EPK Brand, Inc. v Leret
2020 NY Slip Op 30705(U)
March 4, 2020
Supreme Court, New York County
Docket Number: 655265/2018
Judge: O. Peter Sherwood
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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: COMMERCIAL DIVISION PART 49
--X
EPK BRAND, INC. a Delaware corporation, and
EPK KIDS SMART S.A.S., a foreign corporation,

Plaintiffs,

-against-

PATRICK ROGER LERET, an individual, LUIS ERNESTO GONZALEZ, an individual, CARLOS VALEDON HURTADO, an individual, and BRIDGEWOOD CAPITAL, INC., a foreign corporation,

Defendants.
--X

DECISION AND ORDER
Index No. 655265/2018

Mot. Seq. Nos.: 002 & 003

O. PETER SHERWOOD, J.:

Defendants Patrick Roger Leret (Leret), Luis Ernesto Gonzalez (Gonzalez), and Bridgewood Capital, Inc. (Bridgewood) (collectively, Business Defendants), bring this pre-answer motion to dismiss the complaint, pursuant to CPLR 327 and 3211 (a) (1), (a) (5), (a) (7), and (a) (8) (Motion Seq. No. 002). In motion sequence 003, defendant Carlos Valedon Hurtado (Valedon) seeks dismissal of the complaint as against him pursuant to the same provisions. The motions are consolidated for decision.

BACKGROUND

By summons and complaint dated October 23, 2018, plaintiff EPK Brand, Inc. (EPKB), a Delaware corporation with its principal place of business in Wilmington, Delaware, and plaintiff EPK Kids Smart S.A.S. (EPKS or "Kids"), a corporation existing under the laws of the country of Colombia (Complaint, ¶¶ 8, 11, NYSCEF Doc. No. 1), seek declaratory and injunctive relief and compensatory and exemplary damages "to redress a pattern of conversion and fraudulent misconduct on the part of Defendants" with respect to a brand of children's clothing identified by a subject mark (the Mark) (*id.* ¶ 1).

The complaint alleges that in 2001, Alvarro Roche (Roche) and Leret designed and created the Mark to be sold in Venezuela, with the rights to the Mark held by a Venezuelan corporation named El Principito, C.A. (EP)[1] (*id.* ¶ 26). EP's four shareholders, each with a 25% share, were

[1] Defendants identify this company as Grupo Los Principito, C.A. (GLP) (Supporting Memorandum of Law at 2, NYSCEF Doc. No. 18).

Leret, Roche, Gonzalez, and Arquitectura y Diseno Arquimico, C.A. (Arquimico), owned by Mario Cisneros, Roche's mother (*id.* ¶¶ 27 - 28). In 2003, EP's shareholders transferred the Mark to EPKB. EPKB's ownership structure was the same as EP, except Arquimeca was replaced by 1012 Gulfport C. V. (1012 Gulfport), whose beneficial owner also is Cisneros (*id.* ¶ 28). Leret and Gonzalez are residents of New York and are directors, Vice-President and Treasurer, and Vice President, respectively, of EPKB (*id.* ¶¶ 9, 13, 17). Valedon is a resident of New York, and an attorney licensed in Venezuela who served as EP's attorney (*id.* ¶ 21). Roche is a Director and the President and Secretary of EPKB (*id.* ¶ 9). EPKB's sole asset is ownership of the Mark (*id.* ¶ 8). Since 2003, EPKB has not authorized the transfer of ownership of the Mark and remains its true owner (*id.* ¶ 30).

On December 15, 2006, EPKB, as licensor, entered into an agreement with E.P. Kids Holdings Limited (EPK Holdings), a corporation registered and domiciled in Hong Kong, China, as licensee, for the use of the Mark (License Agreement) (*id.* ¶ 31, and n 3). That agreement, executed by Gonzalez on behalf of both parties, confirmed EPKB's ownership of the Mark and that EPK Holdings had the exclusive right to use it (*id.* ¶¶ 32-34). On or about December 15, 2006, EPK Holdings and EPK Kids Smart f/k/a Inversiones Plas, S.A. entered into an international distribution franchise agreement (Franchise Agreement), executed by Gonzalez. The Franchise Agreement stated that EPK Holdings was the trademark user and licensee of the Mark in various jurisdictions, including Venezuela, Colombia, and the United States, and granted Kids an exclusive license for a ten year period to open and operate stores in Colombia for the distribution and sale of clothing with the Mark (*id.* ¶¶ 40, 42-43, 48). The Franchise Agreement required Kids to pay to EPK Holdings a royalty of 3% per month on net sales (*id.* ¶ 44). The Franchise Agreement also provides that it is governed by the Laws of Colombia (*id.* Exhibit B, ¶ 21.1).

