Premium Prods., Inc. v O'Malley
2022 NY Slip Op 35044(U)
May 31, 2022
Supreme Court, Westchester County
Docket Number: Index No. 67196/2021
Judge: Lawrence H. Ecker
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To commence the statutory time for appeals as of right (CPLR 5513[a]), you are advised to serve a copy of this order, with notice of entry, upon all parties.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF WESTCHESTER

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INDEX NO. 67196/2021

PREMIUM PRODUCTIONS, INC.,

Plaintiff,

DECISION/ORDER

Motion Seqs. 1, 2, 3
Motion Date: 2/23/2022

-against-

MICHAEL O'MALLEY, individually, and JACOB MARKETING GROUP, LLC d/b/a JMG MARKETING,

Defendants.

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ECKER, J.

In accordance with CPLR 2219 (a), the decision herein is made upon considering all papers by the parties [NYSCEF Docs. No. 6-44, 46, 47, 52, 53] relative to **(I)** the Order to Show Cause issued on December 13, 2021 (Mot. Seq. 1) for a restraining order in favor of plaintiff PREMIUM PRODUCTIONS, INC. against defendants MICHAEL O'MALLEY (O'Malley) and JACOB MARKETING GROUP, LLC d/b/a JMG MARKETING (JMG, and collectively, defendants) restraining and enjoining defendants from (a) infringing plaintiff's trademark automotive advertising programs; (b) offering copies or colorable imitations of plaintiff's advertising programs and trademarks in connection with any advertising and sales of goods and activities related thereto, that will create a likelihood of confusion about the source of the advertising campaign and intellectual property (IP); (c) diverting, or attempting to divert, plaintiff's clients and business that plaintiff enjoyed, solicited or attempted to solicit prior to the termination of O'Malley's employment with plaintiff, for a period of twelve (12) months from the date defendants are first enjoined; (d) inducing, soliciting, or attempting to solicit any plaintiff employee or contractor to leave plaintiff for a period of twelve (12) months from the date defendants are first enjoined; and (e) disclosing, revealing, reporting, or using any of plaintiff's confidential information or trade secrets, which O'Malley obtained, or which was disclosed to O'Malley by plaintiff, as a result of O'Malley's employment with plaintiff; and **(II)** the cross-motions of O'Malley (Mot. Seq. 2) and JMG (Mot. Seq. 3), each for an order dismissing the verified complaint, pursuant to CPLR 3211 (a)(2) and (a)(7).

According to the papers, plaintiff is a business headquartered in Pleasantville, NY offering advertising and promotional materials to markets including automotive

dealerships. O'Malley was a longtime employee of plaintiff. On March 18, 2020, O'Malley resigned from plaintiff for another job opportunity, but after that opportunity fell through, he returned to plaintiff, and signed an employment agreement on March 31, 2020, which contained a noncompete provision effective twelve (12) months following termination of O'Malley's employment with plaintiff. O'Malley resigned again on September 30, 2021, to join, the following day, JMG, a business providing marketing services to automotive dealerships nationwide.

Plaintiff initiated this action by filing a summons and verified complaint on December 6, 2021, asserting causes of action for (1) a declaratory judgment as to the validity of the employment agreement; (2) breach of the employment agreement; (3) declaratory judgment as to plaintiff's copyrights; (4) common law copyright infringement; (5) unfair competition; (6) actual damages; (7) punitive damages; and (8) attorneys' fees and cost of litigation.

Accompanying the summons and complaint, and presently determined herein, is plaintiff's application by Order to Show Cause for an order enjoining defendants from (a) infringing plaintiff's trademark automotive advertising programs; (b) offering copies or colorable imitations of plaintiff's advertising programs and trademarks in connection with any advertising and sales of goods and activities related thereto; (c) diverting, or attempting to divert, plaintiff's clients and business that plaintiff enjoyed, solicited or attempted to solicit prior to the termination of O'Malley's employment with plaintiff, for a period of twelve (12) months; (d) inducing, soliciting, or attempting to solicit any plaintiff employee or contractor to leave plaintiff for a period of twelve (12) months; and (e) disclosing, revealing, reporting, or using any of plaintiff's confidential information or trade secrets.

In support of its application, plaintiff avers it is known in the industry for its trademarked direct mail marketing products tailored for automotive dealerships. Plaintiff further avers O'Malley was provided extensive access to commercially sensitive and confidential information,[1] and O'Malley breached his employment agreement when he joined JMG, a direct competitor to plaintiff. Plaintiff asserts the employment agreement included a noncompete clause effective for a period of twelve (12) months after O'Malley's termination of employment with plaintiff and, per the clause, "O'Malley shall not directly or indirectly, as employer, employee, stockholder, consultant or otherwise, engage in a like kind or similar business as Premium including but not limited to direct mail or digital marketing services or sale of any type that Premium currently services or shall service during the course of his employment" (Krohnengold aff. in support at 3 [NYSCEF Doc. 6] [quoting employment agreement]).

Plaintiff argues O'Malley further breached the employment agreement after his departure from plaintiff by sending to a longtime client of plaintiff, Plaza Auto Mall (Plaza

[1] Such information is alleged to include, inter alia, expiration schedule of current advertising campaigns, confidential pricing tables and discount strategies, product development and release strategy, individual strategy information for key accounts, customer lists, and meetings (Krohnengold aff. in support at 4-6 [NYSCEF Doc. 6]).

Auto), an email on behalf of JMG containing a draft marketing mailer that infringed plaintiff's "advertising product copyright" (*id.* at 7). On this point, plaintiff submits a comparison between the draft marketing mailer O'Malley sent on behalf of JMG and one of plaintiff's marketing mailers, which reveals similar language and layout in both mailers. Plaintiff further argues JMG knowingly hired O'Malley in violation of O'Malley's employment agreement and encouraged O'Malley to poach Plaza Auto. Plaintiff also suspects O'Malley took additional documents and intellectual property, but discovery is required to confirm this suspicion.

