| **At Last Sportswear, Inc. v Fishman** |
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| 2019 NY Slip Op 31221(U) |
| May 1, 2019 |
| Supreme Court, New York County |
| Docket Number: 652176/2014 |
| Judge: O. Peter Sherwood |
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**SUPREME COURT OF THE STATE OF NEW YORK**
**COUNTY OF NEW YORK: COMMERCIAL DIVISION PART 49**

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**AT LAST SPORTSWEAR, INC.,**

**Plaintiff,**

**-against-**

**LAURIE FISHMAN, ERLYN IKEDA, and MARK LAVENDER, and XYZ Co.,**

**Defendants.**

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**DECISION AND ORDER**
**Index No.: 652176/2014**

**Mot. Seq. Nos.: 005 and 006**

**O. PETER SHERWOOD, J.:**

## I. BACKGROUND

As the parties have failed to provide separate statements of undisputed material facts (*see* Rule 19-a) (defendants purport to integrate one into their memo of law), the gist of the case is as described below. Plaintiff At Last Sportswear, Inc. (At Last) designs knitwear, copying the designs of fashion designers. Erlyn Ikeda (Ikeda) and Laurie Fishman (Fishman) were At Last employees. They quit and joined defendant Mark Lavender to start a new apparel company in competition with At Last. At Last then commenced this action, claiming Fishman and Ikeda took proprietary information from At Last.

In the Second Amended Complaint (Complaint, Dkt. 52)[1], At Last asserts claims for:

1) Breach of Contract against Fishman for breach of her written confidentiality and non-disclosure agreement as well as the Code of Ethics agreement with At Last;

2) Unfair Competition against all defendants: against Fishman and Ikeda for using their confidential contacts with At Last buyers and suppliers to benefit their new business venture; and against all defendants upon information and belief for "tak[ing] advantage of the goodwill owned by At Last in order to further their business venture in direct competition with At Last" (*id.* at ¶ 29), and passing off At Last work as that of the new venture; and

3) Breach of the Duty of Loyalty, against Fishman and Ikeda

[1] "Dkt." followed by a number refers to the docket number of documents filed in this case in the New York State Courts Electronic Filing System (NYSCEF).

Earlier claims for trademark infringement, unjust enrichment, intentional interference with contractual relations, intentional interference with prospective business relations, and conversion have been abandoned.

Fishman, Lavender, and Ikeda answered separately but asserted the same counterclaims for 1) defamation, for making allegations to defendants' customers and potential customers; 2) tortious interference with business relations; and 3) unfair competition (Second Amended Answer [Fishman Answer], Dkt. 62; Answer to Amended Complaint [Lavender Answer] Dkt. 43; Answer to Amended Complaint [Ikeda Answer], Dkt. 44).

## II. 005, DEFENDANTS' MOTION TO DISMISS COMPLAINT AND GRANT DEFAMATION COUNTERCLAIMS

In motion sequence number 005, defendants move together to dismiss the Second Amended Complaint for failure to state a cause of action and seek partial summary judgment on the issue of liability as to their defamation counterclaims.

### A. Defendants' Arguments in Support

#### 1. As to Plaintiff's Claims

Defendants maintain that for an unfair competition claim to be based on misappropriation of confidential information, as alleged here, plaintiff must establish defendants solicited plaintiff's customers using the plaintiff's confidential customer list or other trade secret information (005 Memo at 16, Dkt. 280). The documents identified by the plaintiff are garment designs (or patterns), marketing and customer information, supplier lists, and operating systems and procedures. Plaintiff has failed to identify any garments contained in any of Dressbarn's orders from defendants which are alleged to be from plaintiff's proprietary designs (*id.* at 17-18).

Further, plaintiff's designs do not qualify for trade secret protection. The designs are garments offered for sale in the marketplace and thus were known to the industry and general public. Plaintiff did not take measures to guard the secrecy of the designs. Ikeda, named as the person who would know about plaintiff's process for designing sweaters, testified that "she did not create original designs, but instead she copied designs from other garment retailers that were available to public [sic]" (*id.* at 18). She also stated that plaintiff "did not take any significant measures to guard the secrecy of the information that she had access to, since it was not a secret to begin with." She did not sign any confidentiality agreement (*id.*). The designs were not of any significant value to plaintiff's competitors, because the competitors also knock-off designs

available in the marketplace. Nor was a significant investment made by plaintiff in creating those designs.

The designs should not be protected, even if defendants did copy them, because such designs should not be protected unless they include a copy of a trademarked brand, label or logo (*id.* at 20). No such copying has been alleged. The only trademark allegation in the original complaint was dismissed for failure to state a cause of action (*id.*).

Plaintiff's marketing information is not a trade secret. The only marketing information included in this claim is plaintiff's customers, and contacts at, Macy's and Dressbarn (*id.* at 21). Plaintiff's suppliers and buyers are known in the industry and to former employees Ikeda and Fishman. Both have been in the industry for many years (*id.* at 20). Fishman and Ikeda had contacts with Macy's and Dressbarn before going to work for plaintiff (*id.* at 21-22). Contacts with companies like those are also on mailing lists, available for purchase in the industry (*id.*at 22). Further, Lavender, who never worked for plaintiff, sold products to Dressbarn when he worked for another company in the '80s and early '90s. Lavender never had access to plaintiff's marketing data (*id.*). Nor is there any evidence presented that any of the defendants were involved with sales to Macys.

Plaintiff's suppliers are also not a trade secret. Information about suppliers of materials is broadly known in the industry and is available to the public (*id.* at 22). Lavender testified he knew the Chinese manufacturer, Sumec, from his 30+ years in the industry (*id.* at 23).