In or around the first quarter of 2011, Arquimeca began to raise concerns about: 1) the operations in Venezuela; 2) Leret's contention that the Venezuelan stores were not generating any profits; and 3) the lack of financial and operational information being provided by Leret and Gonzalez regarding sales in Venezuela (*id.* ¶¶ 50 - 51). On December 10, 2012, Arquimeca filed a lawsuit in Venezuela seeking enforcement of corporate formalities relative to EP and seeking an accounting (*id.* ¶ 52). At that time, EPKB, Roche and 1012 Gulfport were not aware that the Mark had purportedly been transferred to Bridgewood (*id.* ¶ 53).

In or around the summer/fall of 2011, coinciding with the time that Arquimeca began to raise questions, Veledon, Leret and Gonzalez created and incorporated a foreign corporation in Barbados named Bridgewood, to surreptitiously transfer the Mark from EPKB (*id.* ¶¶ 23, 54, 62). Valedon holds Bridgewood's bearer shares in trust for Leret and Gonzalez's exclusive benefit, although he knew that the Mark and all related business are owned in equal parts by Roche, Leret, Gonzalez, and 1012 Gulfport (*id.* ¶¶ 55-56), he had actual knowledge of Arquimecca's concerns, and he was substantially involved in the litigation in Venezuela (*id.* ¶ 62). Leret, Valedon and Gonzalez intentionally did not disclose and actively concealed Bridgewood's creation from Roche and 1012 Gulfport (*id.* ¶¶ 59, 63).

On September 21, 2011, non-party Justin Young, Esq.,[2] under the direction of Leret, Gonzalez, and Veledon, executed a trademark assignment agreement (the Trademark Assignment Agreement) (*id.* ¶ 64). The Trademark Assignment Agreement stated that Young was EPKB's attorney - in - fact, although EPKB did not retain him and he had been retained by a law firm which employed Valedon and did not represent EPKB (*id.* ¶ 66). The Trademark Assignment Agreement purports to assign the Mark to Bridgewood, although EPKB did not instruct Young to create or execute the agreement to transfer the Mark (*id.* ¶¶ 69-70). The Mark was transferred for $1.00, although its value far exceeded that amount (*id.* ¶¶ 70-71). EPKB's Board of Directors, Roche, and 1012 Gulfport did not authorize the Trademark Assignment Agreement, Roche and 1012 Gulfport were never advised of the transfer, and Roche and 1012 Gulfport's votes were never solicited (*id.* ¶¶ 73-74). Defendants actively concealed the Trademark Assignment Agreement and failed to disclose it or Bridgewood's existence to EPKB, Roche, 1012 Gulfport or the tribunal in Venezuela (*id.* ¶¶ 77-78). At no time prior to September 2017, when Bridgewood asserted rights as the Mark's owner in litigation against KIDS in Colombia, did EPKB, Roche or 1012 Gulfport know of the Mark's assignment or Bridgewood's existence (*id.* ¶¶ 79-80).

Beginning in or around 2013, Leret directed Kids and other franchisees to pay, and Kids and other franchisees did pay, royalty and merchandise payments to a series of entities Leret and Gonzalez owned and to their personal accounts, the majority of which were maintained in New York City banks (*id.* ¶¶ 84-87.) Due to Leret and Gonzalez's misrepresentations and active

[2] Plaintiffs named Young as a party in their federal action, filed on August 13, 2018, against Leret, Gonzalez and Valedon in the Southern District of New York (*id.* ¶ 143). Plaintiffs voluntarily dismissed that action on September 24, 2018 (*id.* ¶ 149).

concealment, EPKB was unaware of these payments (*id.* ¶ 88). Beginning in or around 2012, Leret and Gonzalez falsely represented to EPKB and Roche that no royalties were being paid by any franchise and there were no disbursements to be made. EPKB reasonably relied on these misrepresentations (*id.* ¶ 89). Only as a result of the 2017 litigation in Colombia did EPKB become aware that these misrepresentations were false (*id.* ¶ 90). Additionally, between 2012 and 2017, without the knowledge of EPKB or Roche, defendants regularly collected monies from the franchises in the form of additional mark-ups on merchandise purchased from the franchises and engaged in other conduct regarding EPKB's finances (*id.* ¶¶ 91-92).

Bridgewood filed a trademark application with the United States Patent and Trademark Office (PTO) in or around May 2014, listing Bridgewood as the Mark's owner (*id.* ¶ 93). The PTO registered the Mark with Bridgewood as the owner on December 19, 2017 (*id.* ¶ 95). Defendants did not disclose the filing or the registration to EPKB, Roche or 1012 Gulfport (*id.* ¶¶ 94, 96).

