Penthouse Global Media, Inc. v Executive Club LLC
2019 NY Slip Op 32140(U)
July 12, 2019
Supreme Court, New York County
Docket Number: 653291/16
Judge: Nancy M. Bannon
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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: IAS PART 42
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PENTHOUSE GLOBAL MEDIA, INC.

Plaintiff

Index No. 653291/16

v

DECISION AND ORDER

THE EXECUTIVE CLUB LLC

Defendant.

MOT SEQ 002

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NANCY M. BANNON, J.:

I. INTRODUCTION

In this action to recover damages for, *inter alia*, breach of a licensing agreement, and for injunctive relief, the plaintiff Penthouse Global Media, Inc. (Penthouse) moves for partial summary judgment pursuant to CPLR 3212 on its causes of action sounding in breach of contract, account stated, and trademark infringement against the defendant The Executive Club, LLC (TEC). TEC cross-moves pursuant to CPLR 3212 for summary judgment on its counterclaims for breach of contract, and dismissing the plaintiff's causes of action for breach of contract, account stated, and trademark infringement. Penthouse's motion is granted, and TEC's cross-motion is denied.

II. BACKGROUND

This action arises from a licensing agreement (the agreement) between the parties, pursuant to which Penthouse granted TEC a license to use the Penthouse name and related trademarks in New York in connection with adult entertainment in nightclubs, cabarets, and the like. The agreement was entered into on February 6, 2003, and has been extended a number of times. Most recently, an amendment in September 2012 extended the renewal period through June 30, 2018. By its terms, the agreement required TEC to pay period fees on an ongoing basis to Penthouse in exchange for the right to operate a club using the Penthouse name and trademark. Penthouse alleges that, notwithstanding this obligation, TEC ceased making any periodic payments as of March 17, 2016.

III. DISCUSSION

It is well settled that the movant on a summary judgment motion "must make a prima facie showing of entitlement to judgment as a matter of law, tendering sufficient evidence to eliminate any material issues of fact from the case." See Winegrad v New York Univ. Med. Ctr., 64 NY2d 851, 853 (1985). The motion must be supported by evidence in admissible form (see Zuckerman v City of New York, 49 NY2d 557 [1980]), and the pleadings and other proof such as affidavits, depositions, and

written admissions. See CPLR 3212. The "facts must be viewed in the light most favorable to the non-moving party." Vega v Restani Constr. Corp., 18 NY3d 499, 503 (2012) (internal quotation marks and citation omitted). Once the movant meets its burden, it is incumbent upon the non-moving party to establish the existence of material issues of fact. See id., citing Alvarez v Prospect Hosp., 68 NY2d 320 (1986). The "[f]ailure to make [a] prima facie showing [of entitlement to summary judgment] requires a denial of the motion, regardless of the sufficiency of the opposing papers." Vega v Restani Constr. Corp., supra, at 503.

The plaintiff's submissions in support of its motion include the pleadings, the licensing agreement between the parties, with associated amendments, written correspondence between the parties, the deposition transcripts of Robert Gans, TEC's managing member, Mark Yackow, TEC's chief operating officer, and Howard Rosenbluth, TEC's outside accountant, an attorney's affirmation, and a memorandum of law. The defendant's submissions in support of its cross-motion include the pleadings, the licensing agreement with amendments, the written correspondence between the parties, the parties' respective responses to interrogatories, incomplete deposition transcripts of Gans, Yackow, and Rosenbluth, incomplete deposition transcripts of Jeff Stoller, the plaintiff's director of global

licensing, and Kelly Holland, the plaintiff's publishing and licensing manager, U.S. patent and trademark records, an attorney's affirmation, data related to the plaintiff's magazine's circulation, copies of records from the U.S. Patent and Trademark office, and an affidavit of Che Webber, the head of TEC's information technology department.

To successfully prosecute a cause of action to recover damages for breach of contract, the plaintiff is required to establish (1) the existence of a contract, (2) the plaintiff's performance under the contract; (3) the defendant's breach of that contract, and (4) resulting damages. See Flomenbaum v New York Univ., 71 AD3d 80 (1st Dept. 2009). The plaintiff meets this burden, by submitting proof sufficient to establish that the parties entered into an agreement whereby TEC was required to pay $12,500.00 per month to the plaintiff through June 30, 2018, that the plaintiff performed its obligations under the agreement, that TEC made some monthly payments but ceased making any further payments as of March 17, 2016, and that as a result, the plaintiff is owed $540,441.50, plus interest and contractual attorneys' fees.

