

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: IAS PART 45

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RONKONKOMA OPERATIONS LLC, :
 :
 : Plaintiff, :
 :
 : -against- :
 : Index No. 652006/11
 :
 MARK BITTER, ROBERT BITTER, :
 EDWIN WARD BITTER, JR., ADRIANA : DECISION AND ORDER
 SCALAMANDRE BITTER, SILK SURPLUS, INC., :
 FRET FABRICS LLC, FRANCO SCALAMANDRE, : Motion Sequence Nos. 004, 005, 006
 and SIDDHARTHA HOLDINGS, LLC, :
 :
 : Defendants. :
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MELVIN L. SCHWEITZER, J.:

Motion sequence numbers 004, 005, and 006 are consolidated for disposition.

This action and its companion action, *Bitter v Renzo*, Index No. 652003/11 (Sup Ct, NY County) (hereinafter, the Bitter Action), arise out of the asset foreclosure of Scalamandre Silks, Inc. (Scalamandre), a world-renowned manufacturer and importer of textiles, decorative textile trims, wall covering, and carpeting. In this action, plaintiff Ronkonkoma Operations LLC (ROL) alleges that defendants wrongfully trademarked the “Scalamandre” name and unfairly competed with it after the asset foreclosure.

In motion sequence number 004, defendants Adriana Bitter, Mark Bitter, and Robert Bitter (collectively, the Bitters) move, pursuant to CPLR 3211 (a) (7), for an order dismissing the amended complaint based upon documentary evidence and for failure to state a cause of action.

In motion sequence number 005, defendants Franco Scalamandre and Siddhartha Holdings, LLC (Siddhartha) (collectively, the Siddhartha defendants) move, pursuant to CPLR 320 (b), 3211 (a) (7) and (8), to dismiss the amended complaint as against them on the grounds

that the court does not have personal jurisdiction over them, and that the amended complaint fails to state a cause of action.

In motion sequence number 006, defendant Fret Fabrics LLC (Fret Fabrics) moves, pursuant to CPLR 3211 (a) (7), to dismiss the amended complaint for failure to state a cause of action.

Plaintiff ROL cross-moves, pursuant to CPLR 602 (a), for an order: (1) consolidating this action with the Bitter Action; or alternatively, (2) directing that this action and the Bitter Action be jointly tried.

Factual Allegations

Scalamandre was a world-renowned manufacturer of traditional textiles, decorative textile trims, wall covering, and carpeting, with showrooms located throughout the United States and the world (Amended Complaint, ¶ 1). In 2009, Scalamandre was on the verge of going out of business when ROL agreed to engage in a “friendly” foreclosure of a loan that the factor Rosenthal & Rosenthal, Inc. had made to the company (*id.*, ¶ 29). The loan was secured by Scalamandre’s assets (*id.*). As a result of the foreclosure, the assets of Scalamandre and its intellectual property and associated goodwill became owned by ROL (*id.*). Accordingly, the “Scalamandre” name that had been used worldwide, and had been owned by Scalamandre, is now owned by ROL (*id.*, ¶ 32). In connection with the foreclosure, ROL entered into a Term Sheet, signed by defendants Mark Bitter, Robert Bitter, Ward Bitter, Adriana Bitter, and Scalamandre, which was “non-binding” (*id.*, ¶ 30). ROL alleges that Mark Bitter entered into a non-competition agreement with ROL, which, among other things, prohibited him from using the “Scalamandre” name or encouraging or facilitating others to use or trademark the name

“Scalamandre” (*id.*, ¶ 31). ROL alleges that it owns “Scalamandre” United States Trademarks 2121901 and 1611755, which trademarked the name “Scalamandre” with and without an accent over the “e,” and recently trademarked the “Scalamandre” name with the State of New York (Registration Number R31920) (*id.*, ¶¶ 32, 33).