On January 22, 2015, Kids and EPK Holdings executed an addendum to the Franchise Agreement (Addendum), which was signed by Gonzalez on behalf of EPK Holdings and approved by EPKB's officers and shareholders (*id.* ¶¶ 97-100).[3] Bridgewood does not appear in the Addendum. Gonzalez did not disclose to Kids that the Mark had been transferred to Bridgewood. By not disclosing the Trademark Assignment Agreement, defendants actively concealed its existence from plaintiffs (*id.* ¶¶ 101-103).

In or around 2015, Leret first informed Kids that Bridgewood was the asserted owner of the Mark (*id.* ¶ 104). At that time, Kids demanded that Bridgewood confirm Kids' license and right to use the Mark in Colombia. Although Leret, on Bridgewood's behalf, then agreed, Leret did not provide a written agreement so confirming (*id.* ¶¶ 105-106). Leret and Gonzalez failed to provide a written agreement to Kids in an effort to further hide the existence of the Transfer Assignment Agreement and to continue their scheme to convert funds and assets from EPKB (*id.* ¶¶ 108-109).

Leret was solely responsible for sale of the clothing bearing the Mark from 2001 to 2017, and at the market's height there were approximately thirty stores in Venezuela (*id.* ¶¶ 110-111). In

[3] The Addendum states that Gonzalez is a Venezuelan national domiciled in Caracas (*Id.* Exhibit E). The Addendum further states that Samuel David Tcherassi Solano, who executed the Addendum on behalf of Kids, then known as Invesriones Plas, S.A., is domiciled in Barranquila, Republic of Colombia (*Id*).

or around 2016, Leret came under the scrutiny of Venezuelan authorities based on allegations that he was engaged in price fixing and manipulation of the dollar exchange rate through the stores (*id.* ¶¶ 111-112). In October 2017, Leret began closing the Venezuelan stores due to restrictions imposed as a result of the alleged improper activities (*id.* ¶ 114). The closing of the stores and the Venezuelan authorities' investigations severely and negatively impacted the Mark's marketability (*id.* ¶ 114). As of the filing of the complaint, all stores in Venezuela were closed (*id.* ¶ 115).

EPKB became aware of the above described actions in September 2017, when Bridgewood and Leret, with Valedon's assistance, commenced a judicial and extrajudicial campaign against Kids in Colombia, including the filing of lawsuits and administrative complaints and attempting to block Kids' use of the Mark on the internet and in social media (*id.* ¶¶ 116-120, 122). During that litigation, Kids discovered that, for over two years, Leret had been instructing the Hong Kong manufacturer of clothes bearing the Mark to prepare two invoices, one showing the real price and one an inflated price in an amount exceeding 30%, with the inflated invoices being provided to Kids and represented by Leret as accurate (*id.* ¶¶ 129-131). Kids paid the inflated invoices and the Hong Kong manufacturer then wired the difference to Leret's bank accounts in Miami, Florida and New York City. These monies were used by Leret to purchase real property in New York City and art holdings (*id.* ¶¶ 133-135).

On December 11, 2017, Bridgewood's injunction requests were denied by order of the Colombian Superintendent, the order having noted that Kids was the Mark's authorized licensee since 2006, Bridgewood failed to present evidence that Kids' license was terminated, and there was no evidence that Kids was illegally using or selling products identified by the Mark (*id.* ¶ 124). On December 13, 2017, Bridgewood voluntarily dismissed all claims and processes against Kids. The parties then engaged in mediation, wherein they agreed to cease from filing litigation anywhere in the world. The mediation resulted in an impasse in or around May 2018 (*id.* ¶¶ 125-127).

Leret, Gonzalez and Valedon diverted monies due and owing to EPK Holdings as franchisor from franchises in various locations around the world. A number of franchises have closed (*id.* ¶¶ 136-138). Other than Kids, the remaining franchises continue to make royalty payments as directed by Leret, with the payments going for the benefit of Leret, Gonzalez, and Valedon. As the manufacturers have not been paid, sufficient merchandise is not being delivered

to the franchisees (*id.* ¶ 139). Leret's actions have diluted the value of the Mark and jeopardized the success of the franchises (*id.* ¶¶ 140-141).

On August 13, 2018, plaintiffs sued defendants and Young in the United States District Court for the Southern District of New York (the federal action), seeking, *inter alia*, a temporary restraining order (TRO) and a preliminary injunction (*id.* ¶¶ 144-145). The TRO was granted but at the preliminary injunction hearing the preliminary injunction was denied. However, the court raised concerns regarding subject matter jurisdiction in the event the action against Young was dismissed, because diversity jurisdiction would no longer exist (*id.* ¶¶ 146-147). The action against Young was voluntarily dismissed and the federal action was dismissed on September 24, 2018 (*id.* ¶ 150).