Prior to the court's issuance of the order to show cause containing a briefing schedule for opposition/cross-motions and reply papers, counsel for both defendants submitted letters in opposition to plaintiff's application, along with affidavits from O'Malley and JMG's Chief Executive Officer, Scott Jacobs. In sum, O'Malley contends plaintiff's copyright claims are preempted by federal copyright law and the employment agreement is unenforceable under New York State law. O'Malley asserts he used pre-existing JMG language and JMG templates to prepare the draft marketing mailer he sent to Plaza Auto and submits copies of JMG marketing mailers generated prior to O'Malley's 2021 departure from plaintiff. Similarly, JMG contends plaintiff's copyright claims, as well as its business reputation/dilution claim are preempted by federal copyright law.[2] Jacobs asserts JMG has had a business relationship with Plaza Auto since 2005 and submits a mailer he developed for Plaza Auto in 2008. Jacobs further asserts the draft mailer O'Malley sent to Plaza Auto in 2021 contains language similar to language used in a 2013 JMG-generated mailer.

In further opposition and in support of its cross-motion for an order dismissing the complaint, O'Malley argues a preliminary injunction is not warranted because plaintiff cannot succeed on any of its claims: (i) the copyright claims are preempted by federal law;[3] (2) the employment agreement is invalid, at least, because the restrictive covenant bars O'Malley from "directly or indirectly" engaging in "a like kind or similar business" to that of plaintiff and from soliciting customers of plaintiff for marketing services for himself or anyone engaged in "the same or similar business", which are considered impermissibly vague restrictions under New York State law, and factors weigh against partial enforcement of the employment agreement;[4] and (3) its misappropriation claims

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[2] Both defendants argue plaintiff's third cause of action (declaratory judgment regarding exclusive copyrights), fourth cause of action (common law copyright infringement), and fifth cause of action (business reputation and dilution pursuant to GBL 360-l) are preempted by federal copyright law because each cause of action is premised on rights protected by federal copyright law.

[3] As for plaintiff's fifth cause of action, O'Malley argues that claim rests on O'Malley's alleged "impermissible *use* of plaintiff's copyright advertising product, which is *used* in connection with the sale, offer for sale of advertising and marketing services for businesses, is likely to cause confusion or mistake or to deceive as to the source of the origin of such marketing product" (mem. in opposition at 6 [NYSCEF Doc. 29] [quoting complaint] [emphasis add in mem.]). O'Malley argues mere "*use*" of protected materials falls within the federal preemptive scheme and cannot be litigated as an unfair competition claim in state court.

[4] Those factors include: (1) the restrictive covenant was executed in connection with initial hiring and not related to a promotion to a position of trust; (2) agreement was exacted coercively or part of an employer's plan to forestall competition; and (3) employer was aware of agreement's overbreadth. O'Malley further argues the nondisclosure and non-solicitation restraints are invalid because they apply at "any time," and

are based on conclusory statements and plaintiff has not alleged actionable claims because the alleged information are not trade secrets and, in the case of plaintiff's purported confidential information, no wrongful conduct on O'Malley's part is alleged. O'Malley avers injunctive relief should also be denied because plaintiff has not demonstrated irreparable harm and equities favor denial of plaintiff's application.

Based on the foregoing arguments relative to injunctive relief as to the employment agreement, O'Malley contends the first and second causes of action should be dismissed. Based on the federal preemption arguments, O'Malley contends the third, fourth, and fifth causes of action should be dismissed. O'Malley lastly contends the sixth, seventh, and eighth causes of action for damages, punitive damages, and legal fees, respectively, should be dismissed when the underlying causes of action fall away.

In further opposition and in support of its cross-motion for an order dismissing the complaint, JMG argues, like O'Malley, plaintiff's copyright claims are preempted by federal law and the gravamen of plaintiff's business reputation and dilution claims is based on impermissible copying and is likewise preempted. JMG also argues it was not a party to the subject employment agreement, and as to tortious interference with plaintiff's agreement, based on O'Malley's arguments, the agreement is unenforceable and plaintiff has failed to set forth any allegations that JMG intentionally procured O'Malley's breach of the agreement, a necessary element to sufficiently plead a tortious interference cause of action. JMG further argues plaintiff has not sufficiently pled misappropriation of trade secrets because, based on O'Malley's arguments, plaintiff does not possess any relevant trade secrets and there exists no agreement or confidential relationship or duty between plaintiff and JMG, and plaintiff has not alleged that JMG discovered any purported trade secrets by improper means.

JMG also contends the sixth, seventh, and eighth causes of action should be dismissed for the same reasons argued by O'Malley, and injunctive relief is not warranted because plaintiff has not demonstrated a likelihood of success on the merits.