Plaintiff's operating systems and procedures are not protectable trade secrets (*id.*). Plaintiff's own witness, Sumit Chowdhary, testified he was never told the plaintiff's sweater production was a proprietary process (*id.*). Fishman and Ikeda testified they were not involved with plaintiff's production and had no access to information or procedures which were proprietary (*id.*).

The breach of fiduciary duty claim fails because there is no breach of the duty of loyalty when a former employee sets up a competing business, short of evidence that the former employee used the employer's resources or proprietary secrets (*id.* at 25). It is not a breach for a former employee to solicit clients who are easily identifiable, if there is no non-compete/non-solicit clause. Plaintiffs have not established any proprietary or trade secret information, so there is no breach of the duty of loyalty.

The first claim, breach of contract against Fishman, also fails because plaintiff has failed to identify any evidence that any of its property was misappropriated by Fishman, or that any such information was used by Fishman in violation of the confidentiality and nondisclosure agreement (*id.* at 27-28).

**2. As to Counterclaim for Defamation**

Defendants seek summary judgment on the issue of liability regarding their defamation counterclaim. Plaintiff's counsel sent cease and desist letters dated April 15, 2014, to defendants with copies to Macy's and Dressbarn ("April 15 Letter", Dkt. 305), which defendants argue included defamatory allegations of illegal misappropriation of intellectual property and confidential information. A second letter, dated April 29, 2014, was sent to the general counsels of Dressbarn and Macy's ("April 29 Letter" and together with April 15 Letter, "April Letters", Dkt. 305 and 306). These allegations constitute libel *per se*, as they tend to injure the defendants in their profession (005 Memo at 31, Dkt. 280).

**B. Plaintiff's Opposition**

**1. Plaintiff's Claims**

In opposition, plaintiff argues summary judgment is inappropriate here because there are conflicting versions of the facts, including whether the information taken by defendants was created with plaintiff's resources, whether plaintiff made efforts to keep that information confidential, whether the designs constitute "work product," whether customer lists are "marketing information" and whether Ikeda and Fishman owed and breached a duty of loyalty, (005 Opp at 5-7, Dkt. 312). Plaintiff also contends defendants deleted many relevant documents, so the court should disregard the argument that there is insufficient evidence to create an issue of fact (*id.* at 8). The dispositive issues can only be resolved "by obtaining information which was solely in Defendants' possession," so the summary judgment motion cannot be granted "because the known facts clearly indicate that material issues of fact exist" (*id.*).

The unfair competition claim should stand because defendants took vital pricing information, which is confidential, took advantage of plaintiff's goodwill, and wrongfully copied and passed off plaintiff's materials and designs as theirs (*id.* at 10-11). Taking that information constitutes unfair competition (*id.*). A customer list does not have to qualify for trade secret protection to be the subject of an unfair competition claim (*id.* at 12). Knowledge and misappropriation of prices and price proposals can support this claim (*id.*). Further, emails

produced by plaintiff in this action show the significant effort and resources that went into the creation of the designs (*id.* at 13).

Plaintiff argues the defendants breached their duty of loyalty, which they had by virtue of their status as employees, by 1) planning the new business venture while Fishman and Ikeda were working for plaintiff and 2) using plaintiff's information (*id.*).

Fishman and Ikeda also breached their non-disclosure agreements with plaintiff (*id.* at 14). They agreed they would not use or disclose plaintiff's confidential information, but did so.

**2. Counterclaims**

Plaintiff admits to sending the April Letters, but contends their contents were true and caused no damage. Also, defendants have not shown evidence of any injury. They destroyed their correspondence with non-party Sumec[2], which had to approve any new business, so there is no record of whether Sumec prevented defendants from doing any business (*id.*at 17). Further, CB Marketing (Fishman and Ikeda are independent contractors of CB Marketing) has no customers of its own and only acts as intermediary between buyers and Sumec. Accordingly, defendants had no customers, and cannot have lost business (*id.*). CB Marketing went from having zero business with Dressbarn (when it had no business at all) to over $5 million, a success. Since defendants have destroyed their business and banking documents, they may have done a great deal of other business as well (*id.* at 17-18). Nor do they identify reputational harm (*id.* at 18). The April Letters do not constitute defamation per se, and the statements made are protected by a qualified privilege (*id.* at 18-19).

The statements in the April Letters are true, and truth is a complete defense to a defamation claim. The statements need only be substantially true, and these statements were (*id.* at 19-20). Plaintiff also had a qualified privilege to make the statements, as the "communication relates to a subject in which the communicator has an interest, or upon which he has a legal or ethical duty to speak," including for "a prior employer to give a prospective employer honest information as to the character of a former employee" (*id.* at 20). Statements that plaintiff believes defendants may be soliciting and that Ikeda and Fishman provided designs to a competitor are within that privilege. Partial summary judgment should be denied on the defamation claim (*id.* at 21-22).

[2] The venture started by Lavender, called CB Marketing, Inc. is a consulting firm that does work for Sumec. Sumec operates a manufacturing facility in China (*see* 005 Opp at 13).

**C. Defendants' Reply**

**1. Plaintiff's Claims**

In their reply, defendants insist they have made a *prima facie* showing that they are entitled to summary judgment dismissing the unfair competition claim (005 Reply at 2, Dkt. 323). Plaintiff has not shown any issue of disputed material fact (*id.* at 3). The cases cited by plaintiff on this issue involve vague statements, are preempted by later cases, or relate to inapposite copyright infringement and well-known trademarks (*id.* at 3-4). As far as plaintiff claims trade secret protections, those are only available if a party has taken steps to protect the information, and there is no evidence plaintiff has taken any such precautions (*id.* at 5). Defendants distinguish other cases relied upon by plaintiff as being decisions on motions to dismiss, rather than for summary judgment, involving different facts, and as otherwise irrelevant (*id.* at 5-10). As far as plaintiff claims defendants used company time to communicate with Lavender regarding the new venture, plaintiff has failed to provide admissible evidence to support it (*id.* at 10-11). The documents cited in support, Ikeda's g-mails, are neither identified nor authenticated, and plaintiff fails to demonstrate anything in them is proprietary to the plaintiff (*id.*).

