

**US Pony Holdings, LLC v Fashion Footwear LLC**

2024 NY Slip Op 32931(U)

August 19, 2024

Supreme Court, New York County

Docket Number: Index No. 655022/2022

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*

-----X

US PONY HOLDINGS, LLC,

Plaintiff,

- v -

FASHION FOOTWEAR LLC,

Defendant.

-----X

FASHION FOOTWEAR LLC

Plaintiff,

-against-

ICON DE HOLDINGS LLC

Defendant.

-----X

INDEX NO. 655022/2022

MOTION DATE N/A

MOTION SEQ. NO. 007

**DECISION + ORDER ON  
MOTION**

Third-Party  
Index No. 595052/2023

The following e-filed documents, listed by NYSCEF document number (Motion 007) 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 252, 257, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274

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

Plaintiff moves, pursuant to CPLR 3212, for summary judgment to dismiss the First, Second and Fourth Counterclaims against it; and granting third party defendant Icon DE Holdings (DE Holdings) summary judgment on the Fifth Counterclaim (third-party claim) against it.

1. Claims Against Third Party Defendant DE Holdings

Previously, this court dismissed the third claim that defendants asserted against DE Holdings for breach of the Exclusive Danskin License Agreement (see EDOC 117). Now, for the reasons stated on the record of 8/16/2023, the court dismisses the fifth cause of action as

well. This cause of action asserts breach of the covenant of good faith and fair dealing against DE Holdings. Accordingly, there should be no claims remaining in this case by defendants against DE Holdings.

## 2. Counterclaims against Pony

Whether or not to dismiss the counterclaims against Pony represents a more difficult question. This case revolves around a frustrating set of facts. Section 23.3 of the license agreement between Pony and Fashion allowed Pony to terminate if “[Pony] or any of its affiliates, including, but not limited to Iconix Brand Group, Inc., enters into an agreement that **sells** fifty percent (50%) of more of the outstanding shares of [Pony] or Iconix Brand Group.” In December 2021, Pony tried to terminate Fashion’s license pursuant to this provision. Relying that this termination was proper, both parties then made efforts to wind up their relationship. Fashion accepted certain minor benefits and acted as if the agreement was terminated. For instance, Fashion made efforts to sell their remaining inventory and Pony agreed to expand the license Territory to include Turkey. Meanwhile, affiliate DE Holdings allegedly agreed to forgo \$275,000 in minimum royalties from Fashion on a different brand. Meanwhile, plaintiff changed positions by entering into a contract with a different licensee to sell the Pony brand.

It turns out, however, that Pony’s termination was ineffective. (see EDOC 171, decision and order on motion 4 “the termination was ineffective because the restructuring that occurred was not a sale”). It was not until December 2022, coincidentally the same time the sell-off period was expiring, that Fashion “realized” the Agreement had been terminated improperly.

In the context of a discovery dispute, the court has also determined that, although the termination was ineffective, there was no evidence that Pony tried to terminate in bad faith (see EDOC 254).

Pony contends that Fashion, having proceeded as if the agreement was terminated and accepting the benefits of termination, is now estopped from complaining about the improper termination. Fashion says they cannot be estopped because the improper termination was Pony's mistake and that, in essence, allowing Pony to foist the consequences of its improper termination entirely on Fashion would be inequitable. Fashion alleges that Plaintiff "induced" Fashion's delay in challenging the termination of the Agreement "by falsely representing that the Merger triggered Paragraph 23.3."

The court denies summary judgment because there are issues of fact concerning *inter alia*, (1) what Fashion knew, (2) when Fashion reasonably could have discovered plaintiff had improperly terminated the agreement, and (3) whether Fashion acted reasonably in accepting the benefits of the termination arrangements, no matter how small, and then at the 11th hour, having been unable to sell their remaining inventory, claiming that there was no termination and (4) whether Fashion should have analyzed the effectiveness of the termination.


Finally, the court rejects Pony's attempt to limit Fashion's damages. Section 18.7, under the heading "Rights Upon Termination," provides that Fashion is entitled to recover damages for its "direct losses, excluding loss of profits, as a result of an unlawful termination" by Pony. Similarly, section 22.3, which deals with the "Governing Law," provides that if Pony breaches the Pony License, Fashion is entitled to bring "an action at law for direct out-of-pocket monetary damages, if any, actually suffered." Accordingly, the Pony License, read as a whole, makes clear that Fashion is entitled to recover its out-of-pocket damages resulting from Pony's unlawful termination. The other provisions Pony relies upon do not relate to recovery for unlawful termination and therefore are inapplicable.

Accordingly, it is

ORDERED THAT the part of the motion to dismiss defendant’s remaining claims against ICON DE HOLDINGS LLC is granted; and it is further

ORDERED THAT the part of the motion seeking dismissal of the counterclaims against US PONY HOLDINGS, LLC, is denied.

The parties are directed to attend a Pre-Trial conference on November 4, 2024 at 11:00 am over Microsoft teams.

  
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<u>8/19/2024</u>			<hr/> <b>MELISSA A. CRANE, J.S.C.</b>	
<b>DATE</b>				
CHECK ONE:	<input type="checkbox"/>	CASE DISPOSED	<input checked="" type="checkbox"/>	NON-FINAL DISPOSITION
	<input type="checkbox"/>	GRANTED	<input type="checkbox"/>	DENIED
APPLICATION:	<input type="checkbox"/>	SETTLE ORDER	<input checked="" 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"/>	OTHER
			<input type="checkbox"/>	REFERENCE