

Brembo S.P.A. v T.A.W. Performance LLC
2020 NY Slip Op 32061(U)
June 26, 2020
Supreme Court, New York County
Docket Number: 654931/2017
Judge: Paul A. Goetz
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**SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY**

<p>PRESENT: <u>HON. PAUL A. GOETZ</u></p> <p style="text-align: right; margin-right: 50px;"><i>Justice</i></p> <p>-----X</p> <p>BREMBO S.P.A,</p> <p style="text-align: center; margin-left: 200px;">Plaintiff,</p> <p style="text-align: center; margin-left: 150px;">- v -</p> <p>T.A.W. PERFORMANCE LLC,</p> <p style="text-align: center; margin-left: 200px;">Defendant.</p> <p>-----X</p>	<p>PART IAS MOTION 47EFM</p> <p>INDEX NO. <u>654931/2017</u></p> <p>MOTION DATE _____</p> <p>MOTION SEQ. NO. <u>013</u></p> <p style="text-align: center; border: 1px solid black; padding: 5px;">DECISION + ORDER ON MOTION</p>
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The following e-filed documents, listed by NYSCEF document number (Motion 013) 338-406 were read on this motion to/for SUMMARY JUDGMENT/STRIKE.

Plaintiff Brembo S.P.A., an Italian manufacturer of motor vehicle and motorcycle parts, commenced this action against defendant T.A.W. Performance LLC, Brembo's former exclusive distributor in North America, to recover sums allegedly due and owing under to the parties' exclusive distribution agreement dated July 1, 2014. In its amended complaint, plaintiff asserts causes of action for breach of contract, account stated and specific performance. In its answer, defendant asserted affirmative defenses to the claims as well as various counterclaims. By order dated July 2, 2018, this court granted in part Brembo's motion to dismiss T.A.W.'s counterclaims and dismissed all of the counterclaims except for T.A.W.'s second counterclaim for alleged breach of the parties' written distribution agreement. This order was unanimously affirmed by the Appellate Division, First Department by decision and order dated October 17, 2019. Following the completion of discovery between Brembo and T.A.W., plaintiff Brembo now moves pursuant to CPLR 3212 for summary judgment on its amended complaint and dismissal of defendant T.A.W.'s affirmative defenses and its remaining counterclaim.

Background

Plaintiff Brembo is an Italian company engaged in the design, manufacturing and sale of brake systems for automobiles and motorcycles. Affirmation of Umberto Simonelli dated November 25, 2019, para. 2. Brembo conducts sales throughout the world through exclusive and non-exclusive third-party distributors, including, as relevant here, defendant T.A.W. *Id.* From shortly after T.A.W.'s formation in 2010 until July 1, 2014, T.A.W. was an authorized, non-exclusive distributor of Brembo products in North America. The company was owned and managed by Richard Martin and Ken Gordon, and its president Wayne Rodgers, was involved in all aspects of T.A.W.'s day-to-day business. *See* Affirmation of Mark. A. Weissman dated November 26, 2019, Exh. 6 (Martin Dep. Tr.), Exh. 7 (Gordon Dep. Tr.), and Exh. 8 (Rodgers Dep. Tr.).

In or around March or April 2014, Brembo and T.A.W. began negotiating an agreement for T.A.W. to become the exclusive distributor of certain Brembo products in North America. Both T.A.W. and Brembo were represented by experienced legal counsel in these negotiations. Weissman Aff., Exh. 7 (Gordon Dep. Tr. 38-40, 49) and Exh. 8 (Rodgers Dep. Tr. 26-31). The negotiations resulted in a written Exclusive Distribution Agreement between Brembo and T.A.W., executed on July 1, 2014 (the "Agreement"). Weissman Aff., Exh. 8 (Exclusive Distribution Agreement) and Exh. 7 (Gordon Dep. Tr. 36-38). Under paragraph 3.1 of the Agreement, T.A.W. was appointed as Brembo's exclusive distributor of Brembo Products and Non-exclusive Brembo Products in the United States, Canada and Mexico (the "Territory"). Weissman Aff., Exh. 8, para. 3.1. Brembo Products is defined in the Agreement to include all items listed in Schedule 2 to the Agreement, while Non-exclusive Brembo Products is defined as the Brembo Products that are sold to distributors on a non-exclusive basis, as specified in Schedule 2. Weissman Aff., Exh. 8, para.