The breach of contract claim fails because plaintiff brings no admissible evidence as it cites only Mr. Alonso's affirmation that defendants took confidential information while still working for plaintiff (*id.* at 11-12). Plaintiff's counsel claims defendants admitted they took the information, but he misrepresents the statements (*id.*). Further, while plaintiff claims Ikeda signed a Confidentiality and Non-Disclosure Agreement, there is no such agreement in the record (*id.* at 12).

**2. Counterclaims**

As to defendants' counterclaims, defendants note that any issues regarding spoliation have already been resolved by the court (*id.* at 2). Defendants have demonstrated entitlement to summary judgment as to liability for the defamation claim (*id.* at 12). Defendants are not required to show actual damages, as the statements in the April Letters constitute defamation per se. The statements are not true. The letters state that plaintiff had conclusive evidence to support the statements in the letters, but no such evidence has been introduced here (*id.* at 13-14). There is no evidence plaintiffs have copyright protected designs, or that any such designs were taken by defendants. The conclusory assertions do not constitute evidence that information taken by defendants had trade secret protection (*id.* at 15). Plaintiff has failed to show the existence of facts

to support the elements of a trade secret claim, or that Ikeda or Fishman used confidential information to solicit business from plaintiff's customers (*id.* at 15-16). Plaintiff has also failed to provide any evidence that Lavender knew of such activity and conspired and actively encouraged it. Nor has plaintiff provided any proof that any of the defendants engaged in embezzlement, misappropriation of trade secrets, copyright infringement, defamation, or the other accusations made in the April letters (*id.* at 17).

## III. 006, PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT DISMISSING COUNTERCLAIM

### A. Plaintiff's Arguments

Plaintiff moves for summary judgment dismissing all of defendants' counterclaims. As to the defamation claim, plaintiff argues that the April Letters were not false, and that plaintiffs can show no damages (006 Memo at 8, Dkt. 275). Defendants had just started a new business, with no guarantees of salary or other income. Further, Sumec had to approve new business, and could stop defendants from soliciting any customer for any reason. It is impossible to know how the April Letters may have affected defendants' business without disclosure about Sumec's interventions, and defendants have destroyed all their correspondence with Sumec (*id.* at 9). They had no customers before this period, so cannot claim to have lost customers. They went from zero business with Dressbarn to $5.6 million in business, indicating no injury (*id.*). Defendants may have made even more money, but since they have destroyed their banking documents, it is impossible to know (*id.* at 9-10). Further, defendants, themselves, have no customers. The customers all "belong" to Sumec, according to defendants, and Lavender's entity CB Marketing is only Sumec's representative, so defendants have no standing to sue for an injury to Sumec (*id.* at 10). Further, defendants do not identify any reputational, or other non-monetary, harm.

Plaintiff also repeats arguments on this issue made in motion 005, *i.e.* the statements were substantially truthful, are subject to a qualified privilege, and are non-definitive statements of personal belief (*id.* at 13-14).

Plaintiff argues that all of defendants' counterclaims should be dismissed because defendants have admitted to destroying all of their ordinary business documents, like correspondence, orders, ledgers, bank statements, and so on (*id.*). Defendants admitted having received the document preservation letter, but made no attempt to preserve their business records

(*id.* at 15). It must be assumed that, had the business records been preserved, plaintiff would be able to show the defendants had no loss of business opportunities or other injury (*id.* at 15-16).

The intentional interference tort counterclaims should be dismissed because defendants have not alleged a contract or specific business relationship which was thwarted by the plaintiff's actions (*id.* at 18-19). If there had been such a contract or relationship, it would have belonged to Sumec or CB Marketing, not defendants (*id.* at 19). Further, defendants have pled neither unlawful means nor that the sole purpose of plaintiff's actions was to damage the defendants (*id.* at 20).

As to the unfair competition counterclaim, plaintiff never misappropriated the skill or labor of the defendants, as, during the time the plaintiff used Ikeda's and Fishman's work, they were plaintiff's employees, and there was no misappropriation (*id.*at 21). As far as defendants point to the April Letters, defendants show no resulting injury or loss of commercial advantage.

**B. Defendants' Opposition**

Regarding the defamation claim, defendants assert actual damages are not required because the statements here are libel per se. They are false, and the plaintiff has failed to produce evidence that Fishman and Ikeda did the things alleged in the April Letters, or that plaintiff had protectable trade secrets or copyrights (006 Opp at 5-6, Dkt. at 315). Nor is there a qualified privilege. The statements are not honest information about the defendants nor fairly made. Nor does the plaintiff have, as it claimed in the letters, "conclusive proof" of the allegations.

As far as plaintiff asks for the counterclaims to be dismissed based on defendants' spoliation of evidence, that issue was discussed in plaintiff's prior motion on the issue, in which the court declined to strike the counterclaims and required defendants to pay the lion's share of the expenses for discovery from Dressbarn (*id.* at 10-11). Further, defendants dispute plaintiff's allegation that they destroyed documents, as claimed by plaintiff (*id.* at 12).

As to the intentional interference with business relations and business opportunities claim, defendants have demonstrated a claim, as Ikeda testified, thus after receiving the letters, Macy's refused to work with any business with which she was affiliated (*id.* at 13, citing Ikeda tr. At 79:14-25; Ikeda aff at ¶¶ 5-6, 25). The April Letters are defamatory and constitute the wrongful means required for this claim (*id.* at 14). Plaintiff had no good faith basis for accusing defendants of misappropriation of proprietary information and copyrighted materials.

