

Buckingham Mfg. Co., Inc. v Bashlin Indus., Inc.

2023 NY Slip Op 33335(U)

September 28, 2023

Supreme Court, Broome County

Docket Number: Index No. EFCA2023000776

Judge: Eugene D. Faughnan

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At a Motion Term of the Supreme Court of the State of New York held in and for the Sixth Judicial District at the Broome County Courthouse, Binghamton, New York, on the 14th day of July 2023.

PRESENT: HON. EUGENE D. FAUGHNAN
Justice Presiding

STATE OF NEW YORK
SUPREME COURT: COUNTY OF BROOME

BUCKINGHAM MANUFACTURING CO., INC.

Plaintiff,

DECISION AND ORDER

vs.

Index No. EFCA2023000776

BASHLIN INDUSTRIES, INC.,

Defendant.

APPEARANCES:

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EUGENE D. FAUGHNAN, J.S.C.

The matter is before the Court to consider the motion of Defendant Bashlin Industries, Inc. (“Bashlin”), to dismiss the Complaint of Plaintiff Buckingham Manufacturing Co. (“Buckingham”), pursuant to CPLR 3211 (a)(7). Plaintiff filed opposition to the motion and oral argument was held, at which time counsel for both parties were present. After due deliberation, this constitutes the Court’s Decision and Order.¹

BACKGROUND FACTS

Buckingham and Bashlin are competitor companies which engage in the design, development and manufacture of safety belts that are used by lineman and tree workers. The parties have had prior disputes over Bashlin’s alleged infringement on Buckingham’s patents. In early 2018, Buckingham claimed that Bashlin was infringing on certain Buckingham patents. On November 17, 2018, the parties entered into a settlement agreement (the “2018 Settlement Agreement”) pertaining to two of Buckingham’s patents (the “737 patent” and the “073 patent”).² Under the terms of the 2018 Settlement Agreement, Bashlin agreed to pay [REDACTED] [REDACTED] The Royalty Threshold is increased annually based on the Consumer Price Index. Bashlin made those payments for 2019, 2020 and 2021.

In October 2021, Buckingham filed a patent infringement suit against Bashlin in the Western District of Pennsylvania over a device known as a “FlexFit Belt.” Buckingham claimed that Bashlin’s FlexFit Belt infringed on another Buckingham patent, referred to as the “248 patent”. In the context of that litigation, the parties were referred to mediation. After the appearance at mediation, the parties ultimately entered into a Settlement Agreement on November 6, 2022 (the “2022 Settlement Agreement”). Under the terms of the 2022 Settlement Agreement, Buckingham granted Bashlin a non-exclusive “license under the ‘248 Patent”

¹ All the papers filed in connection with the motion and cross-motion are included in the NYSCEF electronic case file, and have been considered by the Court.

² The 2018 Settlement Agreement contains a confidentiality provision which prevents either party from disclosing the terms of the settlement. Based on the 2018 Settlement Agreement, as well as proprietary business information, Plaintiff sought an Order from this Court redacting portions of its Complaint and the sealing of certain exhibits. Defendant agreed to that relief and the Court issued an Order dated May 15, 2023 to that effect.

permitting Bashlin to make, sell and distribute the Accused Product, and Bashlin agreed to pay [REDACTED]. The Accused Product is defined as “the Flex Fit Belt and any other body belt developed, marketed and/or sold by Bashlin, whether now or in the future, which includes an adjustability feature similar to that currently on the Accused Product, regardless of commercial name.” (2022 Settlement Agreement p.1 ¶ C). The 2022 Settlement Agreement also provided for mutual releases with regard to the 248 patent only (*Id.* at ¶ 6) and a confidentiality agreement. (*Id.* at ¶ 12). Lastly, the 2022 Settlement Agreement contained an integration provision stating that it was “the entire agreement between the Parties, and supersedes and integrates any prior understandings or written or oral agreements between the parties with respect to the subject matter hereof.” (*Id.* at ¶ 14).

In early 2023, Bashlin advised Buckingham that it would only make royalty payments per the terms of the 2022 Settlement Agreement, contending that the 2022 Settlement Agreement superseded the 2018 Settlement Agreement. Buckingham believes that the two settlement agreements pertain to different patents and that payments are due under both agreements (i.e. the 2022 Settlement Agreement did not supersede the 2018 Settlement Agreement).