Plaintiff opposes the cross-motions arguing, first, Plaza Auto has done no business with plaintiff since O'Malley approached Plaza Auto on behalf of JMG, and as a result plaintiff suffers money damages in lost business and profits. Plaintiff avers O'Malley left plaintiff knowing plaintiff's pricing structure, which he is currently using for JMG's benefit. Plaintiff argues the New York Supreme Court is a court of general original jurisdiction and restrictive covenants are a matter of state law. Plaintiff further argues it asserted claims that contain "extra elements" which make them "qualitatively different" from copyright infringement claims and thus are not preempted. Plaintiff contends its breach of the employment agreement is different from copyright infringement because it deals with improper use of plaintiff's client lists and trade secrets pirated by O'Malley and JMG. Plaintiff further contends its unfair competition claim under GBL 360-l is a

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none of the restraints have a geographic limitation.

state law claim.[5] As to the scope of the employment agreement, plaintiff argues "a non-compete that does not include all of the markets in which Premium operates would be ineffective and unreasonable" given the nature and scope of plaintiff's business and O'Malley's job responsibilities. Plaintiff's affiant, Mitchell Krohnengold, plaintiff's president, avers the covenant only restricts O'Malley from working for a direct competitor and further avers O'Malley could have worked in direct-mail and marketing services for thousands of other industries and not in direct competition with plaintiff for automotive dealership work. Krohnengold continues, the scope of the covenant is irrelevant because O'Malley is working at JMG, a direct competitor to plaintiff, in precisely the same marketing sales position, and servicing and vying for the same contracts in the same automotive dealership industry.

In reply, O'Malley argues plaintiff's "extra elements" position cannot save any of its copyright claims from preemption. For starters, the complaint's third cause of action seeks a declaration that plaintiff's "creation and tangible form publication of its advertising product is a copyright ..., and only Premium has the exclusive right to make, sell or distribute copies of this copyright for its exclusive use" (mem. of law in further support of cross at 1 [NYSCEF Doc. 52] [quoting complaint]). The complaint's fourth cause of action seeks an injunction and damages for "infringement of its copyright" (*id.* [quoting complaint]). O'Malley argues neither of those claims contain any "extra elements" that exclude them from the federal preemptive scheme.

As for the fifth cause of action, O'Malley argues GBL 360-l does not confer jurisdiction over plaintiff's claim, which rests on alleged unlawful copying and therefore fails to allege sufficiently any extra element. This cause of action is also deficient in that GBL 360-l is intended to protect trademarks and the complaint is devoid of any showing of the necessary elements for a trademark claim (i.e., plaintiff's possession of a strong mark and likelihood of dilution of that mark). As for any claim for unfair competition involving trade secrets or other confidential and proprietary information, O'Malley argues, apart from plaintiff's flawed copyright claims, the complaint fails to allege O'Malley misappropriated anything. Further, plaintiff's affiant admits O'Malley returned his company cell phone before leaving plaintiff and only musters a speculative assertion of O'Malley's alleged misconduct.

As for the restrictive covenant, O'Malley challenges plaintiff's characterization of the scope being limited to direct competitors and the automotive dealership industry as "demonstrably false" and refers to its prior arguments regarding the impermissibly broad language of the covenant (i.e., "like kind or similar business" as plaintiff). In addition, O'Malley argues while he was at plaintiff, the company serviced a wide variety of industries, thus, if the restrictive covenant were left to stand, it would prohibit him from

[5] The statute provides: "Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services" (GBL 360-l).

working in a broad cross-section of the economy.[6]

In its reply, JMG argues plaintiff's opposition fails to argue that its third and fourth causes of action seek to protect something other than its copyrighted material or enforce rights outside the scope of federal copyright law. As for common law unfair competition and violation of GBL 360-l based on alleged use of plaintiff's copyrighted material, JMG argues plaintiff fails to address JMG's case law on preemption. As for plaintiff's unfair competition and GBL 360-l claims based on misappropriation of client lists or trade secrets, JMG argues plaintiff has not pled any acts of bad faith or acquisition by improper means and plaintiff's opposition merely states in conclusory fashion JMG "pirated" plaintiff's client list and trade secrets, which is insufficient to support a common law claim of unfair competition. Moreover, JMG argues plaintiff failed to refute JMG's contention that GBL 360-l is concerned with unfair competition based on misappropriation and dilution of another's trademark and plaintiff failed to allege elements of such claim.

DISCUSSION

To obtain a preliminary injunction, a movant must demonstrate, by clear and convincing evidence, 1) a likelihood of success on the merits; 2) irreparable injury if a preliminary injunction is not granted; and 3) a balance of equities in his or her favor (*19 Patchen, LLC v Rodriguez*, 153 AD3d 1382, 1383 [2d Dept 2017]; *Herczl v Feinsilver*, 153 AD3d 1338, 1338 [2d Dept 2017]; CPLR 6301). The decision to grant or deny a preliminary injunction lies within the sound discretion of the Supreme Court (*Doe v Axelrod*, 73 NY2d 748, 750 [1988]; *Arthur J. Gallagher & Co. v Marchese*, 96 AD3d 791, 792 [2d Dept 2012]). The purpose is to maintain the status quo, not determine the rights of the parties.

On a motion to dismiss pursuant to CPLR 3211(a)(2), "[t]he question of subject matter jurisdiction is a question of judicial power: whether the court has the power, conferred by the Constitution or statute, to entertain the case before it" (*Wells Fargo Bank Minn. v Mastropaolo*, 42 AD3d 239, 243 [2d Dept 2007] [quoting *Matter of Fry v Village of Tarrytown*, 89 NY2d 714, 718 [1997] [internal quotation marks omitted]]).

On a motion to dismiss pursuant to CPLR 3211(a)(7), the standard is whether the pleading states a cause of action, not whether the proponent of the pleading has a cause of action. In considering such a motion, the court must afford the pleading a liberal construction, accept the facts as alleged in the complaint as true, accord plaintiff the benefit of every possible favorable inference, and determine only whether the facts as alleged fit within any cognizable legal theory (*Davis v South Nassau Community Hosp.*, 26 NY3d 563, 572 [2015]; Anzora v Saxon Ave. Corp., 146 AD3d 848, 848-849 [2d Dept 2017]). That is, such a motion to dismiss should be granted only where, even viewing the allegations as true, the plaintiff cannot establish a cause of action (*Sokoloff*

[6] Those industries include businesses involving real estate, auto sales, auto insurance, home moving, medical and dental care, entertainment, hospitality, and political campaigns (mem. of law in further support of cross at 4 [NYSCEF Doc. 52]).

v Harriman Estates Dev. Corp., 96 NY2d 409, 414 [2001]; *Leon v Martinez*, 84 NY2d 83, 87-88 [1994]; *Coe v Toyota Motor N. Am., Inc.*, 150 AD3d 667, 668 [2d Dept 2017]). "Whether a plaintiff can ultimately establish [his or her] allegations is not part of the calculus in determining a motion to dismiss" (Tri-Star Lighting Corp. v Goldstein, 151 AD3d 1102, 1104 [2d Dept 2017] [quoting *EBC 1, Inc. v Goldman, Sachs & Co.*, 5 NY3d 11, 19 [2005]]).