**C. Plaintiff's Reply**

In reply, plaintiff essentially repeats the arguments made above.

**IV. DISCUSSION**

**A. Standard for Summary Judgment**

The standards for summary judgment are well settled. Summary judgment is a drastic remedy which will be granted only when the party seeking summary judgment has established that there are no triable issues of fact (*see* CPLR 3212 [b]; *Alvarez v Prospect Hosp.*, 68 NY2d 329 [1986]; *Sillman v Twentieth Century-Fox Film Corporation*, 3 NY2d 395 [1957]). To prevail, the party seeking summary judgment must make a *prima facie* showing of entitlement to judgment as a matter of law tendering evidentiary proof in admissible form, which may include deposition transcripts and other proof annexed to an attorney's affirmation (*see Alvarez v Prospect Hosp., supra*; *Olan v Farrell Lines*, 64 NY2d 1092 [1985]; *Zuckerman v City of New York*, 49 NY2d 557 [1980]). Absent a sufficient showing, the court should deny the motion without regard to the strength of the opposing papers (*see Winegrad v New York Univ. Med. Ctr.*, 64 NY2d 851 [1985]).

Once the initial showing has been made, the burden shifts to the party opposing the motion for summary judgment to rebut the prima facie showing by producing evidentiary proof in admissible form sufficient to require a trial of material issues of fact (*see Kaufman v Silver*, 90 NY2d 204, 208 [1997]). Although the court must carefully scrutinize the motion papers in a light most favorable to the party opposing the motion and must give that party the benefit of every favorable inference (*see Negri v Stop & Shop*, 65 NY2d 625 [1985]) and summary judgment should be denied where there is any doubt as to the existence of a triable issue of fact (*see Rotuba Extruders, v Ceppos*, 46 NY2d 223, 231 [1978]), bald, conclusory assertions or speculation and "[a] shadowy semblance of an issue" are insufficient to defeat a summary judgment motion (*S.J. Capalin Assoc. v Globe Mfg. Corp.*, 34 NY2d 338, 341 [1974]; *see Zuckerman v City of New York, supra; Ehrlich v American Moninger Greenhouse Mfg. Corp.*, 26 NY2d 255, 259 [1970]).

Lastly, "[a] motion for summary judgment should not be granted where the facts are in dispute, where conflicting inferences may be drawn from the evidence, or where there are issues of credibility" (*Ruiz v Griffin*, 71 AD3d 1112 [2d Dept 2010], quoting *Scott v Long Is. Power Auth.*, 294 AD2d 348 [2d Dept 2002]).

**B. Motion 005, Claim 1: Breach of Contract as Against Fishman and Ikeda**

To sustain a breach of contract cause of action, plaintiff must show: (1) an agreement; (2) plaintiff's performance; (3) defendant's breach of that agreement; and (4) damages (*see Furia v Furia*, 116 AD2d 694, 695 [2d Dept 1986]). "The fundamental rule of contract interpretation is that agreements are construed in accord with the parties' intent . . . and '[t]he best evidence of what parties to a written agreement intend is what they say in their writing' . . . . Thus, a written agreement that is clear and unambiguous on its face must be enforced according to the plain terms, and extrinsic evidence of the parties' intent may be considered only if the agreement is ambiguous [internal citations omitted]" (*Riverside South Planning Corp. v CRP/Extell Riverside LP*, 60 AD3d 61, 66 [1st Dept 2008], *affd* 13 NY3d 398 [2009]). Whether a contract is ambiguous presents a question of law for resolution by the courts (*id.* at 67). Courts should adopt an interpretation of a contract which gives meaning to every provision of the contract, with no provision left without force and effect (*see RM 14 FK Corp. v Bank One Trust Co., N.A.*, 37 AD3d 272 [1st Dept 2007]).

Although the first cause of action names only Fishman, plaintiff argues Ikeda is also liable for breach of contract. Plaintiff has offered no proof Ikeda was a party to any confidentiality or non-disclosure agreement. Plaintiff has presented its employee handbook and a signed certification that Ikeda received the handbook. Notably, the handbook states, "NEITHER THIS HANDBOOK NOR ANY OTHER COMPANY GUIDELINES, POLICIES OR PRACTICES CREATE AN EMPLOYMENT CONTRACT" (Handbook at 2, Dkt. 302) (emphasis in handbook). Plaintiff also claims Ikeda breached company policy by failing to provide the required two weeks' notice (005 Opp at 15), but the relevant policy reflects merely a request:

> If, for whatever reason, you decide to terminate your employment with At Last Sportswear, Inc., *we request that you provide* your Supervisor with *as much advance notice as possible*. Please do not provide us with less than two (2) weeks notice from the date that you intend to leave At Last Sportswear, Inc.'s employ. Vacation, sick or personal days are not considered part of the advance notice. Your thoughtfulness in giving such advance notice will be greatly appreciated and will be noted favorably on your employment records

(Handbook at 33 § M) (emphasis added). The "Receipt of Employee Handbook" forms, signed by Ikeda and Fishman, state that "I understand that my employment is at will and entered into voluntarily and may be terminated by the Company or me at any time, with or without cause or notice" (Dkt. 302 at 1-3). The Handbook contains virtually identical language, also in all caps

(Handbook at 2). As there is no evidence of an enforceable agreement between plaintiff and defendant Ikeda, the breach of contract claim against her fails.