In this case, EPKB seeks a declaratory judgment against Bridgewood (first cause of action), conversion against all defendants (second cause of action), civil conspiracy against all defendants (third cause of action)[4], breach of fiduciary duty and breach of 8 Del. C. Section 144 against Leret and Gonzalez (fourth and fifth causes of action, respectively), and unjust enrichment and waste of assets against Leret, Gonzalez and Bridgewood (sixth and seventh causes of action). Kids asserts fraud against Leret (eighth cause of action) and, tortious interference against Bridgewood, Leret and Valedon (ninth cause of action).

BUSINESS DEFENDANTS' MOTION TO DISMISS (Mot. Seq. No. 002)

In motion sequence 002, the Business Defendants seek dismissal on a number of grounds, including: the statute of limitations with respect to EPKB's claims, and forum non conveniens with respect to Kids' claims. As these defenses are dispositive, the court need not reach the remaining arguments.

A. Statute of Limitations

1. Arguments

The Business Defendants argue that all of EPKB's claims against them must be dismissed as time barred[5] because non-resident EPKB is incorporated in Delaware and has its principal place of business in Delaware. The causes of action accrued in Delaware as that is where EPKB sustained economic injury. Movants submit that the court should apply CPLR 202 (the borrowing

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[4] Also asserted by Kids.

[5] The court notes that the Business Defendants have not sought to dismiss Kids' claims on the basis of the New York or Colombia statute of limitations. The principal place of Kids' business is Colombia.

statute) to determine whether the action is time barred under Delaware or New York Law, whichever is shorter. The Business Defendants argue that Delaware's statute of limitations for all of EPKB's causes of action is three years. As EPKB instituted this action more than three years after accrual, its motion should be granted.

The Business Defendants assert that all of EPKB's claims stem from the September 11, 2011 transfer of the Mark, or the alleged diversion of funds related to EPK brands, which began in or before 2011. EPKB, however, did not assert its claims until they instituted the federal action on August 13, 2018, and commencement of this action on October 23, 2018.

Additionally, the Business Defendants argue that there is no basis for the tolling of the statute of limitations for EPKB's claims. They submit that when utilizing the borrowing statute, the court also looks to the other State's tolling rules. Under Delaware law, tolling may occur when the defendant fraudulently concealed facts necessary to put the plaintiff on notice. Relying on the allegations in the complaint and their moving affidavits, the Business Defendants argue that Roche not only knew of the transfer but also filed documents in the Venezuelan court on July 3, 2015 through his attorney demanding a criminal investigation of the transfer to Bridgewood. They further argue that EPKB cannot successfully claim that it was unaware of the alleged diversion of payments, as Roche knew as early as 2011 that he was not receiving royalty payments from the sale of EPK clothing. He raised the issue in 2011 and 2012 in the Venezuelan proceedings.

In their opposition, plaintiffs assert that EPKB's claims are not time barred. They argue that the claims were tolled due to defendants' knowing and affirmative fraudulent concealment of their wrongdoing, and equitable tolling principals. EPKB submits that movants have failed to show allegations in the complaint are insufficient to support tolling of the statute of limitations until September 2017, when Bridgewood asserted rights to the Mark in Colombia and EPKB first learned of assignment of Mark to Bridgewood. EPKB points to the following allegations in the complaint as to when it first learned of the assignment and to support allegations of active concealment: Paragraphs 64-69, 72-73, 74, 76-81, 116-117, 120-121, 154, 160-161, 175, 201-202, and 205-206. EPKB also points to assertions set forth in its opposing affidavits, including that 1) at a February 2012 meeting regarding operations in Venezuela Leret and Gonzalez attempted to persuade Roche and 1012 Gulfport to agree to transfer the Mark from EPKB to an offshore entity, as to which Roche and 1012 Gulfport declined; and 2) at no point did Leret or Gonzalez (or defendant Valedon) advise that the Mark had been transferred already (Roche Aff. ¶¶ 23-29).

EPKB adds that the complaint sufficiently pleads equitable tolling, as it reasonably relied on Leret and Gonzalez who were officers or directors of EPKB) to act in accordance with their fiduciary duties of good faith, care and loyalty, and to competently execute their corporate formalities and obtain authorization from Roche for the assignment.

As to the assertion that EPKB was on inquiry notice, EPKB argues that the allegations in the complaint and conflicting affidavits as to when EPKB knew or should have known of the transfer, pre-discovery dismissal is inappropriate. As to Roche's July 22, 2015 request to the Venezuelan Prosecutor's Office seeking information regarding EPKB and Bridgewood, that request concerned a wholly different mark identified as El Principito, which is not in issue in this action (Roche Aff. ¶¶ 12, 18). Similarly, the July 18, 2011 and February 14, 2012 assignments referenced in the moving papers relate to the brand El Principito, and not the assignment at issue in this action (*id.* ¶ 12).

