

Samsung Elecs. Co., Ltd. v MPEG LA, L.L.C.

2023 NY Slip Op 34465(U)

December 19, 2023

Supreme Court, New York County

Docket Number: Index No. 656312/2022

Judge: Melissa A. Crane

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This opinion is uncorrected and not selected for official publication.

**SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY**

PRESENT: HON. MELISSA A. CRANE PART 60M

Justice

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SAMSUNG ELECTRONICS CO., LTD.,

Plaintiff,

- v -

MPEG LA, L.L.C.,

Defendant.

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INDEX NO. 656312/2022

MOTION DATE N/A

MOTION SEQ. NO. 008

**DECISION + ORDER ON
MOTION**

The following e-filed documents, listed by NYSCEF document number (Motion 008) 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 228, 229

were read on this motion to/for JUDGMENT - SUMMARY.

Upon the foregoing documents, it is

Plaintiff has moved for summary judgment on its claim for breach of contract while defendant has moved for summary judgment seeking dismissal of both plaintiff’s breach of contract cause of action and its cause of action for breach of the covenant of good faith and fair dealing.

For the reasons stated on the record, the court grants Samsung’s motion for summary judgment on its breach of contract claim and denies MPEG’s cross motion seeking dismissal of this claim. In light of this ruling, the court grants that part of the cross motion to dismiss the claim for good faith and fair dealing, because that cause of action is now moot.

More specifically, this dispute involves the interplay of two agreements: a Licensing Administrator Agreement” (LAA) and an “Agreement Among Licensors” (AAL). MPEG was the licensing administrator. Plaintiff contends that MPEG improperly cut its royalty payments in

half after it terminated its participation in the program. MPEG argues that the remaining licensors voted to amend the AAL to reduce royalty distributions to terminating licensors.

LIABILITY

As explained on the record, there were not enough votes to amend the AAL. Section 6 of the AAL, entitled “Amendments” states that “any amendments to this Agreement must be in writing, specifically reference this Agreement, and shall require at least a three-fourths (3/4) vote of the members.” More important, changing allocations required a supermajority of 80% (see AAL, §6.1). There is no dispute that the vote failed to achieve that supermajority. The only way that even a $\frac{3}{4}$ vote could exist would be for MPEG to count silence as a favorable vote. However, §6.1 required members to cast an actual vote.

That an actual vote was a requirement under §6.1 becomes clear when comparing § 6.1 to § 6.3. Section 6.3 provides that, if MPEG LA proposes a change to the definition of the HEVC Standard, then “[i]f more than fifty (50) percent [of Parties] do not object within [a] fourteen (14) day period, then the Amended Definition ... shall become effective.” Thus, where the parties to the AAL wanted their silence to be counted as assent to an MPEG proposal, they expressly provided for such treatment. They did not expressly so provide in §6.1.

The court will not consider MPEG’s “course of dealing” and other parole evidence from either party. The language of the contract is unambiguous, § 12.13 contains a merger clause and § 12.13.2 states that “no Amendment to this Agreement shall be effective unless such amendment is in writing.” Therefore, MPEG’s evidence, if any, that the parties had a course of dealing to count silence as an affirmative vote is irrelevant. Thus, because there was no new allocation, MPEG failed to pay to Samsung the amounts due to it under the AAL. It is consequently in breach of its duties under the LAA.

Finally, as explained on the record, the other licensors are not necessary parties. The current parameters of this lawsuit can afford complete relief. If MPEG has overpaid other license holders, it can adjust payments going forward or litigate against these other license holders if need be.

DAMAGES

The parties agree that the outstanding amount as of the time of briefing this motion was \$14,463,197.26. On the record, Samsung stated that it would not object if MPEG were directed to pay out an additional \$4,163,516.67 to various sublicensees. As explained above, there is no defense to either amount.

MPEG has also withheld from Samsung \$903,611.61 for MPEG's "Enforcement Expenses Fund." However, it is undisputed that Samsung terminated. The LAA does not permit MPEG LA to charge Samsung for post-termination enforcement expenses. Samsung's surviving payment obligations are limited to "reimbursement of the Licensing Administrator's enforcement expenses, and expenses pursuant to Sections 3.14, 6.1, 6.2, and 6.5 of [the LAA], **to the extent that such expenses have accrued as of the date of expiration or termination.**" LAA § 11.5.1. Thus, to the extent expenses accrued AFTER termination, MPEG cannot charge Samsung for them.

Accordingly, it is

ORDERED THAT the court grants Samsung's motion for summary judgment on its breach of contract cause of action, and it is further

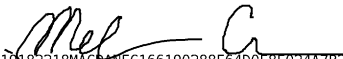
ORDERED THAT the court denies that part of MPEG's cross motion seeking to dismiss the cause of action for breach of contract; and it is further

ORDERED THAT the court grants MPEG’s cross motion to dismiss Samsung’s cause of action for breach of the covenant of good faith and fair dealing as that cause of action is now moot; and it is further

ORDERED THAT MPEG is directed to pay \$4,163,516.67 to various sublicensees, pursuant to the LAA and AAL; and it is further

ORDERED THAT Samsung shall provide the court with a proposed judgment with updated numbers within 5 business days from the e-filed date of the decision; and it is further r

ORDERED THAT should MPEG have objections to that proposed judgment, they are to furnish those objections to the court within 5 business days thereafter.


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<u>12/19/2023</u> DATE			<u>MELISSA A. CRANE, J.S.C.</u>
CHECK ONE:	<input checked="" type="checkbox"/> CASE DISPOSED	<input type="checkbox"/> DENIED	<input type="checkbox"/> NON-FINAL DISPOSITION
APPLICATION:	<input checked="" type="checkbox"/> GRANTED		<input type="checkbox"/> GRANTED IN PART
CHECK IF APPROPRIATE:	<input type="checkbox"/> SETTLE ORDER		<input type="checkbox"/> OTHER
	<input type="checkbox"/> INCLUDES TRANSFER/REASSIGN		<input type="checkbox"/> FIDUCIARY APPOINTMENT
			<input type="checkbox"/> REFERENCE