ROL alleges that, at the time the foreclosure documents were entered into, the Scalamandre-Bitter family had a plan to bring the company and family name back to life for the family’s benefit (*id.*, ¶ 40). ROL claims that the Scalamandre-Bitter family decided to use Franco Scalamandre and his company, Siddhartha, as “shills” to trademark the “Scalamandre” name for use in connection with the marketing and sale of “Scalamandre” fabrics, textiles, and goods outside of the United States (*id.*, ¶ 42). For example, when ROL recently attempted to trademark the “Scalamandre” name in China, ROL was advised that Siddhartha, through its managing member, Franco Scalamandre, had filed a trademark application for the “Scalamandre” name on or about December 20, 2010, for various textile materials and fabrics (*id.*, ¶ 43). Franco Scalamandre, through Siddhartha, also obtained “Scalamandre” trademarks in the European Union, Canada, Australia, India, and Taiwan (*id.*). ROL alleges that the foreign trademarks required a representation of how the trademark was to be “used,” as well as the submission of exemplars of how the trademark had been and would continue to be used in commerce (*id.*, ¶ 44).

ROL alleges that it did not discover this scheme until it heard rumors and searched the internet to see if the Scalamandre-Bitter family was undermining its business (*id.*, ¶ 45). ROL confirmed that the Scalamandre-Bitter family, through Franco Scalamandre, was marketing the “Scalamandre” name outside the United States, and had wrongfully trademarked the “Scalamandre” name outside of the United States (*id.*, ¶ 46).

ROL alleges that the Scalamandre-Bitter family's objective is to confuse the public into believing that the products and services defendants are selling and marketing are products and services sold and marketed by ROL (*id.*, ¶ 47). According to ROL, Mark Bitter suggested that ROL contact Franco Scalamandre to discuss the sale and marketing of "Scalamandre" fabrics abroad (*id.*, ¶ 50). Franco Scalamandre allegedly contacted ROL and inquired whether ROL would partner with him in a worldwide endeavor (*id.*). ROL rejected this offer (*id.*). ROL alleges, upon information and belief, that Adriana Scalamandre Bitter, Mark Bitter, Robert Bitter, and Ward Bitter were and remain aware of Siddhartha's efforts to trademark the "Scalamandre" name abroad, in many of the same locations where ROL has Scalamandre showrooms and employs agents and independent sales representatives to sell and market "Scalamandre" fabric (*id.*, ¶ 51). ROL alleges that Mark Bitter violated his non-competition agreement by "assisting, permitting, facilitating and/or encouraging" Franco Scalamandre and Siddhartha in their efforts to secure "Scalamandre" trademarks outside the United States (*id.*, ¶ 52).

ROL claims that Mark Bitter, Robert Bitter, Fret Fabrics, Ward Bitter, and Silk Surplus, Inc. (Silk Surplus) have sold and marketed and/or attempted to sell and market ROL's fabrics, patterns, and designs to ROL's own clients, using ROL's confidential information (*id.*, ¶ 61). Specifically, ROL alleges that, in June 2011, Robert Bitter visited The Marketplace Design Center in Philadelphia in order to find a showroom to represent the line of fabrics that he sells individually and/or through his "association" with Fret Fabrics (*id.*, ¶ 64). Robert Bitter advised ROL's showroom manager that one of the fabrics from Robert Bitter's company line is "Scalamandre" pattern 30212-Powers Court (*id.*). ROL alleges that the weaving techniques, fabrics, and designs used to manufacture "Scalamandre" pattern 30212-Powers Court are owned

by ROL (*id.*). ROL alleges that Robert Bitter is working for or is associated with Fret Fabrics as an unpaid consultant, employee, representative and/or agent, and is selling and marketing and/or attempting to sell “Scalamandre” goods to customers on behalf of Fret Fabrics (*id.*, ¶ 65). ROL alleges that Fret Fabrics is aware that ROL acquired the assets of Scalamandre, and that Robert Bitter had neither the permission nor authority to sell or market goods utilizing the “Scalamandre” name (*id.*, ¶ 66).