EPKB further argues that claims stemming from defendants' wrongful diversion of royalty payments are not time barred. First, they are continuing wrongs that can be segmented. Accordingly, claims dating back at least three years from the complaint's filing are timely. Second, EPKB sufficiently pled that defendants engaged in affirmative acts of concealment and misrepresentations, and EPKB was unaware that royalty and merchandise payments were being made and that the payments were directed to a series of entities owned and controlled by Leret and Gonzalaz and/or their respectively personal accounts. Additionally, the 2011 and 2012 Venezulean proceedings related to a different non-party entity and its shareholders, and those claims are different than the diversion of royalty payments alleged in this action, which began in 2013 and of which EPKB did not have notice.

The Business Defendants reply that EPKB failed to argue sufficiently that the statute of limitations was tolled, as EPKB had actual or inquiry notice of both the transfer of the Mark and the alleged diversion of payments more than three years prior to the filing of the federal action. They point to, *inter alia*, the July 3, 2015 letter request made by Roche's attorney to Venezuelan prosecutors (the investigation request letter) for an investigation into: (i) the status and assignment history of the EPK and EP marks; (ii) Leret and Gonzelez's bank accounts; and (iii) EPKB, Bridgewood and other companies as assignors or assignees of both trademarks (*see* Moving Affirmation of Gonzalez and Exhibit A thereto, [NYSCEF Docs. No. 19 and 20]; Affirmation of Stephen Gale Dick in Further Support of Defendants' Motion to Dismiss, [NYSCEF Doc. No. 62],

and Exhibit A thereto, [NYSCEF Doc. No. 63]). Defendants also point to the 2011 civil actions concerning the Venezuela operations and Leret's contention that the Venezuelan stores were not generating a profit. As to EPKB's argument that the three year statute of limitations is not applicable under the continuing wrong theory, defendants argue that under Delaware law, a series of similar but discrete transactions that can be segmented do not constitute a continuing wrong.

2. Discussion

For purposes of the statute of limitations, a nonresident corporation's claim based on a purely economic injury accrues where it sustained the economic impact of defendants' conduct (*see Global Fin. Corp. v Triarc Corp.*, 93 NY2d 525 [1999]; *Interventure 77 Hudson* LLC *v Falcon Real Estate Inv. Co., LP*, 172 AD3d 481[1st Dept. 2019]). It is not disputed that EKGB is a Delaware corporation with its principal place of business in Delaware. Accordingly, the causes of action accrued in Delaware. "CPLR 202 requires our courts to 'borrow' the Statute of Limitations of a foreign jurisdiction where a nonresident's cause of action accrued, if that limitations period is shorter than New York's" (*Global Fin. Corp.*, 93 NY2d at 526).

In addition to borrowing Delaware's statute of limitations, the court also borrows Deleware's tolling statute. "[W]hen borrowing foreign law pursuant to CPLR 202, foreign tolls and extensions must be imported, too" (*Norex Petroleum Ltd. v Blavatnik*, 23 NY3d 665, 676 [2014] [internal citations omitted]). Here, the court "must borrow Delaware's tolling statute to determine whether under Delaware law [plaintiff] would have had the benefit of additional time to bring the action" (*Portfolio Recovery Assoc., LLC v King*, 14 NY3d 410, 416 [2010] [internal citations and quotation marks omitted]). "[T]he limitation period will toll where there has been active concealment or under the discovery rule the statute is tolled where the injury is inherently unknowable and the claimant is blamelessly ignorant of the wrongful act and the injury complained of" (*Gaslow v QA Invs. LLC*, 36 AD3d 286, 288 [1st Dept 2006] [internal quotation marks and citations omitted]).

Under such circumstance, the statute of limitations "will begin to run only upon the discovery of facts constituting the basis of the cause of action or the existence of facts sufficient to put a person of ordinary intelligence and prudence on inquiry which, if pursued, would lead to the discovery of such facts" (*Wal-Mart Stores, Inc. v AIG Life Ins. Co.*, 860 A2d 312, 319 [Del 2004] [internal quotation marks and citations omitted]). "[T]he inherently unknowable exception to the ordinary accrual rule occurs when there are no observable or objective factors which put

laymen on notice of a problem" (*Gaslow*, 36 AD3d at 288 [internal quotation marks and citation omitted]). Inquiry notice, however, "does not require actual discovery of the reason for the injury. Nor does it require plaintiffs' awareness of all aspects of the alleged wrongful conduct" (*Gaslow*, 36 AD3d at 289) [internal quotation marks and citation omitted]). "[O]nce a plaintiff is in possession of facts sufficient to make him suspicious, or that ought to make him suspicious, he is deemed to be on inquiry notice" (*id.* [internal quotation marks and citations omitted]). Whether a plaintiff has been placed on inquiry notice is an appropriate subject for determination on a motion to dismiss (*see Weisl v Polaris Holding Co.*, 226 AD2d 286 [1st Dept 1996]).