1. Under paragraph 5.4 of the Agreement, the Distributor, T.A.W., must use its best efforts to prevent the sale of counterfeit Brembo Products and Non-exclusive Brembo Products in the Territory, and Brembo, the Supplier, shall support T.A.W.'s efforts to do so as reasonably requested by T.A.W. Towards this end, this provision provides that "Brembo shall cooperate with T.A.W. if T.A.W. makes a reasonable request for Brembo to notify E-Bay regarding any Brembo branded products being sold on E-Bay by distributors, foreign and domestic in contravention of the exclusivity provisions of this Agreement." Weissman Aff., Exh. 8, para. 5.4. Finally, the Agreement provides that Brembo shall supply Brembo Products only to T.A.W. for re-sale in the Territory. *Id.*, para. 7.6.

In August 2016, after T.A.W. allegedly failed to pay certain invoices which were due and owing from January 2016, Brembo gave T.A.W. a one year notice of termination of the Agreement, pursuant to paragraph 16.2 of the Agreement, with termination to be effective on July 31, 2017. Weissman Aff., Exh. 9. After sending the notice of termination, Brembo continued to fill T.A.W.'s orders by shipping products to T.A.W., which T.A.W. admittedly accepted without payment. Weissman Aff., Exh. 5 (Gordon Dep. Tr. 147-48), Exh. 6 (Rodgers Dep. Tr. 56). On July 3, 2017, in anticipation of the effective date of the termination of the Agreement and in accordance with paragraph 17.2. of the Agreement, Brembo notified T.A.W. that it intended to repurchase the products that T.A.W. had purchased in the six prior months. Weissman Aff., Exh. 23 & Exh. 6 (Rodgers Dep. Tr. 133-134). To date, T.A.W. has admittedly refused to return all of this inventory. Weissman Aff., Exh. 6 (Rodgers Dep. Tr. 134).

Breach of Contract and Counterclaim

In order to meet its prima facie burden for summary judgment on the breach of contract claim, plaintiff must submit evidence of a valid and enforceable agreement between the parties, its

performance thereunder, defendant's breach of the agreement and resulting damages. *Valenti v. Going Grain Inc.*, 159 A.D.3d 645 (1st Dep't 2018). Here, in support of its motion, plaintiff submits a copy of the July 1, 2014 Exclusive Distribution Agreement, which was executed on behalf of T.A.W. by Ken Gordon and on behalf of Brembo by its executive vice president. Weissman Aff., Exh. 8 and Exh. 5 (Gordon Dep. Tr. 36-38). Neither party disputes that the Agreement is valid and enforceable. In addition, plaintiff submits the testimony of T.A.W.'s representatives Mr. Gordon and Mr. Rodgers, who admit in their depositions that they ordered products from Brembo pursuant to this Agreement, which Brembo delivered to T.A.W. without objection, and that T.A.W. failed to remit payment for these products. Weissman Aff., Exh. 5 (Gordon Dep. Tr. 147-48), Exh. 6 (Rodgers Dep. Tr. 56). Although T.A.W. disputes the amount that is due and owing, this evidence is sufficient to show T.A.W.'s breach of the Agreement and resulting damages.