Copyright Claims

Because defendants' preemption arguments are jurisdictional, the court will tackle this issue first. "[A]ll legal and equitable rights equivalent to copyrights are governed exclusively by [The Copyright Act of 1976]. States may not, by statute or common law, provide equivalent rights, and State courts are divested of jurisdiction to consider claims to enforce those rights" (*Editorial Photocolor Archives, Inc. v Granger Collection*, 61 NY2d 517, 522 [1984]; *see also Meyers v Waverly Fabrics*, 65 NY2d 75, 78 [1985] [affirming dismissal of certain causes of action as preempted because they are "not different in kind from copyright infringement"]; *Bieber v Ricci*, 18 Misc 3d 139[A] [App Term, 2d Dept, 9th & 10th Jud Dists 2008]). That said, "[a] state law claim is not preempted if [an] 'extra element' changes the 'nature of the action so that it is qualitatively different from a copyright infringement claim'" (*Computer Assoc. Int'l v Altai*, 982 F2d 693, 716 [2d Cir 1992] [quoting *Mayer v Josiah Wedgwood & Sons, Ltd.*, 601 F Supp 1523, 1535 [SD NY 1985]).[7] "To determine whether a claim meets this standard, [the court] must determine what plaintiff seeks to protect, the theories in which the matter is thought to be protected and the rights sought to be enforced" (*id.* [internal citation and quotation marks omitted]).

Plaintiff's third cause of action seeks declaratory relief declaring plaintiff the owner of the copyright to its advertising product with recourse to be awarded damages against anyone who infringes said copyright for commercial gain, pursuant to common law. This cause of action seeks nothing more than recourse for allegedly infringed rights that are protected by federal copyright law and is plainly preempted by federal copyright law. Moreover, plaintiff failed to dispute defendants' preemption arguments as to this claim. Accordingly, plaintiff's third cause of action is dismissed pursuant to CPLR 3211 (a)(2).

Plaintiff's fourth cause of action seeks an order enjoining defendants from infringing plaintiff's copyright, holding defendants liable for infringement and damage to plaintiff's property, and declaring plaintiff entitled to recover actual damages due to defendant's copyright infringement. This cause of action is also plainly preempted by federal copyright law, and plaintiff failed to dispute defendants' preemption arguments as to this claim. Accordingly, plaintiff's fourth cause of action is dismissed pursuant to CPLR 3211 (a)(2).

[7] For example, the Court of Appeals held a false labeling cause of action was not preempted by federal copyright law because "[d]efendant's liability on that cause of action will arise, if at all, not from the use of the design on products other than fabric in violation of the contract, but from its violation of the law of unfair competition by misrepresenting the design, which it knew to be plaintiff's, as its own" (*Meyers*, 65 NY2d at 79).

Employment Agreement Claims

Plaintiff's first cause of action seeks declaratory relief declaring O'Malley's employment agreement a valid contract with enforceable restrictive convents. "Restrictive covenants contained in employment contracts are disfavored by the courts, and thus, are to be enforced only if reasonably limited temporally and geographically, and to the extent necessary to protect the employer's use of trade secrets or confidential customer information" (*Gilman & Ciocia, Inc. v Randello*, 55 AD3d 871, 872 [2d Dept 2008]). This judicial disfavor is "provoked by powerful considerations of public policy which militate against sanctioning the loss of a man's livelihood" (*Reed, Roberts Assoc., Inc. v Strauman*, 40 NY2d 303, 307 [1976] [internal quotation marks and citation omitted]). The Court of Appeals noted the 3-pronged test in modern, prevailing common-law for reasonableness of noncompete restrictions: "A restraint is reasonable only if it: (1) is no greater than is required for the protection of the legitimate interest of the employer, (2) does not impose undue hardship on the employee, and (3) is not injurious to the public" (*BDO Seidman v Hirshberg*, 93 NY2d 382, 388-389 [1999]; *Long Is. Minimally Invasive Surgery, P.C. v St. John's Episcopal Hosp.*, 164 AD3d 575, 577 [2d Dept 2018]). "A violation of any prong renders the covenant invalid" (*BDO Seidman v Hirshberg*, 93 NY2d at 389; *Long Is. Minimally Invasive Surgery, P.C.*, 164 AD3d at 577).

The employment agreement at issue provides the following provisions:

> As O'Malley is given access to Premium customer list and trade secrets and agrees never to disclose to any other person or entity the customer list or trade secrets of Premium.
>
> O'Malley acknowledges that the services and training received from Premium are special, unique and of extraordinary character and so during the term of this agreement and for a period of 12 months after termination of his/her employment hereunder, O'Malley shall not directly or indirectly, as employer, employee, stockholder, consultant or otherwise, engage in a like kind or similar business as Premium including but not limited to direct mail or digital marketing services or sales of any type that Premium currently services or shall service during the course of his employment. He will not at any time disclose or furnish to anyone other than the officers of Premium, the names and addresses of any businesses pertaining solicit canvas [*sic*] or accept the customers or vendors of Premium, nor disclose any information of any kind pertaining to the business of Premium nor solicit nor canvas [*sic*] the customers of Premium for marketing or advertising or promotional services for himself for anyone engaged in the same or similar business, nor aid nor assist anyone, directly or indirectly to do so

(exhibit A to Stern affirmation, Employment Agreement at paras 10-11 [NYSCEF Doc. 7]).