While it is not disputed that the Delaware's statute of limitations for all the causes of action asserted against EPKB is three years (Del. Code Ann. § 8106), whether the tolling rule rendered this action timely commenced is disputed. On this motion, plaintiffs have failed to demonstrate that the statute of limitations was tolled or to otherwise defeat the Business Defendant's showing that EPKB's action is untimely. The complaint and the documentary proof belie plaintiffs' assertions that plaintiffs were unaware of transfer of the Mark to Bridgewood and of the alleged diversion of funds as early as 2011. Moreover, plaintiffs were on inquiry notice as early as 2011, and, most certainly, at the time of and prior to the investigation request dated July 3, 2015. The court additionally notes that Bridgewood filed the trademark application with the TPO in May 2014. As EPKB slept on its rights and failed to take action despite repeated actual or inquiry notice, EPKB's claims are not tolled and are untimely.

Accordingly, that part of the Business Defendant's motion seeking to dismiss EPKB's claims as time barred shall be granted.

B. Forum Non Conveniens, Kids Claims

1. Argument

The Business Defendants argue that this court is not the proper forum for the claims against them and that an examination of the applicable factors support dismissal on grounds of forum non conveniens. They acknowledge that EPKB's claims could be heard in either Delaware or Columbia but is barred by the Delaware Statute of Limitations. They assert that Colombia (or Venezuela) is a proper forum for Kids' claims, as the instant action follows at least five prior proceedings in foreign courts, including Colombia, involves foreign conduct by non-residents relating to a foreign business in Colombia, and relates to an asset held outside of New York. Moreover, none of Kids' claims, and almost none of the parties, have any material connection to New York.

Additionally, the Business Defendants contend that: (i) Kids and its president Samuel Tcherassi Solano are located in Colombia; (ii) the claims relate to the sale of EPK clothing in Colombia; (iii) the parties chose Colombian law to govern the Franchise Agreement; (iv) the parties previously litigated issues relating to their business relationship in Colombia; and (v) the parties have already submitted to Colombia's jurisdiction on those issues. Additionally, Colombia has been recognized by United States courts as an adequate forum.

Considering the factor of the burden to the court and to the defendants, the Business Defendants argue that litigating Kids' claims in New York involves reviewing years of foreign transactions, conducting foreign discovery, and bringing to New York foreign witnesses and evidence. As to the site of the relevant events, they argue that Kids' claim relate to a Colombia franchise of a foreign corporation and allegedly tortious acts that were committed outside of New York. Further, the action concerns rights to use of the Mark in Colombia, an alleged judicial and extrajudicial campaign in Colombia, and the authenticity of products sold in Colombia. In contrast, there are few acts that occurred in New York. Moreover, as the claims relate to the business relationships between Colombian and Venezuelan entities, norms relating to operating a franchise relationship in those countries apply.

In opposition, plaintiffs argue that the Business Defendants have failed to meet their heavy burden on a motion to dismiss on grounds of forum non convenienes. With respect to an alternate venue, plaintiffs argue that the defendants have failed to show that Colombia is a more convenient forum, as Valedon is a New York domiciliary and Leret and Gonzelez each own an apartment and regularly conduct business in New York. Plaintiffs further argue that defendants do not explain why an action involving the fraudulent transfer of the Mark from EPKB, a United States company, should be brought in Colombia.

Additionally, they assert that the fact that documents may be located in a foreign jurisdiction or that documents and witnesses' testimony may need translation from Spanish is an insufficient basis to disregard plaintiff's selection of forum, noting that defendants used New York bank accounts to siphon off money. They further argue that the Business Defendants' assertion of hardship in litigating the action in New York falls flat, considering that Leret and Gonzalez embezzled fifty million dollars in royalties into real and personal property in New York and own New York apartments valued at four million dollars and five million dollars, respectively.

In reply, the Business Defendants contend that the factors bearing on forum non conveniens support the granting of the dismissal motion. They assert that plaintiffs concede most of the factors, including the burden to the court, related actions in other forums, and applicability of foreign law, noting that the court would need to parse years of complex foreign transactions. They also argue that five of the six parties are foreign residents. Only Valedon, who is the least involved in the facts, is a New York resident. Additionally, the factors addressed by plaintiffs lean strongly in favor of dismissal. Plaintiffs' arguments are mostly irrelevant to Kids' claim, in that: (i) Kids' claims are centered in Colombia; (ii) use of New York bank accounts has no bearing on claims centered in Colombia; (iii) Colombian law governs the Franchise Agreement; (iv) and the right to use of the Mark in Colombia were the subject of prior proceedings there.

