

Genesis Block LLC v InfraSingularity LLC

2024 NY Slip Op 32611(U)

July 26, 2024

Supreme Court, New York County

Docket Number: Index No. 650973/2024

Judge: Lori S. Sattler

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This opinion is uncorrected and not selected for official publication.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 02M

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GENESIS BLOCK LLC, NEW GENESIS BLOCK, INC.,
Plaintiff,

INDEX NO. 650973/2024

MOTION DATE 03/27/2024,
03/27/2024

- v -

INFRASINGULARITY LLC, INFRASINGULARITY
INC., SEEKSINGULARITY LLC, SIDDHARTH BADYAL,
AKSHIT GOEL

MOTION SEQ. NO. 001 003

Defendant.

**DECISION + ORDER ON
MOTION**

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HON. LORI S. SATTLER:

The following e-filed documents, listed by NYSCEF document number (Motion 001) 23, 24, 25, 30
were read on this motion to/for SEAL.

The following e-filed documents, listed by NYSCEF document number (Motion 003) 12, 13, 14, 15, 16,
17, 18, 19, 20, 21, 22, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41
were read on this motion to/for STAY.

In this breach of contract action, defendants InfraSingularity LLC, InfraSingularity Inc. (collectively “Infra”), SeekSingularity LLC (“Seek”), Siddharth Badyal (“Badyal”), and Akshit Goel (“Goel”) (collectively “Defendants”) move to stay this action pursuant to CPLR 2201 pending the resolution of an arbitration. Defendants also move to seal the arbitration pleadings annexed as exhibits to their motion to stay (NYSCEF Doc. Nos. 16-18). Plaintiffs Genesis Block LLC (“Genesis”) and New Genesis Block, Inc. (“New Genesis”) (collectively “Plaintiffs”) oppose both motions, which are consolidated herein for disposition.

Plaintiffs commenced this action asserting causes of action for tortious interference with contract, common law misappropriation of trade secrets, and common law unfair competition against all Defendants. They interpose an additional cause of action for breach of contract against Badyal and Goel.

Prior to the commencement of this action, nonparty Jitin Jain (“Jain”) brought an arbitration against New Genesis seeking recovery for alleged unpaid compensation. New Genesis interposed counterclaims against Jain for, *inter alia*, misappropriation of trade secrets under the Defend Trade Secrets Act, tortious interference with contract, common law unfair competition, and breach of contract.

Jain is the sole member of defendant Seek, which in turn is the sole member of Infra, both defendants in this action. Plaintiffs allege that Jain founded these companies immediately after he ended his employment with them. Jain had worked for Plaintiffs as a consultant for Genesis and as Chief Technology Officer for New Genesis. Defendants Badyal and Goel were previously consultants for Genesis who allegedly became consultants for Infra. Jain, Badyal, and Goel were all party to Consulting Agreements with Genesis that prohibited them from using the company’s confidential information for their individual benefit or for the benefit of third parties. Jain was also restricted by his Terms of Employment with New Genesis from engaging in competition with New Genesis for thirty days after the end of his employment. Plaintiffs allege that Jain immediately founded Seek and Infra after he resigned from New Genesis and, with the help of Badyal and Goel, used Plaintiffs’ proprietary information and trade secrets to target the blockchain business opportunities that they had identified while employed by Plaintiffs.

Defendants now move to stay this action pending the hearing and determination of the arbitration. CPLR 2201 allows the Court to “grant a stay of proceedings in a proper case, upon such terms as may be just” where not otherwise prescribed by law. Complete identity of parties is not required for a stay pending the outcome of pending arbitration where “the arbitration statement of claims and the complaint contain overlapping factual allegations, and both seek the same damages” (*Oxbow Calcining USA Inc. v American Indus. Partners*, 96 AD3d 646, 652 [1st

Dept 2012]). A stay is warranted where “the determination of the pending arbitration proceeding may well dispose of or limit the issues to be determined” in the action before the Court (*id.*, citing *Belopolsky v Renew Data Corp.*, 41 AD3d 322 [1st Dept 2007]). It is well-established that arbitration awards have preclusive effect on subsequent litigation under collateral estoppel principles (*see, e.g., Feinberg v Boros*, 99 AD3d 219, 226 [1st Dept 2012]).

The Court finds that there is sufficient overlap between each of Plaintiffs’ causes of action in this case and the corresponding counterclaims of New Genesis in the arbitration to warrant a stay of this action pending the arbitration’s resolution. Plaintiffs’ tortious interference and breach of contract causes of action overlap, respectively, with the arbitration counterclaims for breach of contract and tortious interference. Should the arbitration find that Jain breached his contract with New Genesis, or that Jain tortiously interfered with Badyal and Goel’s contracts with Genesis, this might limit or dispose of the claims in this action because a finding of a breach of contract is an essential element of tortious interference (*see Avant Graphics v United Reprogmatcs*, 252 AD2d 462, 463 [1st Dept 1998]). In addition, Plaintiffs’ common law misappropriation of trade secrets claim overlaps with the arbitration counterclaim for the same under the Federal Defend Trade Secrets Act, as both claims require a plaintiff to demonstrate that it possessed a trade secret (*see Schroeder v Pinterest Inc.*, 133 AD3d 12, 28 [1st Dept 2015]; *In re Document Techs. Litig.*, 275 F Supp 3d 454, 461-462 [SD NY 2017]). A determination in the arbitration that the information Jain used for the benefit of Infra and Seek constituted trade secrets would be relevant to that issue in this case. Lastly, Plaintiffs’ unfair competition cause of action overlaps with New Genesis’s arbitration counterclaim because both claims are premised on the alleged bad faith misappropriation of Plaintiffs’ proprietary information by Defendants and Jain, respectively.

Defendants’ motion to seal the arbitration pleadings is denied in accordance with the reasons set forth on the record on April 1, 2024.

Accordingly, it is hereby:

ORDERED that Defendants’ motion for a stay (Motion Sequence 003) is granted and further proceedings in this action are stayed, except for an application to vacate or modify said stay; and it is further

ORDERED that any party may make an application by Order to Show Cause to vacate or modify this stay upon the final determination of the arbitration proceeding known as *Jitin Jain v. New Genesis Block, Inc.*, JAMS Case # 5425001894; and it is further

ORDERED that Defendants’ motion to seal NYSCEF documents 16, 17, and 18 (Motion Sequence 001) is denied in its entirety.

This constitutes the Decision and Order of the Court.

<u>7/26/2024</u> DATE			<u>LORI S. SATTLER, J.S.C.</u>
CHECK ONE:	<input type="checkbox"/>	CASE DISPOSED	<input checked="" type="checkbox"/> NON-FINAL DISPOSITION
	<input type="checkbox"/>	GRANTED	<input checked="" type="checkbox"/> GRANTED IN PART
		<input type="checkbox"/> DENIED	<input type="checkbox"/> OTHER
APPLICATION:	<input type="checkbox"/>	SETTLE ORDER	<input type="checkbox"/> SUBMIT ORDER
CHECK IF APPROPRIATE:	<input type="checkbox"/>	INCLUDES TRANSFER/REASSIGN	<input type="checkbox"/> FIDUCIARY APPOINTMENT
			<input type="checkbox"/> REFERENCE