Plaintiff alleges Fishman signed a confidentiality and non-disclosure agreement (NDA). Defendants dispute whether the NDA is enforceable (005 Memo at 27 n1, Dkt. 280). The NDA provides:

> "During your employment with At Last Sportswear, Inc., you as Employee will have access to information that is confidential and proprietary to the business of At Last Sportswear, Inc. the shareholders thereof and other divisions and related organizations . . . . Such information includes but is not limited to, pricing information, financial and marketing information and financial statements, patterns, designs, list of suppliers, customers, operating systems and procedures, computer programs and company operations (collectively, "Confidential Information"). . . . You acknowledge and agree that during the course of employment and any time thereafter . . . you will receive and hold all Confidential Information in confidence, and will not disclose the Confidential Information to any third party [and y]ou will not disclose or utilize the Confidential Information in any manner whatsoever, directly or indirectly, for any purpose other than performing your duties and responsibilities for the Employer"

(NDA, Dkt. 283). Fishman also signed the Code of Ethics, which states that she "shall not convert, appropriate or pilfer company's assets, funds, cash, inventory, work in process, raw material and other property of any kind for his *(sic)* direct or indirect unlawful gain or benefit" (Code, Dkt. 284, ¶ 6). Plaintiff alleged Fishman has "wrongfully and illegally copied and misappropriated At Last's property [and] used said material for her direct benefit" (Complaint, ¶¶ 22-23). Defendants contend plaintiff has failed to produce any evidence of a breach, and so the claim should be dismissed. In its opposition to the motion to for summary judgment, the only citation on this point is to the affidavit of plaintiff's counsel, which states:

> "Ikeda admitted that, in the last two months before she left, she copied certain of Plaintiff's files and sent them by email to herself. Ikeda contends these items were taken for her portfolio," to wit, "to show what you did at your last job." However, Ikeda admits she never submitted any employment applications anywhere after leaving At Last. Ikeda admitted that, on the day she resigned from Plaintiff, she knew she was going to work with Defendants Fishman and Lavender"

(Alonso aff, ¶ 11, Dkt. at 301). No evidence is presented to support the allegation in the complaint regarding Fishman's alleged actions, what she is alleged to have taken, or how she is alleged to

have used it.[3] Accordingly, summary judgment shall also be granted as to Fishman and the first cause of action, for breach of contract will be dismissed.

**C. Motion 005 Claim 2: Unfair Competition Against All Defendants**

The complaint alleges defendants used contacts with suppliers and buyers obtained from At Last and took "advantage of the goodwill owned by At Last in order to further their business venture in direct competition with At Last," as well as passing off At Last materials and designs as belonging to their new venture (Complaint, ¶¶ 28-29, 31).

Palming off, or passing off, is "[t]he act or an instance of falsely representing one's own product as that of another in an attempt to deceive potential buyers" (PASSING OFF, Black's Law Dictionary [10th ed. 2014]). "New York recognizes an unfair competition cause of action for "palming off" goods as those of another, which occurs when the goods of one manufacturer are offered for sale as those of another, or when it is falsely implied that there is a connection between the plaintiff's and the defendant's businesses or products. The gravamen of an unfair competition claim for "palming off" is that the labors and expenditures of the plaintiffs have been misappropriated by the defendants, and are likely to cause confusion among the purchasing public as to the origin of the product" (*Bristol-Myers Squibb Co. v McNeil-P.P.C., Inc.*, 786 F Supp 182, 216 [EDNY 1992], *affd in part, vacated in part*, 973 F2d 1033 [2d Cir 1992] citing *Shaw v Time–Life Records*, 38 NY2d 201, 206–07 [1975]). Plaintiff makes allegations only about the use of At Last designs, but has neither alleged nor produced evidence to show that defendants were offering At Last goods for sale as their own, or that defendants were misleading the purchasing public as to the origin of the products they were offering.

"Under New York law, an unfair competition claim involving misappropriation usually concerns the taking and use of the plaintiff's property to compete against the plaintiff's own use of the same property. The term 'commercial advantage' has been used interchangeably with 'property' within the meaning of the misappropriation theory" (*ITC Ltd. v Punchgini, Inc.*, 9 NY3d 467, 478 [2007] quoting *Roy Export Co. v Columbia Broadcasting Sys.*, 672 F.2d 1095, 1105 [2d

[3] During discovery, plaintiff demonstrated that defendants deleted electronic files likely to contain necessary and material information (*see* Dkt. 314, pp. 55-62). Plaintiff requested strong sanctions, including striking of defendants' answer, but the court declined to order it (*see id.* at pp. 57-58). Instead the court authorized a number of measures intended to address the issue, including shifting most of the cost of third party discovery relating to the deleted information (*see id.* at 57:8-22; 58:16-59:3; 60:24-61:9). The court also left open the door for further third-party discovery to be paid principally by defendants (*id.* at 59:14-17). Plaintiff has not shown that the actions taken during discovery was insufficient to address the spoliation issue.

Cir 1982]). This is "[t]he principle that one may not misappropriate the results of the skill, expenditures and labors of a competitor [and] is predicated on the concept that no one is entitled "to reap where it has not sown" (*Rosenberg, Minc & Armstrong v Mallilo & Grossman*, 8 Misc 3d 394, 397 [Sup Ct 2005] quoting Commentary, PJI 3:58, p. 520, *quoting International News Service v Associated Press*, 248 US 215 [1918]).

Plaintiff claims defendants Ikeda and Fishman "(a) wrongfully utilized confidential At Last contacts . . . (b) took advantage of the goodwill owned by At Last . . . and wrongfully copied and passed off materials and designs which were the property of At Last" (005 Opp at 11). None of this is supported by admissible evidence.

The names of potential customers identified by plaintiff- - plaintiff references Dressbarn and Macy's - - are well known as mass market retailers of soft goods of the kind sold by At Last. According to At Last, Fishman was one of two highly compensated marketing executives at the firm. By virtue of her many years of experience and responsibility she can be assumed to be aware of virtually all of the major soft goods retailers in the United States, including Dressbarn and Macy's.