The crux of the breach of contract claim, as well as defendant's counterclaim, is Brembo's performance under the Agreement and whether Brembo breached the exclusivity provisions in the Agreement, as alleged by T.A.W. Pursuant to paragraph 3.1 of the Agreement, T.A.W. was appointed as Brembo's exclusive distributor of Brembo Products in North America. Weissman Aff., Exh. 8. Brembo's obligations in this regard are specified in paragraph 5.4 of the Agreement, which require Brembo to cooperate with T.A.W. if it makes a reasonable request for Brembo to notify E-Bay regarding any Brembo products being sold on E-Bay in contravention of the exclusivity provisions of the contract, and paragraph 7.6, which provides that Brembo shall supply the Brembo Products only to T.A.W. for re-sale in the North America. Weissman Aff., Exh. 8. T.A.W. asserts that Brembo breached these provisions of the Agreement by (i) failing to control its European distributor, non-party Motorquality, which sold Brembo products to third-party defendants Omnia Racing and Carpinoto, two European dealers of Brembo products, who in turn

sold these products in North America; and (ii) preventing T.A.W. from asserting trademark and copyright infringement claims against these dealers via E-Bay. See T.A.W.'s Memorandum of Law in Opposition, p. 20.

With respect to the alleged breach of paragraph 7.6 of the Agreement, there is no dispute that Brembo did not sell its products to any other distributor for re-sale in North America. However, T.A.W. argues that this provision goes further, and requires Brembo to take all commercially reasonable steps to ensure that the goods it supplied to its other distributors, including Motorquality, were not sold into the Territory. T.A.W.'s Memorandum of Law in Opposition, p. 21. However, contrary to T.A.W.'s assertion, this unambiguous provision contains no such obligation and the court may not distort the meaning of this provision to imply such an obligation. See *Nomura Home Equity Loan, Inc. v. Nomura Credit & Capital Inc.*, 30 N.Y.3d 572, 581 (2017) ("Courts may not, through their interpretation of a contract, add or excise terms or distort the meaning of any particular words or phrases, thereby creating a new contract under the guise of interpreting the parties' own agreements.") (citing *Ace Securities Corp. V. DB Structured Products Inc.*, 25 N.Y.3d 581, 596-97 (2015)).

Further, even if this provision could be construed to imply such a broad and ambiguous obligation, T.A.W. fails to explain what it entails or provide any evidence that Brembo breached this provision. For instance, T.A.W. argues that Brembo could have imposed "vertical restraints" on Motorquality, presumably by increasing its pricing, and thereby control the sales by Motorquality's dealers, Omnia and Carpimoto, into T.A.W.'s Territory. T.A.W.'s Memorandum of Law in Opposition, pp. 10, 29-30. However, contrary to T.A.W.'s contention, the Agreement contains no restrictions on the prices that Brembo could charge to other distributors for its products. Weissman Aff., Exh. 8; Exh. 5 (Gordon Dep. Tr. 109, 116-117); Exh. 4 (Martin Dep. Tr. 42). In

any event, T.A.W. fails to present any evidence that Brembo's pricing to Motorquality was more favorable, that re-negotiating such pricing was feasible and that increasing this pricing would have even curbed Omnia and Carpimoto's sales in North America. T.A.W. also fails to present any evidence that Omnia and Carpimoto violated Brembo's minimum advertised pricing policy or that Brembo, rather than Motorquality, as the distributor, was responsible for enforcing this policy. T.A.W.'s Memorandum of Law in Opposition, p. 30; Affirmation of Michael C. Barrows dated January 13, 2020, Exh. H. Finally, Brembo did not sell directly to Omnia and Carpimoto, it did not have a contractual relationship with these dealers, and contrary to T.A.W.'s contention, there is simply no evidence that Brembo had any ability to directly control their sales into the Territory. Barrows Aff., Exh. G (no mention of Omnia or Carpimoto on Brembo's website as T.A.W. claims).