2. Discussion

"It is well established that 'unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum should rarely be disturbed'" (*Waterways Ltd. v Barclays Bank PLC*, 174 AD2d 324, 327 [1st Dept 1991], *quoting Gulf Oil Corp. v Gilbert*, 330 US 501, 508 [1947]). "Ordinarily, nonresidents are permitted to enter New York courts to litigate their disputes as a matter of comity. Obviously, however, our courts are not required to add to their financial and administrative burdens by entertaining litigation which does not have any connection with this State" (*Islamic Republic of Iran v Pahlavi*, 62 NY2d 474, 478 [1984], *cert denied* 469 US 1108 [1985])." "[O]ur courts should not be under any compulsion to add to their heavy burdens by accepting jurisdiction of a cause of action having no substantial nexus with New York" (*Silver v Great Am. Ins. Co*, 29 NY2d 356, 361 [1972]).

The rule of forum non conveniens "permits a court to stay or dismiss such actions where it is determined that the action, although jurisdictionally sound, would be better adjudicated elsewhere" (*Islamic Republic of Iran*, 62 NY2d at 478-479 [internal citations omitted]). Moreover, the motion court in its discretion may consider and grant a motion to dismiss on grounds of forum non convenien without first determining the issue of personal jurisdiction over all the defendants (*see Estate of Kainer v UBS AG*, 175 AD3d 403, 403-404 [1st Dept 2019], citing *Sinochem Intl. Co. LTD. v Malaysia Intl. Shipping Corp.*, 549 US 422 [2007]). "[W]here personal jurisdiction is difficult to determine, and forum non conveniens considerations clearly militate in favor of dismissal, a court may dismiss on the latter ground" (*Estate of Kainer*, 175 AD3d at 404 [citing *Sinochem Intl. Co. Ltd*, 549 US at 436]).

Defendants have the burden "to demonstrate relevant private or public interest factors which militate against accepting the litigation and the court, after considering and balancing the various competing factors, must determine in the exercise of its sound discretion whether to retain jurisdiction or not" (*Islamic Republic of Iran*, 62 NY2d at 478 [internal citation omitted]). "No one factor is controlling" (*Bank Hapoalim (Switzerland) Ltd. v Banca Intesa S.p.A.*, 26 AD3d 286, 287 [1st Dept 2006])*)*. "The great advantage of the rule of forum non conveniens is its flexibility based upon the facts and circumstances of each case" (*Islamic Republic of Iran*, 62 NY2d at 479 [internal citations omitted]). The "rule rests upon justice, fairness and convenience" (*Id.* [internal citations omitted]).

"Among the factors to be considered are the burden on the New York courts, the potential hardship to the defendant, and the unavailability of an alternative forum in which the plaintiff may bring suit" (*Bank Hapoalim (Switzerland) Ltd.*, at 287). It is plaintiff's burden to demonstrate that an alternative forum is not available (*see Islamic Republic of Iran*, 62 NY2d at 481). Moreover, New York courts do not require an alternative forum "where the New York connection to the litigation is minimal" (*Wyser-Pratte Mgt. Co., Inc. v Babcock Borsig AG,* 23 AD3d 269, 270 [1st Dept 2005]). Additional factors include the location of witnesses and evidence, whether the transaction out of which the cause arose occurred primarily in a foreign jurisdiction, applicability of foreign law, and the action's connection with New York (*see Islamic Republic* of Iran, 62 NY2d at 479). "The applicability of foreign law is an important consideration in determining a forum non conveniens motion and weighs in favor of dismissal" (*Flame S.A. v Worldlink Int. (Holding) Ltd.*, 107 AD3d 436, 438 [1st Dept 2013] [internal citation and quotation marks omitted], quoting *Shin-Etsu Chem., Ltd. v 3033 ICICI Bank Ltd.*, 9 AD3d 171, 178 [1st Dept 2004]). The court also may consider the parties' residency, although this is only one factor and defendant's heavy burden of disturbing plaintiff's choice of forum remains despite a plaintiff's nonresident status (*see American BankNote Corp. v Daniele*, 45 AD3d 338, 340 (1st Dept 2007]). "[W]hen the court takes these various factors into account in making its decision, there has been no abuse of discretion reviewable by [the Court of Appeals]" (*Islamic Republic of Iran*, 62 NY2d at 479 [internal citations omitted]).

In the exercise of its discretion, the court now considers the issue of forum non conveniens without first determining whether it has personal jurisdiction over the Business Defendants. The court does so because discovery and additional motion practice on the hotly contested issue of

personal jurisdiction will prove an unnecessary burden and delay in the event it "determines that, in any event, a foreign tribunal is plainly the more suitable arbiter of the merits of the case" (*Sinochem Intl. Co. Ltd.*, 549 US at 425).