Plaintiff has not presented any evidence regarding the alleged misappropriation of At Last's goodwill. As to plaintiff's claim defendants "wrongfully utilized At Last contacts" (005 Opp at 11, citing Alonso aff ¶¶ 67-72), this assertion is not supported, either by the Alonso affirmation, or by the references cited in it. While Alonso states that "a sales projection consultant was used to project what sales could be gained from Fishman and Ikeda's contacts and designs when marketed to Dressbarn," he cites to a portion of the Lavender deposition transcript (pp 213-214) which was not included in the filed excerpts (Dkt. 289). To be sure, At Last viewed both Fishman and Ikeda as very valuable executive level employees, an opinion reflected in its assertion that they were well paid (*see* Alonso aff ¶¶ 4-5, Dkt, 301). As noted above, Fishman was one of two marketing executives at the company. Ikeda provided the technical skills and abilities At Last needed to enable it to copy designer clothes and redesign them so as to lower the price points of its garments sufficiently, including by use of cheaper fabrics, threads, notions and other component parts, so as to allow the garments to be sold at affordable prices by mass market retailers such as Dressbarn and Macy's. At Last can not require Fishman and Ikeda to continue to use their contacts and design skills for At Last's benefit, to enable it to market to Dressbarn. Nor can it prevent them from applying their considerable skills elsewhere.

As far as this claim relates to "price points," Sandeep Wagh, Vice President of At Last, testified that "[d]efendants . . . had knowledge of the price point of sale of" the At Last designs at issue (Wagh aff, ¶ 13 Dkt. 298). It is not alleged that defendants misappropriated this information, or that price point information was on any document they took with them, only that they knew it when they left (*id.*). Nor does plaintiff provide any evidence showing that or how defendants used this information. Extensive knowledge of pricing and the components thereof relating to women's clothing sold by mass market retailers appears to have been among the skills possessed by Ikeda for which At Last evidently paid her a high salary. Accordingly, a claim of unfair competition related to the price points must fail (*see Parekh v Cain*, 96 AD3d 812, 816 [2d Dept 2012] [misappropriation requires "some element of bad faith"]). As far as plaintiff argues this claim applies to the taking of certain At Last designs and defendants' use of these designs to compete with At Last, plaintiff has produced an affidavit and exhibits in which Wagh testifies that garments offered for sale by defendants' venture correspond to At Last designs. The exhibits[4] do not support his assertion. In virtually all cases identified, the At Last samples do not match the CB Marketing samples.[5] As to the Tech Packs[6] At Last found in the document production made by Dressbarn pursuant to a court ordered subpoena, which Tech Pack plaintiff claims was purloined by defendants, the document appears to have been provided to Dress Barn by At Last (*see* Doc. No. 263 at DB 04468 [upper left corner]).

Even assuming plaintiff has shown that the designs were copied, defendants argue this claim must fail because the designs are not trade secrets, and thus cannot provide the basis for an unfair competition claim. That is not required. "To establish a cause of action based on misappropriation of confidential information, the plaintiff must show that the defendant solicited the plaintiff's customers where the customer list was a trade secret, or where the defendant engaged in wrongful conduct, "such as physically taking or copying files or using confidential information" (*Baldeo v Majeed*, 150 AD3d 942, 944 [2d Dept 2017]). Plaintiff has presented evidence to show

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[4] The exhibits are not presented in the form of admissible evidence.

[5] For example, at oral argument At Last compared a zebra colored jacket, apparently marketed by CB Marketing to Dressbarn (*see* Dkt. 263 at bates no. DB 05543) with an "Animal" sample jacket, apparently an At Last design allegedly stolen by Ikeda (*see id.*, one page after the above). While the latter appears to use the same style fabric as the former, they are not the same style jackets.

At Last also compared a long sleeve open front sweater, apparently marketed by CB Marketing to Dressbarn (*see id.*, at bates no. DB 00837) with a short sleeve open front sweater with different cut and made of different fabric (*id.*, at page with notes referring "DB 00837" in upper left side; *see also* Dkt. 306). These, too, are not copies of each other.

[6] A Tech Pack appears to be a picture and specifications sheet for a garment (*see* Alonso aff ¶ 5, n. 1, Dkt. 301).

that Ikeda took copies of designs for some garments. At Last asserts Ikeda admitted she took samples belonging to At Last (Alonso aff ¶ 10, Dkt. 322) but provided no admissible evidence in support of the assertion. Ikeda's counsel states she never testified as such (*see* Taub and Connolly aff, Dkt. 322, ₱ 10). Apparantly, she admits to sending herself some "things" she wanted for her portfolio (*id.* at ₱ 11). At Last also asserts Ikeda admitted she sent samples she took from plaintiff to Sumec and does not deny those samples were used in her new business (*see* Alfonso aff ₱ 18, Dkt. 301). The cited pages of her deposition were not provided, but there are emails between Ikeda and others, including others associated with Sumec, that have been provided (*see* Dkt. 303). Ikeda contends the samples were sent to do costing for At Last, that no particular samples are identified, and, in any event, the samples were not proprietary items belonging to At Last (*see* Taub & Connolly aff, ₱ 14, Dkt. 322).

Although addressed by the parties in passing only, for an unfair competition claim, "[d]amages must correspond to the amount which the plaintiff would have made except for the defendant's wrong ..., not the profits or revenues actually received or earned by the defendant. Another way of stating this rule is that damages in unfair competition cases should correspond to plaintiff's losses [that] were a proximate result of defendants' conduct" (*E.J. Brooks Co. v Cambridge Sec. Seals*, 31 NY3d 441, 449 [2018] [internal quotations omitted]). Plaintiff has not presented any evidence of sales lost as a result of the defendants' actions, and thus evidence of any damages.

