claims are dismissed.

## **III. Moving Parties' Motion to Stay Defendants' 4th and 8th-14th Affirmative Defenses**

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<sup>4</sup> As Haier notes, "there is a substantial identity of the parties in both actions. Haier further concedes that the claims in this action and the claims in the federal action arise out of the same subject matter or series of alleged wrongs." (Defendants' Memorandum of Law in Opposition, at 4.)

The moving parties' motion to stay defendants' 4th and 8th-14th affirmative defenses is granted upon default because defendants failed to appear on the scheduled court date.

This motion is also granted for reasons stated in the moving parties' papers. CPLR 2201 gives a court the authority to grant a stay "upon such terms as may be just." A court may grant a stay "when there is substantial identity between state and federal actions [and is] . . . justified upon due consideration of issues of comity, orderly procedure, and judicial economy." (*Asher v Abbott Labs.*, 307 AD2d 211, 211 [1st Dept 2003] [internal quotation marks and citations omitted]; *accord Goodridge v Fernandez*, 121 AD2d 942, 945 [1st Dept 1986] ["The stay avoids the unnecessary risk of inconsistent adjudications as to the defenses asserted . . . in the Federal and State actions, the duplication of proof, and the consequent waste of judicial resources which would result from prosecution of the instant action."].) Defendants' 4th and 8th-14th affirmative defenses relate to their antitrust and patent claims, which defendants have also brought in federal court. The moving parties do not state how long a stay they seek. Because this court has the authority to grant a stay even without a motion by the parties, this court finds it reasonable to grant the stay until the federal court rules on the pending motion to dismiss. That will avoid waste of judicial resources. (*See Halloran v Halloran*, 161 AD2d 562, 564 [2d Dept 1990] ["A court, pursuant to CPLR 2201, may *sua sponte* grant a stay of proceedings in an action that is pending before it."]; Siegel, N.Y. Prac. § 255 [2018 ed.] [A stay "can be used to stop the prosecution of the action altogether, or to hold up only some phase of it"].)

#### IV. Defendants' Request to Stay Under CPLR 2201 or CPLR 3211 (a) (4)

In their opposition papers, defendants appear to make a cross-motion and request that if this court issues any stay, it should stay this action in its entirety, or at a minimum until the federal court rules on the moving parties' motion to dismiss. (Defendants' Memorandum of Law in Opposition, at 10.) This court may not grant defendants' request; defendants did not make a formal cross-motion for the relief they seek. (*See e.g., Myung Chun v N. Am. Mige. Co.*, 285 AD2d 42, 45 [1st Dept 2001] [holding that the court should not have overlooked "the absence of a notice of cross motion"]; *Matter of Brigers Estate*, 95 AD2d 887, 888 [3d Dept 1983] [holding that the court was justified in refusing to hear a supposed cross-motion when respondent's papers "failed to contain an explicit notice of cross motion as required by the 1980 amendment to CPLR 2215"].)

Defendants also did not appear in court to oppose the moving parties' motion to dismiss or defend the merits of their supposed cross-motion. Even if they had, the plaintiff commenced this action in state court, and the defendants will not be granted a stay to avoid plaintiff's suit here by filing their own action in federal court.

Accordingly, it is hereby

ORDERED that the moving parties' motion to dismiss defendants' counter- and third-party claims is granted on default and as duplicative of the federal action; and it is further

ORDERED that the moving parties' motion to stay defendants' counter- and third-party claims is denied as academic; and it is further

ORDERED that the moving parties' motion to stay defendants' 4th and 8th-14th affirmative defenses is granted pending a decision by the federal court on the defendants' motion to dismiss; and it is further

ORDERED that the moving parties are directed to serve a copy of this decision and order with notice of entry on all parties.

Dated: June 25, 2018\*

J.S.C.   
**HON. GERALD LEBOVITS**

\*This order was mostly completed on June 8, 2018, but is issued only today because the court continued to edit and consider it.