With respect to paragraph 5.4, T.A.W. argues that Brembo breached this provision by preventing T.A.W. from using E-Bay's VeRo program to address the sales made by Omnia and Carpimoto into the United States, in contravention of the Agreement. The E-Bay VeRo program allows owners of certain intellectual property rights and their authorized representatives to report listings placed on E-Bay that may infringe on such rights. Weissman Aff., Exh. 17. The VeRo program is used for reporting items that infringe on intellectual property rights, counterfeit and replica items, and the unauthorized use of a copyrighted item. *Id.* The program specifically is not to be used "where a product is resold by trying to enforce contracts or distribution of goods to authorized sellers." *Id.*

Here, it is undisputed that Omnia and Carpimoto were selling genuine, not counterfeit, Brembo products on E-Bay, and T.A.W. was well-aware of this fact. Weissman Aff., Exh. 6 (Rodgers Dep. Tr. 70-74). Nevertheless, T.A.W. repeatedly used the VeRo program to try to remove these items, even though these "gray market goods" (genuine goods imported or sold in

the United States without the authorization of the trademark holder) bore a trademark that was genuine and did not infringe on Brembo's intellectual property rights. This was a misuse of E-Bay's VeRo program and indeed, E-Bay repeatedly notified T.A.W. that these complaints were unfounded and inappropriate. Weissman Aff., Exh. 18 (TAW02604); Exh. 19 (TAW02644-45); Exh. 20 (TAW02904-05). Thereafter, Brembo notified T.A.W. that it must obtain Brembo's approval prior to filing a VeRo complaint. Weissman Aff., Exh. 21 (TAW02822). Brembo's actions were not unreasonable given T.A.W.'s repeated misuse of the VeRo program to control the sale of gray market goods.

In an attempt to justify its use of the VeRo program, T.A.W. argues that the gray market goods sold by Omnia and Carpimoto violated Brembo's intellectual property rights because they were "materially different" from the Brembo products sold by T.A.W. The Lanham Act (15 U.S.C.A. Sec. 1051 et. seq.) sets the foundational rules and regulations for trademark protection in the United States. Under the "first-sale doctrine," a trademark holder does not have a right under the Lanham Act to control unauthorized resales as long as the goods sold are genuine. *Abbott Labs. v. Adelpia Supply USA*, 2019 WL 5696148, at *4 (E.D.N.Y. 2019) (internal quotations and citations omitted). However, goods that are not intended for domestic sale and are materially different from domestic goods are not considered genuine and may give rise to liability under the Lanham Act. *Id.* A material difference can be "any difference between the registrant's product and the allegedly infringing gray good that consumers would likely consider to be relevant when purchasing a product." *Zip Intern. Group LLC v. Trilini Imports Inc.*, 2011 WL 2132980, at *4 (E.D.N.Y. 2011) (internal quotations and citations omitted).

Here, T.A.W. argues that there was a "material difference" in the Brembo products it sold and the Brembo products sold by Omnia and Carpimoto because there were different warranties

accompanying the products. T.A.W. claims that the Agreement required T.A.W. to include an additional warranty above and beyond the warranty provided by Brembo which required its customers to send goods back to T.A.W. in the United States in order to be replaced, rather than directly to the dealer in Europe. *See* T.A.W.'s Memorandum in Opposition, pp. 11-12. T.A.W. argues that this constitutes a material difference between the products because the time to process the warranty claim could differ significantly.

As an initial matter, the alleged difference in the return process for warranty claims does not constitute a difference in the warranties provided by T.A.W. on the one hand and Omnia and Carpimoto on the other, since T.A.W. does not assert that the warranty coverage provided by these companies differs in terms of the length of coverage provided or the type of claims that can be made. Moreover, even if the return process could be construed as a difference in the warranties, and possibly a material difference in the products sold by T.A.W. and Omnia and Carpimoto, T.A.W. has failed to present any evidence to show that there was in fact a different procedure for processing the warranty claims. For instance, section 8 of the Agreement, which T.A.W. cites to show that its customers were required to send products back to T.A.W. for replacement under the warranty, does not support this and in fact, provides that the defective product should be returned to Brembo. Weissman Aff., Exh. 8 (para. 8.1). Further, T.A.W. has not presented any evidence that the general Brembo warranty listed on Brembo's website was the warranty which accompanied Omnia and Carpimoto's products. Barrows Aff., Exh. K. Thus, T.A.W. has failed to show that there was a "material difference" between the Brembo products it sold and those sold by Omnia and Carpimoto, which would support T.A.W.'s use of the VeRo program to prevent the sale of these gray market goods.