**D. Motion 005 Claim 3: Breach of the Duty of Loyalty against Fishman and Ikeda**

Plaintiff claims Fishman and Ikeda breached their duty of loyalty by competing with At Last while still working there. Under the faithless servant doctrine, "an employee who acts in any manner inconsistent with his agency or trust and fails to exercise the utmost good faith and loyalty in the performance of his duties is deemed a faithless servant and must account to his principal for secret profits [and forfeit] his right to compensation" (*Mosionzhnik v Chowaiki*, 41 Misc 3d 822, 831 [Sup Ct, NY County 2013] [internal quotation marks omitted]; *see also Feiger v Iral Jewelry, Ltd.*, 41 NY2d 928 [1977] ["One who owes a duty of fidelity to a principal and who is faithless in the performance of his services is generally disentitled to recover his compensation, whether commissions or salary"]).

In his affirmation, Alonso makes reference to purportedly relevant admissions by Fishman (Alonso aff ¶ 20, Dkt. 301). Again, the cited pages are not included in the transcript submitted to

the court (Fishman tr, Dkt. 287). As discussed above, plaintiff has failed to provide evidence sufficient to show an issue of material fact as to the use of proprietary information belonging to At Last. Plaintiff relies on *Mar. Fish Products, Inc. v World-Wide Fish Products, Inc.* (100 AD2d 81, 88 [1st Dept 1984] [an employee "surreptitiously organized a competing corporation, corrupted a fellow employee, and secretly pursued and profited from one or more opportunities properly belonging to his employer"]). However, that court also notes that, "[c]learly, an agent may secretly incorporate a competitive business prior to his departure as long as he does not use his principal's time, facilities or proprietary secrets to build the competing business" (*id.*). The *Mar. Fish* defendant, "however, was not just preparing to go into his own business; he was in business for himself, while drawing a salary from a trusting employer" (*id.*).

As far as plaintiff claims Fishman and Ikeda used company time to plan their next venture, plaintiff has failed to offer admissible evidence that either did so to any material extent (*see* Alonso aff, ¶ 20, Dkt. 301, citing to pages not provided in Fishman transcript), and if they did, that any significant amount of company resources were used. There is evidence in Ikeda's gmail account of sample garments and Tech Packs that she sent from At Last to her gmail file (*see* Dkt. 303). Ikeda claims these were intended for a "portfolio" of her work. Although not raised by At Last, there is some evidence in the gmail documents that leaves triable issues of fact as to whether, during her last few days of employment at the firm, Ikeda either forwarded some samples taken from At Last to Lavender or created designs using At Last resources which were then sent to him (*see id.*, email dated "Wednesday February 5, 2014 at 7:03 am). In the email accompanying the samples just referenced Ikeda states:

> "These styles are for sampling and based off the CR found in John's office. . . . I'm going to email you more groups as *I finish them.*
>
> ***
>
> *I ordered that textured sample.* It should be here next week- I am also ordering new samples to be here week to start some fresh development (*all things that we can return once we decide to use them"*

(*id.*) (emphasis added). The record shows that as of February 5, 2014, Ikeda was not competing with At Last but may have been preparing to do so. The proposal describing the consulting arrangement between Sumec and CB Marketing is dated five days later, February 10, 2014. If Ikeda were found to have competed with At Last, such competition would have been for a period

of days. The court also notes that virtually all of her email communications with Lavender were sent outside business hours or on weekends (*see id.*).

At Last does not claim that it owns Ikeda's skills. The product of work she performed on her own time using her own materials belonged to her, not At Last. If she is found to have used At Last resources, she may be required to reimburse the firm. If she competed with At Last while still employed there, the firm may be able to recover compensation she received during the limited period of disloyalty proven.

**E. Counterclaim 1, for Defamation**

In Motion Sequence No. 005, defendants seek partial summary judgment as to liability on the defamation claim. In Motion Sequence No. 006, plaintiff moves for summary judgment dismissing this counterclaim.

"Defamation is the making of a false statement which tends to expose the plaintiff to public contempt, or ridicule or disgrace, or induce an evil opinion of him in the minds of right-thinking persons, and to deprive him of their friendly intercourse in society" (NY Pattern Jury Instr.--Civil Division 3 D I Intro. 1, quoting *Rinaldi v Holt, Rinehart & Winston, Inc.*, 42 NY2d 369 [1977]; *Matovcik v Times Beacon Record Newspapers*, 46 AD3d 636 [2d Dept 2007]). "The essence of the tort of libel is the publication of a statement about an individual that is both false and defamatory" *(id.)*. A "general defamation claim . . . requires allegations of special damages, i.e., "the loss of something having economic or pecuniary value, which must flow directly from the injury to reputation caused by the defamation and not from the effects of the defamation" (*Nolan v State*, 158 AD3d 186, 191 [1st Dept 2018], quoting *Franklin v Daily Holdings, Inc.*, 135 AD3d 87, 93 [1st Dept 2015], quoting *Agnant v Shakur*, 30 FSupp2d 420, 426 [SDNY 1998]). "A defamation plaintiff must plead special damages unless the defamation falls into any one of four per se categories: (1) statements charging the plaintiff with a serious crime; (2) statements that tend to injure the plaintiff in her trade, business or profession; (3) statements that impute to the plaintiff a "loathsome disease"; and (4) statements that impute unchastity to a woman" (*Nolan*, 158 AD3d at 195 citing *Liberman v Gelstein*, 80 NY2d 429, 435 [1992]).