ROL alleges that Robert Bitter and Fret Fabrics used ROL’s confidential information, and wrongfully marketed “Scalamandre” pattern 30212-Powers Court to at least two showrooms, the Harrington Group and the Baer Group (*id.*, ¶ 67). Robert Bitter also solicited a current client of ROL, Michael Simon, to buy the following “Scalamandre” patterns from them instead of from ROL: 20481-Tibetan Cloud; 20468-Vermicelli; 26866-Shanghai Fret; and 26867-Simon (*id.*, ¶ 68). Robert Bitter and Fret Fabrics represented to Michael Simon that they would recreate these “Scalamandre” proprietary patterns using their own mill and their own fabric sources (*id.*). ROL alleges that the “Simon” pattern was created by Scalamandre for Michael Simon, and is not in the public domain (*id.*, ¶ 69). In addition, the weaving techniques, fabrics, and designs used to manufacture those patterns are owned by ROL, and are not all available in the public domain (*id.*). According to ROL, Michael Simon was a customer of Scalamandre Silks since before the foreclosure, and his name is on the customer lists which are now owned by ROL as a result of the foreclosure (*id.*, ¶ 70). Michael Simon has not purchased goods and services from ROL since Robert Bitter and Fret Fabrics solicited him (*id.*, ¶ 71). ROL alleges that Mark Bitter has directly and indirectly “assisted, encouraged, facilitated and/or abetted” Robert Bitter and Fret Fabrics in this course of wrongful conduct in violation of the non-competition agreement (*id.*, ¶ 72).

According to ROL, Robert Bitter wrongfully removed materials from ROL's "Scalamandre" archives that he did not own and did not have permission to remove (*id.*, ¶ 77). ROL alleges that Mark Bitter is using the "Scalamandre" name and/or "assisting, encouraging, facilitating, and/or abetting" defendants for the purposes of filing trademarks abroad and selling fabrics and textiles (*id.*, ¶ 84). Mark Bitter has allegedly used and disclosed ROL's trade secrets, including ROL's customer lists, marketing strategies, patterns, designs, inventories, and other trade secret and confidential information (*id.*, ¶ 87). For instance, in July 2011, ROL's Washington, D.C. showroom manager received a phone call from Mark Bitter, who advised her that he received a letter from the White House stating that "Scalamandre" is banned from selling to the White House (*id.*, ¶ 89). ROL claims that Mark Bitter led the White House to believe that Mark Bitter was affiliated with ROL (*id.*). ROL further alleges that all of the acts undertaken by Mark Bitter, Robert Bitter, Ward Bitter, and Franco Scalamandre, were undertaken with Adriana Scalamandre Bitter's understanding (*id.*, ¶ 93).

The amended complaint alleges the following seven causes of action: (1) common-law unfair competition against all defendants; (2) common-law trademark infringement against all defendants; (3) trademark infringement and damage to business reputation pursuant to General Business Law (GBL) §§ 360-k and 360-l against all defendants; (4) use of name or address with intent to deceive pursuant to GBL § 133 against all defendants; (5) conversion against Robert Bitter; (6) breach of contract against Mark Bitter; and (7) prima facie tort against all defendants.

Discussion

On a motion to dismiss pursuant to CPLR 3211 (a) (7), the court must “accept the facts as alleged in the complaint as true, accord plaintiffs the benefit of every possible favorable inference, and determine only whether the facts as alleged fit within any cognizable legal theory” (*Leon v Martinez*, 84 NY2d 83, 87-88 [1994]). However, “bare legal conclusions, as well as factual claims either inherently incredible or flatly contradicted by documentary evidence, are not entitled to such consideration” (*Matter of Sud v Sud*, 211 AD2d 423, 424 [1st Dept 1995]).