The second provision restricts O'Malley's employment options for a period of 12 months and is without geographic limitation. During the restrictive period, O'Malley is prohibited from working in "like kind or similar business as Premium including but not limited to direct mail or digital marketing services or sales of any type that Premium currently services or shall service during the course of his employment." This restriction is unenforceable as a matter of public policy because it is overbroad in scope in that it covers "like kind or similar business" to plaintiff's (*see Columbia Ribbon & Carbon Mfg. Co. v A-1-A Corp.*, 42 NY2d 496, 499 [1977]; *Flatiron Health, Inc. v Carson*, 2020 US Dist LEXIS 48699, *53-61, 2020 WL 1320867, *19-22, [SD NY, March 20, 2020, No. 19 Civ. 8999 (VM)]). Also, this broad-sweeping restriction "is unrestrained by any limitations keyed to uniqueness, trade secrets, confidentiality or even competitive unfairness. It does no more than baldly restrain competition" (*Columbia Ribbon & Carbon Mfg. Co.*, 42 NY2d at 499). If enforced, this restriction would impose undue hardship on O'Malley, prohibiting him from gainful employment in a wide cross-section of industries, as defendants argue.

The second provision also restricts O'Malley's solicitation, canvassing, or acceptance of customers or vendors of plaintiff. These restrictions are also unlimited in time (i.e., "will not at any time disclose"). This restriction is unenforceable as a matter of public policy because it is overbroad in scope in that it covers plaintiff's customers whom O'Malley did not develop a relationship with while at plaintiff (*see Flatiron Health, Inc.* 2020 US Dist LEXIS 48699 at *65-67, 2020 WL 1320867 at *23-24) and it is also unbound by any time period, let alone a reasonable time period (*see Express Shipping, Ltd. v Gold*, 33 AD3d 847, 847 [2d Dept 2006]).

The above provisions also restrict O'Malley's disclosure of certain of plaintiff's information, including plaintiff's "customer list and trade secrets" (first provision), and "names and addresses of any businesses" and "any information of any kind pertaining to the business of Premium" (second provision). The restrictions under the second provision are overbroad in that they cover information that are not "keyed to uniqueness, trade secrets, confidentiality or even competitive unfairness" (*Columbia Ribbon & Carbon Mfg. Co.*, 42 NY2d at 499). However, the restrictions on disclosing plaintiff's trade secrets and customer list, to the extent the customer list is not readily discernable from public sources, which is a fact-laden inquiry, are not on their face unreasonable (*see id.*).

As such, the noncompete and non-solicitation provisions, embodied in paragraph 11 of the employment agreement, are unenforceable as a matter of public policy, but the nondisclosure provision, embodied in paragraph 10 of the employment agreement, is enforceable.

Accordingly, plaintiff's first cause of action is partially dismissed pursuant to CPLR 3211 (a)(7), only to the extent the noncompete and non-solicitation provisions of the employment agreement, are unenforceable as a matter of public policy.

Plaintiff's second cause of action seeks relief premised on O'Malley's alleged breach

of his employment agreement vis-à-vis the restrictive covenants.

Branches of this cause of action predicated on O'Malley's alleged breach of the noncompete and non-solicitation covenants of the employment agreement are dismissed as moot.[8] The sole viable branch in the second cause of action stems from O'Malley's alleged violation of the nondisclosure covenant of his employment contract. As such, the court will examine whether such violation (i.e., disclosure of plaintiff's customer list or trade secrets) is properly alleged.

Aside from plaintiff's allegations regarding its customer list, plaintiff alleges no facts to support its allegation O'Malley violated his nondisclosure covenant. The complaint alleges no disclosure of plaintiff's customer list or any trade secrets. Instead, the complaint relies on vague and conclusory phrases such as "armed with" (complaint at para. 15), "impermissible use" (*id.* at para. 16), "cannot avoid exploiting" (*id.* at para. 17), "using his knowledge" (*id.*), "already having misappropriated" (*id.* at para. 20), and "he will use and rely upon" (*id.* at para. 24) to describe defendants' alleged bad facts, which are insufficient (*Hart v Scott*, 8 AD3d 532, 532 [2d Dept 2004] ["plaintiff's allegations regarding the conduct of the defendants were impermissibly vague and conclusory" and "plaintiff's papers submitted in opposition to the cross motions failed to remedy the defects in the complaint"]).

The only fact alleged to support plaintiff's allegation O'Malley violated his nondisclosure covenant (relative to plaintiff's customer list) is O'Malley's email correspondence with Plaza Auto. Giving the plaintiff every favorable inference, O'Malley's outreach to Plaza Auto on behalf of JMG could support an inference that O'Malley disclosed plaintiff's customer list, presumably, to his new employer, JMG. However, such inference is "controverted by specific and factually documented affidavits submitted by defendants" (*A.N. Deringer, Inc. v Troia*, 178 AD2d 1023, 1024 [4th Dept 1991]), namely, that Plaza Auto was a longtime, preexisting customer of JMG since 2005 (see aff. of Scott Jacobs at 2 [NYSCEF Doc. 22]). Thus, the undisputed fact that O'Malley contacted Plaza Auto on behalf of JMG does not support the inference O'Malley disclosed plaintiff's costumer list.

Accordingly, the second cause of action is dismissed pursuant to CPLR 3211 (a)(7).