Plaintiff contends the allegations in the April Letters were true, so not defamatory, and also that there was no injury to defendants. While defendants do not allege actual damages from the April Letters, they claim the letters constituted defamation per se, as the statements in the April Letters tend to injure them in their business. The April 29 Letter states that At Last believes

Fishman and Ikeda "may be, directly or indirectly, soliciting your business with misappropriated materials which are the property of At Last" (Dkt. 306). At Last's counsel wrote that defendants "are now doing business together and have utilized the At Last designs and other proprietary information to solicit orders from Dressbarn" (*id.*).

Defendants focus their objection on the April 15 Letters sent by Alonso to the defendants, with copies to Dressbarn and Macy's (Dkt. 305) and to the general counsels of those companies on April 29 (Dkt. 306). In the April 15 Letter, At Last claimed to have conclusive evidence to prove a variety of alleged misconduct including embezzlement, misappropriation of trade secrets, copyright infringement, defamation, tortious interference with contractual relations, and unfair competition, some of which is at issue in this case. Plaintiff argues that these statements are "sufficiently true" to preclude a defamation claim because Ikeda took designs from At Last, and defendants used them to market products to Dressbarn. There are issues of fact as to whether the statements are flatly false.

As far as plaintiff claims a qualified privilege, which would require dismissal of this counterclaim, "[a] qualified privilege arises when a person makes a bona fide communication upon a subject in which he or she has an interest, or a legal, moral, or social duty to speak, and the communication is made to a person having a corresponding interest or duty" (*Santavicca v City of Yonkers*, 132 AD2d 656, 657 [2d Dept 1987] ["statements to the press were protected by a qualified privilege because of the interest in providing the public with information as to what steps were being taken to prevent a reoccurrence of the tragic incident involving a student's death"] citing *Byam v. Collins*, 111 NY 143, 150 [1888]). "A qualified privilege exists for the purpose of permitting a prior employer to give a prospective employer honest information as to the character of a former employee even though such information may prove ultimately to be inaccurate" (*De Sapio v Kohlmeyer*, 52 AD2d 780, 781 [1st Dept 1976]). Dressbarn was not a prospective employer of either Fishman or Ikeda. Nor do the April Letters give any indication of altruistic intent. The April 15 Letter on which Dressbarn and Macys are copied, is a cease and desist demand. The letter to Dressbarn is a notice and an attempt to preserve At Last's relationship with that retailer. There is no qualified privilege applicable to these letters.

Because there are issues of fact as to whether statements made to Dressbarn and Macy's, were true, partial summary judgment must be denied. The allegedly defamatory statements are

not protected by any privilege and therefore plaintiff's motion for summary judgment dismissing the first counterclaim shall be denied.

**F. Counterclaim 2, Tortious Interference with Business Relations**

In Motion Sequence No. 006, plaintiff moves for summary judgment dismissing defendants' tortious interference with business relations counterclaim. To prove a claim for tortious interference with contract, the plaintiff must show: (1) the existence of a valid contract; (2) defendant's knowledge of the contract; (3) defendants' intentional procurement of the third-party's breach without justification; (4) actual breach of the contract; and (5) damages caused by breach of the contract (*Lama Holding Co. v Smith Barney*, 88 NY2d 413, 424 [1996] [emphasis added]); *Kronos, Inc. v AVX Corp.*, 81 NY2d 90 [1993]). Interference with a business relationship, where there is no contract, is actionable if unlawful means are used, or (under the theory of prima facie tort), if lawful means are used to inflict intentional harm, resulting in damage, without either excuse or justification (*Sommer v Kaufman*, 59 AD2d 843, 843-44 [1st Dept 1977]). Wrongful means includes physical violence, threats, fraud, misrepresentation, civil suits and criminal prosecutions, and extreme and unfair economic pressure (72 N.Y. Jur. 2d Interference § 42). Simple persuasion is insufficient (*id.*).

At Last contends that the counterclaim must fail because it "requires an allegation that plaintiff would have entered into an economic relationship but for the defendant's wrongful conduct" (*Vigoda v DCA Productions Plus Inc.*, 293 AD2d 265, 266-67 [1st Dept 2002]["As plaintiffs cannot name the parties to any specific contract they would have obtained had they performed at the NACA showcase, they have failed to satisfy the "but for" causation required by this tort"]). Defendants point to the April Letters as the "unlawful means" used by At Last to interfere in their business with Dressbarn, which refused to do business with Ikeda and Fishman for several months after their departures from At Last (006 Opp at 14 Dkt. 315).

However, as plaintiff notes, it is not alleged that Dressbarn would have entered into a contract with Fishman, Ikeda, or Lavender at any time. The entity or entities with which Dressbarn would have, and eventually, contracted are not parties to this action (006 Memo at 19, Dkt. 275). Accordingly, this counterclaim fails.

**G. Counterclaim 3, Unfair Competition**

Because defendants/counterclaimants do not oppose dismissal of the unfair competition counterclaim, this branch of the motion shall be granted.

Accordingly, it is hereby

**ORDERED** that the branch of the motion for summary judgment of defendants Laurie Fishman, Erlyn Ikeda and Mark Lavender to dismiss the Second Amended Complaint (motion sequence number 005) is GRANTED except as to the third cause of action (Breach of Duty of Loyalty); and it is further

**ORDERED** that the branch of the motion for summary judgment of defendants for a finding of liability as to the counterclaim for defamation is DENIED; and it is further

**ORDERED** that the branch of the motion for summary judgment of plaintiff At Last Sportswear, Inc., for dismissal of the counterclaims of defendants is GRANTED to the extent that second (tortious interference with business relations) and third (unfair competition) counterclaims are DISMISSED and is otherwise DENIED; and it is further

**ORDERED** that counsel shall appear at a pretrial conference on June 18, 2019 at 11:30 am in Part 49, Room 252, 60 Centre Street, New York, New York 10007.

This constitutes the decision and order of the court.

**DATED: May 1, 2019**

**ENTER,**

**O. PETER SHERWOOD J.S.C.**