Personal Jurisdiction Over the Siddhartha Defendants

The Siddhartha defendants have moved, pursuant to CPLR 3211 (a) (8), to dismiss the complaint for lack of personal jurisdiction over Siddhartha and Franco Scalamandre. CPLR 3211 (a) (8) permits a party to move to dismiss claims against a defendant on the ground that “the court has not jurisdiction of the person of the defendant.” As the party seeking to assert personal jurisdiction, the plaintiff bears the ultimate burden of proof on the issue (*see Stewart v Volkswagen of Am.*, 81 NY2d 203, 207 [1993]). To defeat a pre-answer motion to dismiss, the plaintiff must only demonstrate that facts “may exist” to exercise personal jurisdiction over the defendant (*Hessel v Goldman, Sachs & Co.*, 281 AD2d 247 [1st Dept], *lv dismissed and denied in part* 97 NY2d 625 [2001]; CPLR 3211 [d]). To the extent that a plaintiff seeks disclosure on the issue of personal jurisdiction, the plaintiff “must come forward with some tangible evidence which would constitute a ‘sufficient start’ in showing that jurisdiction could exist, thereby demonstrating that its assertion that a jurisdictional predicate exists is not frivolous” (*Mandel v Busch Entertainment Corp.*, 215 AD2d 455 [2d Dept 1995]). Once it is determined that a statutory basis for jurisdiction exists, the court must determine whether the exercise of

jurisdiction comports with due process (*Kreutter v McFadden Oil Corp.*, 71 NY2d 460, 466 [1988]).

The amended complaint alleges that each of the defendants “have committed tortious acts within New York State and, to the extent their tortious acts have been committed outside of New York State were intended to and have caused injury to Plaintiff within New York State and continue to cause injury to Plaintiff within New York State” and that defendants “also regularly do business or engage in a persistent course of conduct or derive revenue from services rendered in New York State and/or expect or should reasonably expect their acts to have consequences in New York State, and intend to derive and/or have derived and/or continue to derive substantial revenue from interstate or international commerce” (Amended Complaint, ¶ 14).

The Siddhartha defendants submit an affidavit from Franco Scalamandre, the managing member of Siddhartha, in which he states that Siddhartha is a limited liability company organized under the laws of California, which is headquartered in Calabasas, California, and has no offices or employees in New York or anywhere outside California (Scalamandre Aff., ¶ 2). Scalamandre states that Siddhartha owns no property, does not provide services, and does not pay taxes in New York (*id.*, ¶ 3). Scalamandre avers that he has not traveled to New York for any Siddhartha-related business purposes, including the filing of Scalamandre trademark applications (*id.*, ¶ 5). In opposition, ROL argues that jurisdiction is conferred over the Siddhartha defendants pursuant to CPLR 302 (a) (3) (ii).

CPLR 302 (a) (3) provides that:

“As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, . . . who in person or through an agent:

3. commits a tortious act without the state causing injury to person or property within the state, except as to a cause of action for defamation of character arising from the act, if he
 - (i) regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered, in the state, or
 - (ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce . . .”

Jurisdiction pursuant to CPLR 302 (a) (3) requires the following five elements: (1) the defendant committed a tortious act outside New York; (2) the cause of action arises from that act; (3) the act caused injury to a person or property within New York; (4) the defendant expected or should have reasonably expected the act to have consequences here; and (5) the defendant derived substantial revenue from interstate or international commerce (*see LaMarca v Pak-Mor Mfg. Co.*, 95 NY2d 210, 214 [2000]).

The Siddhartha defendants contend that ROL has not satisfied elements (3) and (5). As to element (3), an injury occurring in New York, ROL points out that the Siddhartha defendants filed trademark applications in foreign countries and that ROL holds its intellectual property rights in New York. However, “in the context of a commercial tort, where the damage is solely economic, the situs of [the] injury is where the original critical events associated with the action or dispute took place, not where any [resulting damage] occurred” (*CRT Invs., Ltd. v BDO Seidman, LLP*, 85 AD3d 470, 471-472 [1st Dept 2011]; *see also O'Brien v Hackensack Univ. Med. Ctr.*, 305 AD2d 199, 201-202 [1st Dept 2003]; *Mid-Atlantic Residential Invs. Ltd. Partnership v McGuire*, 166 AD2d 205, 206-207 [1st Dept 1990]). Here, the critical events took place outside of New York. ROL alleges that the Siddhartha defendants filed trademark

applications in China, the European Union, Canada, Australia, India, and Taiwan (Amended Complaint, ¶ 43). Thus, plaintiffs have not shown a basis for the exercise of long-arm jurisdiction or shown a “sufficient start” indicating that “facts may exist” for the exercise of jurisdiction. Accordingly, the Siddhartha defendants’ motion to dismiss for lack of personal jurisdiction is granted.