In arriving at its decision, the court has considered and balanced all of the competing factors. Kids, a Colombian corporation, complains of acts that occurred outside of New York, and caused injury outside of New York, specifically, in Colombia. To the extent Kids alleges that acts occurred in New York, such acts do not provide a substantial nexus to this forum. The documents and witnesses are located primarily in Colombia, the documents were executed outside of New York, and Colombian law governs the Franchise Agreement. Colombia is an alternative forum, and prior proceedings between the parties took there. The court concludes that the Business Defendants have met their heavy burden, and will grant there motion to dismiss Kids' action against them on the grounds of forum non conveniens. The court conditions the dismissal order upon the Business Defendants' consent to jurisdiction of the courts in Colombia.

VALEDON'S MOTION TO DISMISS (Motion Seq. No. 003).

Valedon seeks dismissal on a number of grounds. The court shall address just two, statute of limitations with respect to plaintiff EPKB's claims, and forum non conveniens with respect to plaintiff Kids' claims.

As previously addressed with respect to the Business Defendants, EPKB's claims are governed by Delaware's three year statute of limitations and accrued more than three years prior to the filing of the federal action and this action. Running of the time to file EPKB's claims is not tolled. EPKB's action against Valedon is barred by the statute of limitations and its claims shall be dismissed.

For the reasons previously addressed, Kids' action against defendant Valedon shall be dismissed on the grounds of forum non conveniens. The court has examined and balanced the various factors, including those set forth below. While Kids, a Colombian corporation, has chosen New York as its forum, and Valedon is a New York resident, Kids' action has no substantial nexus to New York. Valedon's alleged wrongful acts did not occur in New York and Kids' alleged injury resulting from the alleged acts occurred in Colombia. Kids is located in Colombia, as are the witnesses and documents. Colombia is an alternative forum. Colombian law applies to the Franchise Agreement and related proceedings have been held in Colombia. The court conditions the dismissal order upon Valedon's consent to jurisdiction of the court in Colombia.

Accordingly, it is hereby

ORDERED that the motion of defendants Patrick Roger Leret, Luis Ernesto Gonzalez, and Bridgewood Capital, Inc. to dismiss all of plaintiff EPK Brand, Inc. claims against them on statute of limitations grounds (Motion Sequence No. 002) is granted; and it is further

ORDERED that the motion of defendants Patrick Roger Leret, Luis Ernesto Gonzalez, and Bridgewood Capital, Inc. to dismiss the action of plaintiff EPK Kids Smart S.A.S. on the grounds that New York is an inconvenient forum (Motion Seq. No. 002) is granted on condition that these defendants stipulate to the Colombia court's jurisdiction in the event that this action is commenced in Colombia, the alternative forum; and it is further

ORDERED the motion of defendant Carlos Valedon Hurtado to dismiss the action of plaintiff EPK Brand, Inc. as against him on statute of limitations grounds (Motion Sequence No. 003) is granted; and it is further

ORDERED that the motion of defendant Carlos Valedon Hurtado to dismiss the action of plaintiff EPK Kids Smart S.A.S. as against him on the grounds that New York is an inconvenient forum (Motion Seq. No. 003) is granted on condition that defendant stipulate to the Colombia court's jurisdiction in the event that this action is commenced in Colombia, the alternative forum; and it is further

ORDERED that within 30 days from service of a copy of this order with notice of entry, defendants in Motion Sequence No. 002 and defendant in Motion Sequence No. 003 each shall file proof of compliance with the above condition with the Clerk of Part 49 and with the Clerk of the Court, 60 Centre Street, Room 141B together with a copy of this order with notice of entry and proof of service of the foregoing on counsel for plaintiffs; and it is further

ORDERED that such service upon the Clerk of the Court and the Clerk of the Part shall be made in accordance with the procedures set forth in the Protocol on Courthouse and County Clerk Procedures for Electronically filed cases; and it is further

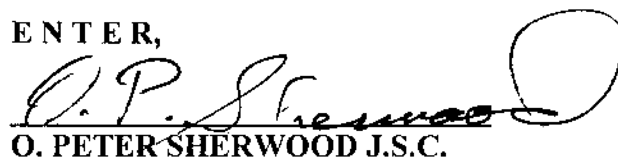
ORDERED that, upon timely filing of the foregoing, the Clerk of the Court shall enter judgment dismissing the action; and it is further

ORDERED that in the event of non-compliance, counsel are directed to appear for a status conference on Tuesday, April 21, 2020 at 9:30 AM in Part 49, Courtroom 252, 60 Centre Street, New York, New York.

This constitutes the decision and order of the court.

DATED: March 4, 2020

E N T E R,



O. PETER SHERWOOD J.S.C.