Unfair Competition Claims

Plaintiff's fifth cause of action appears to seek relief under multiple theories. This cause of action is subtitled "New York State Injury to Business Reputation and Dilution." The claim first alleges defendants' impermissible "use of plaintiff's copyright advertising product" (exhibit A to Weiser affirmation, complaint at para. 47 [NYSCEF Doc. 34][9]), which sounds in copyright infringement. However, the claim further alleges defendants

[8] To the extent this cause of action may also sound in copyright infringement ("O'Malley misappropriated a Premium copyright advertising program"), such portion of this cause of action is preempted by federal copyright law, as discussed above.
[9] Referred to herein as "complaint."

"used [the copyrighted product] in connection with the sale, offer for sale of advertising and marketing services...likely to cause confusion or mistake or to deceive as to the source of the origin of such marketing product" (*id.*), which sounds in copyright infringement, as to the alleged use of the copyrighted product, but also in unfair competition predicated on trademark dilution (*see Beverage Mktg. USA v S. Beach Bev. Co.*, 20 AD3d 439, 439-440 [2d Dept 2005] [party asserting an unfair competition claim predicated upon trademark dilution "must show that the defendant's use of the trademark is likely to cause confusion or mistake about the source of the allegedly infringing product"]).[10]

The claim continues by alleging JMG employed and exploited O'Malley "while he is still bound by the restrictive covenants [of his employment agreement], infringing at least one of plaintiff's copyright advertising programs, and utilizing said employee [O'Malley] and said copyright for a Premium-style marketing campaign for one of plaintiff's automotive dealership clients," which "has caused injury to the business reputation and diluted the distinctive quality of Premium's advertising product and the Premium trade name" (complaint at para. 48). This portion of the claim, again, sounds in copyright infringement in that plaintiff alleges defendants used plaintiff's purported copyrighted product. But this passage also sounds in unfair competition based on trademark dilution in that plaintiff alleges the distinctive quality of its product and trade name have been diluted. Further, reading this passage in a light most favorable to plaintiff, in particular the part alleging "utilizing said employee...for a Premium-style marketing campaign," this passage may sound in unfair competition based on misappropriation of trade secrets or confidential information, as plaintiff argues in its papers (*see Beverage Mktg. USA*, 20 AD3d at 440 [unfair competition based on misappropriation of proprietary information or trade secrets]).

The claim further alleges, upon information and belief, that defendants' actions are willful and in bad faith (complaint at para. 49).

The penultimate paragraph of this claim asserts JMG's actions are in violation of New York State law, common law, and GBL 360-l, for "the likelihood of causing injury to Premium's business reputation, dilution of Premium's trade name and advertising products" and are grounds for injunctive relief based on unfair competition (complaint at para. 50). This portion of the claim sounds in unfair competition based on trademark dilution (*see Beverage Mktg. USA*, 20 AD3d at 339-440).

The claim closes with a prayer for declaratory relief declaring defendants in violation of New York State common law and GBL 360-l for unfair competition and injury to plaintiff's business reputation and dilution of its Premium trade name (complaint at para. 51). As noted above, this claim sounds in copyright infringement and unfair competition

[10] Of course, copyrights and trademarks protect different things. In general, copyrights protect expressions of an idea (*see Paul v Haley*, 183 AD2d 44, 51 [2d Dept 1992]). Trademarks, on the other hand, distinguish the source of goods or services and "thereby indicate the owner of the mark as the source of the goods or services" (*see Gowanus Dredgers v Baard*, 2013 US Dist LEXIS 176997, *13 [ED NY Dec. 17, 2013, No. 11-CV-5985 (PKC)] [citing J. Thomas McCarthy, *Trademarks and Unfair Competition* § 3:1]).

and injury to business reputation based on copyright infringement and trademark dilution.

To the extent plaintiff's unfair competition and injury to business reputation claims stem from "impermissible use" of plaintiff's "copyright advertising product," those claims are preempted by federal copyright law, as discussed above (*see Paul v Haley*, 183 AD2d 44, 54-55 [2d Dept 1992]; *Computer Assocs. Int'l*, 982 F2d at 717 [listing case examples]; *Walker v Time Life Films, Inc.*, 784 F2d 44, 53 [2d Cir 1986] [affirming dismissal of unfair competition cause of action as preempted by federal copyrights law "to the extent it seeks protection against copying of [plaintiff's] book"]; *Wolstenholme v Hirst*, 271 F Supp 3d 625, 642 [SD NY 2017] ["The Copyright Act preempts unfair competition claims grounded solely in the copying of a plaintiff's protected expression" [internal quotation marks and citation omitted]]).

As to theories this court has subject matter jurisdiction to address, under New York state law, "the gravamen of a claim of unfair competition is the bad faith misappropriation of a commercial advantage belonging to another by infringement or dilution of a trademark or trade name or by exploitation of proprietary information or trade secrets" (*Eagle Comtronics, Inc. v Pico Prods., Inc.*, 256 AD.2d 1202, 1203 [4th Dept 1998]). "To assert a claim for unfair competition under New York's common law, a plaintiff must show either actual confusion in an action for damages or a likelihood of confusion for equitable relief" (*Wolstenholme*, 271 F Supp 3d at 642). "The plaintiff must also show bad faith" (*id.*).