Trademark Infringement (Second and Third Causes of Action)

The second and third causes of action seek recovery for common-law trademark infringement and trademark infringement pursuant to GBL § 360-k, respectively (Amended Complaint, ¶¶ 108-116, 117-135).

To state a cause of action for statutory trademark infringement pursuant to GBL § 360-k¹ or under the common law, the plaintiff must allege that the defendant’s use of the trademark “is likely to cause confusion, mistake or to deceive” (General Business Law § 360-k [a]; *see also Allied Maintenance Corp. v Allied Mech. Trades*, 42 NY2d 538, 543 [1977] [former version of statute]; *Beverage Mktg. USA, Inc. v South Beach Beverage Co., Inc.*, 20 AD3d 439, 439-440 [2d Dept 2005]).

The Bitters and Fret Fabrics argue that the amended complaint fails to allege that they used ROL’s New York “Scalamandre” registered marks. Contrary to this assertion, the amended complaint alleges that ROL recently trademarked “Scalamandre” with the State of New York (Amended Complaint, ¶ 33). Further, ROL alleges that Robert Bitter is working as an unpaid

¹GBL § 360-k provides that “any person who shall . . . use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of a mark registered under this article in connection with the sale, distribution, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive as to the source or origin of such goods or services . . . shall be liable in a civil action by the registrant for any and all of the remedies provided in section three hundred sixty-l of this article . . .” (General Business Law § 360-k [a], [b]).

consultant, employee, representative or agent of Fret Fabrics, and is selling and marketing and/or attempting to sell “Scalamandre” goods to customers on behalf of Fret Fabrics (*id.*, ¶ 65). The amended complaint alleges that Mark Bitter assisted Franco Scalamandre and Siddhartha in securing “Scalamandre” trademark applications outside the United States (*id.*, ¶ 52). ROL also alleges that Mark Bitter has directly and indirectly “assisted, encouraged, facilitated and/or abetted” Robert Bitter and Fret Fabrics (*id.*, ¶ 72). Thus, the amended complaint sufficiently alleges use of the “Scalamandre” trademark (*see Zip Intl. Group, LLC v Trilini Imports, Inc.*, 2010 WL 648696, *4, 2010 US Dist LEXIS 15368, *11 [ED NY 2010] [denying motion to dismiss where plaintiff alleged consumer confusion about the source and characteristics of the goods in question]; *Perkins School for the Blind v Maxi-Aids, Inc.*, 274 F Supp 2d 319, 324 [EDNY 2003] [competitor’s unauthorized distribution of manufacturer’s “Perkins Brailers” with inferior warranty sufficiently alleged claim for trademark infringement]).

The Bitters and Fret Fabrics next assert that ROL cannot establish a likelihood of confusion. “The likelihood-of-confusion inquiry turns on whether numerous ordinary prudent purchasers are likely to be misled or confused as to the source of the product in question because of the entrance in the marketplace of defendant’s mark” (*Playtex Prods. v Georgia-Pacific Corp.*, 390 F3d 158, 161 [2d Cir 2004] [internal quotation marks and citations omitted]). New York courts analyze the likelihood of confusion in light of the following eight factors set forth in *Polaroid Corp. v Polarad Elecs. Corp.* (287 F2d 492, 495 [2d Cir], *cert denied* 368 US 820 [1961]):

“[(1)] the strength of [plaintiff’s mark], [(2)] the degree of similarity between the two marks, [(3)] the proximity of the products, [(4)] the likelihood that the prior owner will bridge the gap, [(5)] actual confusion, [(6)] and the reciprocal of defendant’s

good faith in adopting its own mark, [(7)] the quality of defendant's product; and [(8)] the sophistication of the buyers"

(*George V Restauration S.A. v Little Rest Twelve, Inc.*, 58 AD3d 428, 429 [1st Dept 2009] [internal quotation marks and citation omitted]; see also *Wyndham Co. v Wyndham Hotel Co.*, 176 Misc 2d 116, 118 [Sup Ct, NY County 1997], *affd* 261 AD2d 242 [1st Dept], *lv denied* 93 NY2d 812 [1999]). "No single factor is dispositive, nor is a court limited to consideration of only these factors" (*Brennan's, Inc. v Brennan's Rest., L.L.C.*, 360 F3d 125, 130 [2d Cir 2004]). When determining whether there is a likelihood of confusion, the best evidence is actual confusion, mistake or deception (4 McCarthy on Trademarks and Unfair Competition § 23:13 [4th ed]).