T.A.W. also argues that simply because some of its VeRo complaints were rejected by E-Bay does not mean that its complaints, as a general matter, were unreasonable. While this is true, given T.A.W.'s repeated misuse of the VeRo program, it was reasonable for Brembo to require T.A.W. to obtain Brembo's approval prior to filing additional complaints. Weissman Aff., Exh. 21 (TAW02822). Further, T.A.W. has failed to present any evidence to show that after Brembo imposed this requirement, it unreasonably withheld its consent to T.A.W.'s requests to file legitimate VeRo complaints. Finally, T.A.W. correctly argues that paragraph 5.4 was not limited to the VeRo program and obligated Brembo to cooperate with T.A.W. if T.A.W. makes a reasonable request to prevent the sale of gray market goods on E-Bay. Weissman Aff., Exh. 8. However, other than the VeRo program, T.A.W. has failed to present evidence of any other requests that it made regarding Brembo products on E-Bay or to show that Brembo could have and should have responded to these requests.

With respect to the issue of damages, plaintiff seeks to recover EUR 1,057,799.60 plus interest and late charges on its breach of contract claim. As evidence of the amount due and owing, plaintiff submits the affirmation of Umberto Simonelli, Brembo's Chief Legal Officer, who states that this is the amount of T.A.W.'s unpaid invoices, inclusive of credits. Simonelli Aff., para. 12. However, as discussed below, the invoices that plaintiff submits in support of its motion are inadmissible and to the extent Mr. Simonelli's affirmation is based on these invoices it cannot be considered.

Even if plaintiff is permitted to remedy this defect through its reply affidavit, there are still questions of fact with respect the amount due and owing. For example, plaintiff seeks interest and late charges on the amount due. However, it is unclear what date the interest accrues from and what late charges are due. Further, in the affidavit of Richard Martin submitted in opposition to

Brembo's motion, Mr. Martin disputes the amount due and owing and also claims that T.A.W. is entitled to certain credits. Affirmation of Richard Martin dated January 13, 2020, paras. 7-12.

Accordingly, Brembo is entitled to summary judgment on its breach of contract claim based on liability only and the dismissal of the counterclaim.

Account Stated

In order to establish its prima facie entitlement to summary judgment on its claim for an account stated, plaintiff must provide evidence of invoices sent to defendant in the ordinary course of business, defendants' receipt of same, and defendants' lack of objection to the invoices for a substantial period of time. *EPF Int'l Ltd. v. Lacey Fashions, Inc.*, 170 A.D.3d 575, 575 (1st Dep't 2019); *Glassman v. Weinberg*, 154 A.D.3d 407 (1st Dep't 2017). Here, in support of its motion, plaintiff submits the affirmation of its general counsel, Umberto Simonelli and invoices are attached and referenced in his affirmation. Affirmation of Umberto Simonelli dated November 25, 2019, Exh. B. However, as defendant correctly argues in his papers, the invoices are inadmissible hearsay and Mr. Simonelli's affirmation fails to comply with the requirements of CPLR 4518 to establish that the invoices were prepared in the regular course of Brembo's business and that the business records exception is applicable here. *See Viviane Etienne Med. Care P.C. v. Country-Wide Ins.*, 25 N.Y.3d 498, 508 (2015); *Board of Managers of Ruppert Yorkville Towers Condo. v. Hayden*, 169 A.D.3d 569 (1st Dep't 2019). Further, plaintiff's reply affidavit by the custodian of records cannot be considered as it seeks to rectify a basic deficiency in plaintiff's prima facie burden rather than respond to arguments in the opposition papers. *See Abramson v. Hertz*, 19 A.D.3d 305 (1st Dep't 2005); *Migdol v. City of New York*, 291 A.D.2d 201 (1st Dep't 2002). Accordingly, plaintiff is not entitled to summary judgment on its account stated claim.