1. Trademark Theories

To the extent this cause of action stems from trademark dilution, plaintiff has failed to identify a "strong" trademark that defendants diluted. A "strong" trademark is distinctive or has acquired secondary meaning "such that the trade name has become so associated in the public's mind with the plaintiff that it identifies goods sold by that entity as distinguished from goods sold by others" (*Sara Designs, Inc. v A Classic Time Watch Co.*, 234 F Supp 3d 548, 556 [SD NY 2017]). The complaint mentions "Premium's trade name" but only in the context of it being diluted *due to* defendant's alleged use of plaintiff's advertising product or defendant's alleged violations of New York law, common law, and GBL 360-l. To be clear, the complaint does not allege defendants used "Premium's trade name." Fatally, the complaint fails to allege facts supporting the "distinctive quality" of either Premium's trade name or plaintiff's advertising product (*see Eyal R.D. Corp. v Jewelex N.Y. Ltd.*, 784 F Supp 2d 441, 449 [SD NY 2011] [dismissing dilution claim where plaintiff "alleged no facts to support its allegation that [its trade dress] has acquired enormous value and recognition" and its trade dress is "well known to the consuming public" [internal quotation marks omitted]]). Moreover, any attempt to cast the advertising product, i.e., plaintiff's marketing mailer, as a trademark for purposes of unfair competition theories predicated on trademark dilution is preempted by federal copyright law (*see Shepard v European Pressphoto Agency*, 291 F Supp 3d 465, 475 [SD NY 2017] ["[T]he Copyright Act also preempts claims asserted under the misappropriation branch of New York's unfair competition

law, which generally protects against a defendant's competing use of a valuable product or idea created by the plaintiff through investment of time, effort, money and expertise" [internal quotation marks and citation omitted].). Accordingly, any theory of liability based on defendants' alleged dilution of plaintiff's mark is dismissed.

2. *Misappropriation of Trade Secrets or Confidential Information Theories*

To the extent this cause of action stems from the misappropriation of trade secrets or confidential information, the court will address the sufficiency of any misappropriation allegation. "The elements of a cause of action to recover damages for misappropriation of trade secrets are: (1) possession of a trade secret; and (2) use of that trade secret by the defendant in breach of an agreement, confidential relationship or duty, or as a result of discovery by improper means" (*Tri-Star Light. Corp.*, 151 AD3d at 1106). Similarly, a claim for unfair competition based on misappropriation of proprietary or confidential information must allege bad faith misappropriation (*see Beverage Mktg. USA*, 20 AD3d at 440; *Eagle Comtronics, Inc.*, 256 AD2d at 1203).

As noted above, the restrictive covenants of O'Malley's employment agreement are unenforceable as a matter of public policy, except for the nondisclosure covenant, and the only duty imposed on O'Malley extends from the nondisclosure covenant. However, as noted above, the complaint fails to allege O'Malley disclosed plaintiff's customer list or any trade secrets. As such, the court will examine whether acquisition of any trade secret or confidential information by improper means or by bad faith misappropriation has been properly alleged.

Similar to the analysis above regarding alleged violations of the nondisclosure covenant and aside from plaintiff's allegations regarding its customer list, plaintiff alleges no facts to support its allegations of misappropriation of any trade secrets or confidential information. Instead, the complaint relies on vague and conclusory phrases such as "armed with" (complaint at para. 15), "impermissible use" (*id.* at para. 16), "cannot avoid exploiting" (*id.* at para. 17), "using his knowledge" (*id.*), "already having misappropriated" (*id.* at para. 20), and "he will use and rely upon" (*id.* at para. 24) to describe defendants' alleged bad faith acts, which are insufficient (*Hart*, 8 AD3d at 532 ["plaintiff's allegations regarding the conduct of the defendants were impermissibly vague and conclusory" and "plaintiff's papers submitted in opposition to the cross motions failed to remedy the defects in the complaint"]; *Berman v Sugo LLC*, 580 F Supp 2d 191, 209 [SD NY 2008] [dismissing unfair competition claim where allegations of bad faith acts were conclusory]).

The only fact alleged to support plaintiff's allegation of a misappropriated customer list is O'Malley's email correspondence with Plaza Auto. Giving the plaintiff every favorable inference, O'Malley's outreach to Plaza Auto on behalf of JMG could support an inference that O'Malley misappropriated plaintiff's customer list. However, such inference is "controverted by specific and factually documented affidavits submitted by defendants" (*A.N. Deringer, Inc.*, 178 AD2d at 1024), namely, that Plaza Auto was a longtime, preexisting customer of JMG since 2005 (*see* aff. of Scott Jacobs at 2

[NYSCEF Doc. 22]). Thus, the undisputed fact that O'Malley contacted Plaza Auto on behalf of JMG does not support the inference O'Malley misappropriated plaintiff's costumer list. To sum up, any theory of liability based on defendants' alleged misappropriation of trade secrets or confidential information are dismissed as impermissibly vague and conclusory (*Hart*, 8 AD3d at 532; *Berman*, 580 F Supp 2d at 209).

Further, as to allegations leveled at JMG, the complaint fails to allege any agreement between plaintiff and JMG, any duty JMG owed to plaintiff, or any appropriation by improper means other than the impermissibly vague and conclusory allegations noted above.

As such, the entirety of plaintiff's fifth cause of action is either preempted by federal copyright law and is dismissed pursuant to CPLR 3211 (a)(2), or deficient for failing to state of cause of action premised on a theory of unfair competition or injury to business reputation based on trademark dilution or misappropriation of trade secrets or confidential information and is dismissed pursuant to CPLR 3211 (a)(7).