A determination as to the likelihood of confusion is a fact-specific inquiry inappropriate at this early stage of the action. For purposes of this motion, ROL has sufficiently alleged a likelihood of confusion. ROL alleges that defendants have, without authorization, sold and attempted to sell and market "Scalamandre" patterns (Amended Complaint, ¶¶ 64-67, 72, 76). ROL further alleges that Mark Bitter led the White House to believe that he was associated with ROL (*id.*, ¶ 89). "The public's belief that the mark's owner sponsored or otherwise approved the use of the trademark satisfies the confusion requirement" (*Dallas Cowboys Cheerleaders, Inc. v Pussycat Cinema, Ltd.*, 604 F2d 200, 205 [2d Cir 1979]). Therefore, the Bitters and Fret Fabrics are not entitled to dismissal of the second and third causes of action for common-law and statutory trademark infringement.

Permanent Injunction Pursuant to GBL §§ 360-1 and 133 (Third and Fourth Causes of Action)

The third and fourth causes of action seek a permanent injunction against all defendants pursuant to GBL §§ 360-1 and 133 enjoining them from using the “Scalamandre” trademarks in the fabrics and textiles industry, or in any manner likely to cause confusion, mistake, or to deceive as to defendants’ affiliation with ROL (Amended Complaint, ¶¶ 117-135, 136-146).

GBL §.133, entitled “Use of name or address with intent to deceive,” provides that:

“[n]o person, firm or corporation shall, with intent to deceive or mislead the public, assume, adopt or use as, or as part of, a corporate, assumed or trade name, for advertising purposes or for the purposes of trade, or for any other purpose, any name, designation or style, or any symbol or simulation thereof, or a part of any name, designation or style, or any symbol or simulation thereof, which may deceive or mislead the public as to the identity of such person, firm or corporation or as to the connection of such person, firm or corporation. . . . Whenever there shall be an actual or threatened violation of this section, an application may be made to a court or justice having jurisdiction to issue an injunction . . . without requiring proof that any person has in fact been deceived or misled thereby.”

A plaintiff is entitled to an injunction in equity pursuant to the statute where the plaintiff can show that the defendant’s use of the trade name is likely to cause confusion, mistake, or deception; actual confusion is not required (*see Frank’s Rest. v Lauramar Enters.*, 273 AD2d 349, 350 [2d Dept 2000]; *Fifteenth Ave. Food Corp. v Sibstar Bread Inc.*, 16 Misc 3d 1102 [A], *2, 2007 NY Slip Op 51225 [U], *3 [Sup Ct, Kings County 2007]).

The Bitters and Fret Fabrics move to dismiss this claim, arguing that ROL has failed to allege that they used the “Scalamandre” mark or that they intended to deceive the public. These arguments are without merit. As noted above, the amended complaint sufficiently alleges a use of the “Scalamandre” marks. And, whether defendants intended to deceive the public may not be resolved on a motion to dismiss.

GBL § 360-1 provides that:

“[l]ikelihood 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.”