In opposition, TEC admits the existence of the agreement and its failure to pay, but contends that it was entitled to terminate the agreement by a letter it sent to Penthouse on June 8, 2016, in response to Penthouse's demand for payment, because

Penthouse had in fact breached the agreement. Moreover, TEC avers that TEC is entitled to an award of summary judgment in the total sum of $261,140.00 on its counterclaims sounding in breach of contract. However, TEC's managing member indicated at various points in his deposition testimony that he did not consider Penthouse to be in breach of the agreement and that he attempted to terminate the agreement merely because "certain conditions change[d]." In addition, TEC does not produce any documentary evidence corroborating its claims of breach, nor does it provide any explanation for waiting to make such claims until after Penthouse advised it that TEC was in breach of the agreement.

In light of the foregoing, TEC has not made its prima facie showing of entitlement to judgment as a matter of law on its breach of contract claims. Further, since TEC does not dispute that it breached the agreement, and fails to rebut the plaintiff's showing that it continued to use the Penthouse name in its online platform through June 30, 2018, the plaintiff is entitled to an award of summary judgment on its cause of action for breach of contract in the sum of $540,441.50, plus interest and contractual attorneys' fees. Since the plaintiff does not submit any documentation in support of its request for attorneys' fees, the issue is referred to a Special Referee to hear and report.

"An account stated is an agreement between the parties to an account based upon prior transactions between them with respect to the correctness of the separate items composing the account and the balance due, if any, in favor of one party or the other. . . In this regard, receipt and retention of plaintiff's accounts, without objection within a reasonable time, and agreement to pay a portion of the indebtedness, [gives] rise to an actionable account stated." Shea & Gould v Burr, 194 AD2d 369, 370 (1st Dept. 1993); see Morrison Cohen Singer and Weinstein, LLP v Waters, 13 AD3d 51, 52 (1st Dept 2004). The plaintiff's submissions demonstrate that it routinely sent the defendant invoices for its monthly licensing fees, and that the defendant made a number of payments without objection. The most recent invoice delivered to the defendant shows that the defendant owed $198,000.00 to the plaintiff. The defendant had possession of the invoice for several months and acknowledged that it planned to pay, before attempting to terminate the parties' agreement. Thus, the plaintiff established its prima facie entitlement to judgment as a matter of law on its cause of action to recover on an account stated. The defendant fails to raise a triable issue of fact in opposition.

In order to prevail on a cause of action for trademark infringement under state law, the plaintiff must establish: (1) that it has a valid mark entitled to protection and (2) that the

defendant's use of that mark is likely to cause confusion. See Killian v Captain Spicer's Gallery, LLC, 140 AD3d 1764 (4th Dept. 2016). The plaintiff's submissions meet this burden. The defendant's contention that it ceased using the Penthouse name as of June 8, 2016, is belied by the fact that the defendant continued to use the Penthouse name in Internet source code for websites related to TEC. Accordingly, the plaintiff is entitled to judgment as a matter of law on its cause of action sounding in trademark infringement.

IV. CONCLUSION

In light of the foregoing, it is

ORDERED that the plaintiff's motion for summary judgment on its causes of action sounding in breach of contract, account stated, and trademark infringement is granted; and it is further,

ORDERED that the defendant's cross-motion for summary judgment on its counter-claims sounding in breach of contract and dismissing the complaint is denied; and it is further,

ORDERED that the Clerk shall enter judgment in favor of the plaintiff, Penthouse Global Media, Inc., and against the defendant, The Executive Club LLC, in the sum of $540,441.50, plus statutory interest and costs; 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: the issue of the amount due to the plaintiff for reasonable attorneys' fees and costs under the subject agreement; 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 the plaintiffshall, 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 for the parties 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 of attorneys' fees 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 the 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 reference 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 Section 202.44 of the Uniform Rules for the Trial Courts, and, upon disposition of that

motion, the defendant may enter an amended judgment adding the award of attorneys' fees and costs to the amount recovered, if any; and it is further,

ORDERED that the plaintiff shall serve a copy of this order upon defendant within 15 days of this order.

This constitutes the Decision and Order of the court.

Dated: July 12, 2019

ENTER: _____

J.S.C.

HON. NANCY M. BANNON