Remaining Causes of Action[11]

Plaintiff's sixth, seventh, and eighth causes of action for damages, attorneys' fees, and costs stem from plaintiff's other causes of action, i.e., copyright infringement, breach of employment agreement, and unfair competition. However, plaintiff's second, third, fourth, and fifth causes of action have been dismissed, and plaintiff's first claim, which only partially remains, does not seek any affirmative relief other than a declaration of validity of the employment agreement. Without the second, third, fourth, and fifth causes of action, plaintiff's sixth, seventh, and eighth causes of action are insufficient to state a cause of action on their own, let alone serve as a basis for damages, attorneys' fees, and costs (*see HT Capital Advisors, LLC v Optical Res. Group, Inc.*, 715 NYS2d 837, 837 [1st Dept 2000] [affirming dismissal of complaint because "allegations contained therein are based on pure speculation and consist of bare legal conclusions"]; *Rosenblum v Frankl*, 57 AD3d 960, 961 [2d Dept 2008] ["a demand for punitive damages may not constitute a separate cause of action for pleading purposes"]; *Bd. Of Managers of Sea Breeze II Condo. V Kwiecinski*, 2003 NY Slip Op 51434 [U], 2003 NY Misc LEXIS 1471, *2 [App Term, 2d Dept, 2d & 11th Jud

[11] *On May 6, 2022, over two months beyond the close of briefing for the within motion and cross-motions, plaintiff filed an amended complaint. The original complaint was filed on December 6, 2021. Pursuant to CPLR 3025 (a), "A party may amend his pleading once without leave of court within twenty days after its service, or at any time before the period for responding to it expires, or within twenty days after service of a pleading responding to it." CPLR 3025 (b) provides, "A party may amend his or her pleading, or supplement it by setting forth additional or subsequent transactions or occurrences, at any time by leave of court or by stipulation of all parties. Leave shall be freely given upon such terms as may be just including the granting of costs and continuances. Any motion to amend or supplement pleadings shall be accompanied by the proposed amended or supplemental pleading clearly showing the changes or additions to be made to the pleading." The amended complaint was filed beyond the period provided in CPLR 3025 (a) and the record is devoid of an application for leave or a stipulation of all parties, as required by CPLR 3025 (b). As such, the court declines to address plaintiff's amended complaint at this time.*

Dists 2003] [a "claim for attorney's fees cannot be severed and treated as a separate cause of action"]).

Accordingly, plaintiff's sixth, seventh, and eighth causes action are dismissed pursuant to CPLR 3211 (a)(7).

Preliminary Injunction

Plaintiff has not demonstrated a likelihood of success on the merits on any of its causes of action warranting an injunction (*see 19 Patchen, LLC*, 153 AD3d at 1383; *Herczl v Feinsilver*, 153 AD3d at 1338; CPLR 6301). All but the first cause of action is dismissed, and the first cause of action seeks only declaratory relief, i.e., that the employment agreement is valid and binding, save for the noncompete and non-solicitation covenants. To be clear, the first cause of action, as modified by the decision and order herein, seeks affirmation as to the validity of the nondisclosure covenant to which O'Malley is bound. The complaint has not properly alleged O'Malley breached that covenant, nor has plaintiff demonstrated a likelihood that O'Malley would breach that covenant. Accordingly, plaintiff's motion for a preliminary injunction is denied.

The court has considered the additional contentions of the parties not specifically addressed herein. To the extent any relief requested by the parties was not addressed, it is hereby denied. Accordingly, it is hereby:

ORDERED that plaintiff's application, made by Order to Show Cause issued on December 13, 2021, for a restraining order in favor of plaintiff PREMIUM PRODUCTIONS, INC. against defendants MICHAEL O'MALLEY (O'Malley) and JACOB MARKETING GROUP, LLC d/b/a JMG MARKETING (JMG, and collectively, defendants) restraining and enjoining defendants from (a) infringing plaintiff's trademark automotive advertising programs; (b) offering copies or colorable imitations of plaintiff's advertising programs and trademarks in connection with any advertising and sales of goods and activities related thereto, that will create a likelihood of confusion about the source of the advertising campaign and intellectual property (IP); (c) diverting, or attempting to divert, plaintiff's clients and business that plaintiff enjoyed, solicited or attempted to solicit prior to the termination of O'Malley's employment with plaintiff, for a period of twelve (12) months from the date defendants are first enjoined; (d) inducing, soliciting, or attempting to solicit any plaintiff employee or contractor to leave plaintiff for a period of twelve (12) months from the date defendants are first enjoined; and (e) disclosing, revealing, reporting, or using any of plaintiff's confidential information or trade secrets, which O'Malley obtained, or which was disclosed to O'Malley by plaintiff, as a result of O'Malley's employment with plaintiff is denied; and it is further

ORDERED that any toll, stay, and/or temporary restraint directed in the Order to Show Cause issued on December 13, 2021, is hereby vacated; and it is further

ORDERED that the cross-motions of O'Malley (Mot. Seq. 2) and JMG (Mot. Seq. 3), each for an order dismissing the verified complaint, pursuant to CPLR 3211 (a)(2) and

(a)(7), are hereby granted-in-part and denied-in-part as to the first cause of action, and granted as to the second, third, fourth, fifth, sixth, seventh, and eighth causes of action; and it is further

ORDERED that the first cause of action in the verified complaint is partially dismissed as to the non-compete and non-solicitation covenants pursuant to CPLR 3211 (a)(7); and it is further

ORDERED that the second, sixth, seventh, and eighth causes of action in the verified complaint are dismissed pursuant to CPLR 3211 (a)(7);

ORDERED that the third and fourth causes of action in the verified complaint are dismissed pursuant to CPLR 3211 (a)(2); and it is further

ORDERED that the fifth cause of action in the verified complaint is dismissed pursuant to CPLR 3211 (a)(2) and CPLR 3211 (a)(7); and it is further

ORDERED that defendants shall answer the verified complaint, as modified herein, twenty (20) days after entry of this Decision/Order.

The foregoing constitutes the Decision/Order of the court.

Dated: May 31, 2022
White Plains, New York

ENTER,

HON. LAWRENCE H. ECKER, J.S.C.

TO: All parties appearances via NYSCEF