The purpose of the statute is to prevent trademark or trade name dilution, i.e., “the whittling away of an established trade-mark’s selling power and value through its unauthorized use by others upon dissimilar products” (*Allied Maintenance Corp.*, 42 NY2d at 542 [internal quotation marks and citation omitted]). To succeed under GBL § 360-1, the plaintiff must show:

“(1) that it possess[es] a strong mark – one which has a distinctive quality or has acquired a 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, and (2) a likelihood of dilution by either blurring or tarnishment”

(*Matter of Fireman’s Assn. of State of N.Y. v French Am. School of N.Y.*, 41 AD3d 925, 928 [3d Dept 2007] [internal quotation marks and citations omitted]). A secondary meaning is established when the trade mark or name’s primary significance to the consuming public is not the descriptive information it imparts, but, rather, the mark’s association with the plaintiff’s product or services (see *Matter of Staten Is. Bd. of Realtors v Smith*, 298 AD2d 592, 594 [2d Dept 2002]; *Gasoline Heaven at Commack v Nesconset Gas Heaven*, 191 Misc 2d 646, 648 [Sup Ct, Suffolk County 2002]).

Fret Fabrics contends that ROL fails to allege that it misappropriated any ROL mark and that ROL cannot establish irreparable injury. The Bitters argue that ROL’s marks are not truly distinctive and have not acquired a secondary meaning because ROL operates “in the luxury

fabrics and textiles industry” (Amended Complaint, ¶ 3), a small niche market that does not compete in the general consumer market:

However, contrary to the Bitters’ contention, “[t]he existence of secondary meaning is an inherently factual inquiry” (*Yarmuth-Dion, Inc. v D’ion Furs, Inc.*, 835 F2d 990, 993 [2d Cir 1987]). Among the factors to be considered are the “(1) the senior user’s advertising expenditures, (2) consumer studies linking the name to the source, (3) sales success, (4) unsolicited media coverage of the product, (5) attempts to plagiarize the mark, and (6) length and exclusivity the mark’s use” (*id.*). ROL has alleged that Scalamandre has been selling textiles since the 1930s, has had a showroom for decades in Manhattan, and has been commissioned by multiple presidential administrations, luxury hotel properties, and cultural centers (Amended Complaint, ¶¶ 1, 26-27). Accordingly, ROL has sufficiently alleged that the “Scalamandre” trade name has acquired a secondary meaning. ROL has alleged that defendants used ROL’s trademarks in the “Scalamandre” name in connection with the sale, distribution, and advertising of goods and services, “raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff’s product” (*Deere & Co. v MTD Prods.*, 41 F3d 39, 43 [2d Cir 1994]). Thus, ROL’s causes of action for permanent injunctive relief are adequately pleaded against the Bitters and Fret Fabrics.

Unfair Competition (First Cause of Action)

The first cause of action alleges that defendants have unfairly competed with ROL by utilizing its fabrics, textiles, patterns, designs, customer lists and/or preferences and by selling, marketing and/or utilizing “Scalamandre” fabrics to undermine ROL’s business (Amended Complaint, ¶ 97).

“A cause of action based on unfair competition may be predicated upon trademark infringement or dilution in violation General Business Law §§ 360-k or 360-l, or upon the alleged bad faith misappropriation of . . . proprietary information or trade secrets” (*Out of Box Promotions, LLC v Koschitzki*, 55 AD3d 575, 578 [2d Dept 2008] [internal quotation marks and citation omitted]; see also *Eagle Comtronics v Pico Prods.*, 256 AD2d 1202, 1203 [4th Dept 1998], *lv denied* 688 NYS2d 372 [1999]). As indicated above, ROL has sufficiently alleged a cause of action for unfair competition based upon trademark infringement and dilution.

With respect to the misappropriation theory of unfair competition, the Bitters and Fret Fabrics argue that the amended complaint fails to allege that they misappropriated proprietary information or trade secrets. “[S]olicitation of an entity’s customers by a former employee . . . is not actionable unless the customer list could be considered a trade secret, or there was wrongful conduct by the employee . . . , such as physically taking or copying files or using confidential information” (*Island Sports Physical Therapy v Burns*, 84 AD3d 878 [2d Dept 2011] [internal quotation marks and citation omitted]; see also *Fada Intl. Corp. v Cheung*, 57 AD3d 406 [1st Dept 2008], *lv denied* 12 NY3d 706 [2009]). A trade secret has been defined as “any formula, pattern, device or compilation of information which is used in one’s business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it” (*Ashland Mgt. v Janien*, 82 NY2d 395, 407 [1993], quoting Restatement [Second] of Torts § 757, comment b). In considering whether information is a trade secret, the court must consider the following factors:

“(1) the extent to which the information is known outside of [the] business; (2) the extent to which it is known by employees and others involved in [the] business; (3) the extent of measures taken by [the business] to guard the secrecy of the

information; (4) the value of the information to [the business] and [its] competitors; (5) the amount of effort or money expended by [the business] in developing the information; (6) the ease or difficulty with which the information could be properly acquired or duplicated by others”

(*id.* [internal quotation marks and citation omitted]).