On April 13, 2023, Buckingham commenced this action setting forth causes of action for breach of contract and declaratory judgment. Bashlin filed a motion to dismiss the Complaint, contending that it never agreed to, nor would have accepted, the stacking of royalties [REDACTED] [REDACTED] and that the terms of the two settlement agreements show that the 2022 Settlement Agreement was intended to supersede the 2018 Settlement Agreement. Thus, according to Bashlin, the 2022 Settlement Agreement covers all the rights and responsibilities of the parties, and the only royalty payments that are due are pursuant to the 2022 Settlement Agreement.

LEGAL DISCUSSION AND ANALYSIS

“On a motion to dismiss made pursuant to CPLR 3211, a court should construe the pleadings liberally, accept the allegations as true and afford the party opposing the motion the benefit of every possible inference to determine whether the facts alleged fit within a cognizable legal theory.” *T. Lemme Mech., Inc. v. Schalmont Cent. School Dist.*, 52 AD3d 1006, 1008 (3rd Dept. 2008) (citations omitted); *see, EBC I, Inc. v. Goldman Sachs & Co.*, 5 NY3d 11, 19 (2005); *Leon v. Martinez*, 84 NY2d 83, 87 (1994); *Kreamer v. Town of Oxford*, 91 AD3d 1157

(3rd Dept. 2012); *Stainless Broad. Co. v. Clear Channel Broad. Licenses, L.P.*, 58 AD3d 1010 (3rd Dept. 2009). The “ultimate criterion is whether the proponent of the pleading has a cause of action, not whether he [or she] has stated one.” *Schmidt & Schmidt, Inc. v. Town of Charlton*, 68 AD3d 1314, 1315 (3rd Dept. 2009), quoting *Leon v. Martinez*, 84 NY2d at 88. The court should not make factual determinations on a motion to dismiss. See, *Niagara Mohawk Power Corp. v. State*, 300 AD2d 949 (3rd Dept. 2002). “Notwithstanding the broad pleading standard, bare legal conclusions with no factual specificity do not suffice to withstand a motion to dismiss ...[and] ‘[d]ismissal ... is warranted if the [pleading] fails to assert facts in support of an element of the claim, or if the factual allegations and inferences to be drawn from them do not allow for an enforceable right of recovery.’” *Mid-Hudson Valley Fed. Credit Union v. Quartararo & Lois, PLLC*, 155 AD3d 1218, 1219 (3rd Dept. 2017) [internal citations omitted] quoting *Connaughton v. Chipotle Mexican Grill, Inc.*, 29 NY3d 137, 142 (2017).

Although Bashlin’s motion to dismiss is only premised on CPLR 3211(a)(7), Bashlin primarily relies on the terms of the two settlement agreements. CPLR 3211(a)(1) involves motions to dismiss based on documentary evidence, and although CPLR 3211(a)(1) is not specifically identified by Bashlin, it merits discussion in this Decision and Order.

“A motion to dismiss pursuant to CPLR 3211 (a) (1) will be granted only if the ‘documentary evidence resolves all factual issues as a matter of law, and conclusively disposes of the ... claim.’” *Fontanetta v. John Doe 1*, 73 AD3d 78, 83-84 (2nd Dept. 2010), quoting *Fortis Fin. Servs., LLC v. Fimat Futures USA*, 290 AD2d 383, 383 (1st Dept. 2002); see, *Leon v. Martinez*, 84 NY2d 83; *Jenkins v. Jenkins*, 145 AD3d 1231 (3rd Dept. 2016); *Haire v. Bonelli*, 57 AD3d 1354 (3rd Dept. 2008). “[I]t is clear that judicial records, as well as documents reflecting out-of-court transactions such as mortgages, deeds, contracts, and any other papers, the contents of which are ‘essentially undeniable,’ would qualify as ‘documentary evidence’ in the proper case.” *Fontanetta v. John Doe 1*, 73 AD3d at 84-85; see *Koziatek v. SJB Dev. Inc.*, 172 AD3d 1486 (3rd Dept. 2019). Dismissal may be warranted where the “factual claims ... are flatly contradicted by documentary evidence.” *Hyman v. Schwartz*, 127 AD3d 1281, 1283 (3rd Dept. 2015) quoting *DerOhannessian v. City of Albany*, 110 AD3d 1288, 1289 (3rd Dept. 2013); *Ozdemir v. Caithness Corp.*, 285 AD2d 961, 963 (3rd Dept. 2001) (“a court need not accept as true legal conclusions or factual allegations that are either inherently incredible or flatly contradicted by documentary evidence.”). The two settlement agreements here are contracts, and