Specific Performance

In its third cause of action for specific performance, Brembo seeks redress for T.A.W.'s alleged failure to return, upon notice, all of the goods that T.A.W. purchased within the prior six months, in violation of section 17.2 of the Agreement. In order to establish that it is entitled to specific performance, plaintiff must show that it substantially performed its obligations under the contract and was willing and able to perform its remaining obligations, that defendant was able to convey the property, and there was no adequate remedy at law. *Piga v. Rubin*, 300 A.D.2d 68 (1st Dep't 2002).

Here, Brembo has satisfied all of these elements. As discussed at length above, Brembo has demonstrated that it substantially complied with the Agreement, including its obligations to enforce the exclusivity terms of the Agreement. Further, there is no dispute that, in accordance with section 17.2, plaintiff notified T.A.W. that it was seeking to re-purchase the items it sold to T.A.W. within the past six months. Weissman Aff., Exh. 23 & Exh. 6 (Rodgers Dep. Tr. 133-134). T.A.W.'s representatives admitted that they returned some, but not all, of this inventory. Weissman Aff., Exh. 6 (Rodgers Dep. Tr. 134). Finally, Brembo demonstrated that it would be irreparably harmed by this conduct as T.A.W. could continue to sell these products, even though it was no longer an authorized Brembo dealer, thereby harming Brembo's reputation among its customers. Simonelli Aff., para. 13; *see also* Decision and Order dated September 27, 2017 granting plaintiff's motion for a preliminary injunction (NYSCEF Doc. 40).

In response, T.A.W. argues that this claim should be dismissed because specific performance is a remedy for breach of contract, and not a separate cause of action. However, regardless of the title of this claim, Brembo has established the elements of a separate breach of contract cause of action and its entitlement to specific performance for this claim. Accordingly,

Brembo is entitled to summary judgment on its claim for breach of contract/specific performance based on section 17.2 of the Agreement.

Affirmative Defenses

T.A.W.'s affirmative defenses are all set forth in vague and conclusory language and, other than the facts pled in support of the counterclaim, T.A.W.'s pleading is devoid of any facts to support these affirmative defenses. Further, to the extent these affirmative defenses are based on the same facts as T.A.W.'s counterclaims, these counterclaims lack merit and accordingly the affirmative defenses must also be dismissed. *Kronish Lieb Weiner & Hellman LLP v. Tahari Ltd.*, 35 A.D.3d 317 (1st Dep't 2006); *Killian v. Captain Spicer's Gallery LLC*, 140 A.D.3d 1764 (4th Dep't 2016).

Conclusion

For the foregoing reasons, it is

ORDERED that the motion is granted in part as follows; and it is further

ORDERED that plaintiff is entitled to summary judgment on its first cause of action for breach of contract on liability only; and it is further

ORDERED that plaintiff's motion for summary judgment with respect to its second cause of action for account stated is denied; and it is further

ORDERED and ADJUDGED that plaintiff is entitled to summary judgment on its third cause of action seeking specific performance, and T.A.W. shall return the remainder of any Brembo products in its possession pursuant to the Section 17.2 of the Agreement, within 30 days of entry of this order; and it is further

ORDERED that T.A.W.'s remaining counterclaim is dismissed and the Clerk shall enter judgment accordingly, with costs and disbursements awarded to plaintiff; and it is further

ORDERED that the remaining claims are severed and continued.

6-26-20
DATE


PAUL A. GOETZ, J.S.C.

CHECK ONE:	<input type="checkbox"/>	CASE DISPOSED	<input checked="" type="checkbox"/>	NON-FINAL DISPOSITION			
	<input type="checkbox"/>	GRANTED	<input type="checkbox"/>	DENIED	<input type="checkbox"/>	OTHER	
APPLICATION:	<input type="checkbox"/>	SETTLE ORDER	<input type="checkbox"/>	GRANTED IN PART			
CHECK IF APPROPRIATE:	<input type="checkbox"/>	INCLUDES TRANSFER/REASSIGN	<input type="checkbox"/>	SUBMIT ORDER			
			<input type="checkbox"/>	FIDUCIARY APPOINTMENT		<input type="checkbox"/>	REFERENCE