are the type of “documentary evidence” contemplated in CPLR 3211 (a)(1). *See, e.g. Cassagnol v. Village of Hempstead*, 214 AD3d 766 (2nd Dept. 2023); *Rudovic v. Rudovic*, 131 AD3d 1225 (2nd Dept. 2015); *see also 150 Broadway N.Y. Assocs., L.P. v. Bodner*, 14 AD3d 1 (1st Dept. 2004) (lease agreement is contract and can constitute documentary evidence).

The distinction between CPLR 3211(a)(1) and (a)(7) can become blurred in some situations. “When documentary evidence is submitted by a defendant, ‘the standard morphs from whether the plaintiff stated a cause of action to whether it has one.’” *Basis Yield Alpha Fund (Master) v. Goldman Sachs Group, Inc.*, 115 AD3d 128, 135 (1st Dept. 2014), *quoting* John R. Higgitt, CPLR 3211[a][7] and [a][7] Dismissal Motions-Pitfalls and Pointers, 83 NY St. BJ 32, 33 (2011). That is because the documentary evidence is being used to conclusively establish that no cause of action exists. *See, e.g. Maldonado v. DiBre*, 140 AD3d 1501 (3rd Dept. 2016).

On the other hand, a motion based on failure to state a cause of action is not limited to documentary evidence. “The grounds for dismissal under CPLR 3211 (a) (7) are ... strictly limited; the court is not allowed to render a determination upon a thorough review of the relevant facts adduced by both parties, but rather is substantially more constrained in its review, examining only the plaintiff’s pleadings and affidavits.” *Carr v. Wegmans Food Mkts., Inc.*, 182 AD3d 667, 668 (3rd Dept. 2020) *citing* *Rovello v. Orofino Realty Co.*, 40 NY2d 633, 635, (1976); *Sokol v. Leader*, 74 AD3d 1180, 1181 (2nd Dept. 2010). “The ‘sole criterion’ under a motion to dismiss for failure to state a cause of action pursuant to CPLR 3211 (a) (7) is whether, ‘from [the pleading’s] four corners[,] factual allegations are discerned which taken together manifest any cause of action cognizable at law’” *Doller v. Prescott*, 167 AD3d 1298, 1299 (3rd Dept. 2018), *quoting* *People v. Coventry First LLC*, 13 NY3d 108, 115 (2009).

On its face, Buckingham’s Complaint certainly states a cause of action for breach of contract. The elements for a breach of contract claim are “the existence of a contract, the plaintiff’s performance pursuant to the contract, the defendant’s breach of its contractual obligations, and damages resulting from the breach.” *Carroll v. Rondout Yacht Basin, Inc.*, 162 AD3d 1150, 1151 (3rd Dept. 2018). Accepting all of Plaintiff’s allegations as true, as the Court must do on this motion to dismiss, the Complaint alleges that the parties entered into two separate and distinct Settlement Agreements, and that Buckingham has performed under the agreements by granting a license to Bashlin but that Bashlin is not paying per the terms of the agreements, thereby causing monetary damage to Buckingham. Those allegations are sufficient

to state a cause of action for breach of contract, and similarly support a claim for declaratory judgment (which would establish if there is any liability for future payments for the life of the patents). Bashlin has not shown how Buckingham's Complaint fails to state a cause of action under CPLR 3211(a)(7), other than the claim that the terms of the two settlement agreements establish that Bashlin is only required to make payments pursuant to the 2022 Settlement Agreement. Thus, the Court will consider the two settlement agreements.

Bashlin argues "that Buckingham does not allege that Bashlin breached the 2022 Agreement in any way." (Bashlin Memorandum of Law at p.7). While that is true, Buckingham's Complaint is based on the position that it is entitled to payments under both the 2018 Settlement Agreement and the 2022 Settlement Agreement, but that Bashlin is only paying based upon the latter, creating a breach of contract.

Bashlin believes that payments are only due under the 2022 Settlement Agreement, and advances two arguments. First, stacking the royalty payments would be commercially unreasonable, and second, that the plain language of the 2022 Settlement Agreement supports a conclusion that the payments under the 2018 Settlement Agreement were subsumed by the 2022 Settlement Agreement.

Turning to the first argument, Bashlin's position regarding the reasonableness of stacking the royalties is without merit. No admissible evidence has been presented to establish what would be a reasonable amount of royalty payments. Defendant has not supplied any proof on that issue and simply makes the argument in its Memorandum of Law, claiming that stacking the ■■■ royalty from the 2018 Settlement Agreement and the ■■■ royalty under the 2022 Settlement Agreement "would be commercially impossible and far outside the normal range of acceptable royalty amounts" (Memorandum of Law at p.5), and that the ■■■ royalty is more consistent with normal royalty payments. The Court is left to wonder why the Bashlin would have agreed to a ■■■ amount in 2022 if ■■■ was the reasonable amount. Without any proof on the issue, the Court cannot ascertain what royalty terms would be reasonable. Moreover, on a motion to dismiss the Court must accept the facts alleged as true. While the Court can consider evidentiary material in support of a motion to dismiss, here there is no such evidentiary material. Thus, the allegations in the Complaint are not refuted at this point. Additionally, Defendant's counsel potentially mis-characterizes the royalty amount. The payments are not truly stacked, because the ■■■ is payable on all sales, while the ■■■ is triggered only when net sales exceed a certain

amount. If the triggering net sales figure is not reached, then only the [REDACTED] royalty is payable. Quite simply, the Court cannot agree with Bashlin that stacking the royalties is commercially unreasonable.

Next, Bashlin cites to the 2022 Settlement Agreement to support the argument that it superseded any prior agreements. The 2022 Settlement Agreement states at ¶ 14 that the Agreement “supersedes and integrates any prior understandings or oral agreements between the Parties with respect to the subject matter hereof.” Bashlin argues that the “subject matter” was the FlexFit Belt and that the parties did not intend for the royalties to continue under the 2018 Settlement Agreement. Taking the opposite position, Buckingham argues that the “subject matter” referred to the 248 patent and it was entirely different from the 2018 Settlement Agreement that addressed the 737 and 037 patents. At this stage, without any discovery having been conducted, the Court cannot conclude that the “subject matter” applied to the FlexFit Belt in general, and not just to the 248 patent.

In opposition to the motion to dismiss, Buckingham also submitted an affidavit from Timothy Batty, General Manager of Plaintiff, who stated that he attended the mediation on the 2022 case and that the resulting 2022 Settlement Agreement was intended to allow for stacking of the royalties. That is at least one reasonable interpretation of the two agreements. An affidavit may be submitted in opposition to a motion to dismiss, but the affidavit must be to remedy defects in the complaint, and not for evidentiary purposes. *See, Bianco v. Law Offs of Yuri Prakhin*, 189 AD3d 1326 (2nd Dept. 2020). In the present context, the Court has not considered the Batty affidavit in the context of whether there is evidentiary support for the pleading. That would be unnecessary because Defendant did not present any proof that would conclusively refute the allegations of the Complaint. Instead, the affidavit is simply additional evidence that could support a conclusion that the terms of the 2022 Settlement Agreement was intended to permit stacking of the royalty payments. The Court does not reach any ultimate conclusion on that question at this time, as all that is before the Court is the motion to dismiss. On that issue, the Court concludes that the Complaint adequately states a cause of action, and that Defendant has not established an entitlement to dismissal under CPLR 3211 (a)(1) or (a)(7).

CONCLUSION

Based on all the foregoing, the Court cannot determine that the stacking of royalty payments is commercially unreasonable, and the intended result of the parties' agreements. The Court also concludes that the terms of the two settlement agreements do not conclusively defeat Plaintiff's claim.

Accordingly, it is hereby

ORDERED, that Defendant's motion to dismiss is DENIED.

This Decision and Order is being electronically uploaded to the NYSCEF system. Plaintiff remains responsible for ensuring proper compliance with any service upon Defendant of the Decision and Order with Notice of Entry.

THIS CONSTITUTES THE DECISION AND ORDER OF THIS COURT.

Dated: September 28, 2023
Binghamton, New York



HON. EUGENE D. FAUGHNAN
Supreme Court Justice