In *Leo Silfen, Inc. v Cream* (29 NY2d 387, 392-393 [1972]), the Court of Appeals explained that,

“where the customers are readily ascertainable outside the employer’s business as prospective users or consumers of the employer’s services or products, trade secret protection will not attach and courts will not enjoin the employee from soliciting his employer’s customers Conversely, where the customers are not known in the trade or are discoverable only by extraordinary efforts courts have not hesitated to protect customer lists and files as trade secrets. This is especially so where the customer’s patronage had been secured by years of effort and advertising effected by the expenditure of substantial time and money.”

(citations omitted).

Fret Fabrics argues that ROL fails to allege that Julie Kaminska, its sole owner and manager, physically took or copied ROL’s customer list, or that its customer list was confidential or of a genuinely secret nature. Specifically, Fret Fabrics maintains that ROL does not allege that its customers, including Michael Simon, were not known or could not be identified outside of ROL, or that it took any steps to protect the secrecy of its customer list. Fret Fabrics and the Bitters further argue that ROL fails to allege that the Tibetan Cloud, Vermicelli, Shanghai Fret, Simon, and Powers Court patterns are proprietary information or trade secrets.

ROL notes, in its opposition papers, that the artistic patterns created by Scalamandre, together with the specific weaving and manufacturing techniques utilized in creating the finished product, are trade secrets belonging to ROL. ROL argues that where detailed information about a customer is compiled through its considerable efforts, such as the preferences of Michael Simon

and the fabric pattern created for his benefit, such information is entitled to protection. Further, ROL points out that where defendants have physically taken and/or copied its proprietary information while in its employ, as Robert Bitter and Julie Kaminska had the opportunity to do, such conduct constitutes an “egregious breach of trust and confidence.”

Here, ROL has sufficiently alleged that defendants misappropriated and exploited its proprietary information and trade secrets, including its customer lists, patterns, and weaving techniques. The amended complaint alleges that Fret Fabrics and Robert Bitter sold or attempted to sell “Scalamandre” patterns to The Marketplace Design Center in Philadelphia, the Baer Group, and the Harrington Group (Amended Complaint, ¶¶ 64-72). ROL claims that Robert Bitter solicited Michael Simon, a current client of ROL, on behalf of Fret Fabrics (*id.*, ¶ 68). ROL alleges that, during Julie Kaminska’s employment at Scalamandre, she assisted in the creation and development of various “Scalamandre” patterns (Renzo Aff., ¶ 24). Kaminska was supervised by Robert Bitter, and Robert Bitter and Julie Kaminska were charged with deciding what patterns to trademark, copyright or otherwise protect (*id.*, ¶¶ 25-26).² The amended complaint further alleges that Mark Bitter has used ROL’s trade secrets and customer lists in order to do business with its clients (Amended Complaint, ¶ 87). While defendants correctly point out that a trade secret must first be secret, whether a trade secret is secret is generally a question of fact (*Ashland Mgt.*, 82 NY2d at 407). Although the Bitters argue that the amended complaint fails to allege that ROL lost any special damages, ROL has alleged that defendants diverted its customers and business, which recent cases have held to be sufficient to survive a

²The Bitters point out that ROL failed to execute a non-competition agreement with Robert Bitter. Nevertheless, when the goodwill of an established business is sold, there is an implied covenant restricting the seller from soliciting former customers (*Cliff v R.R.S. Inc.*, 207 AD2d 17, 19 [3d Dept 1994]).

motion to dismiss (*see Out of Box Promotions, LLC*, 55 AD3d at 578 [allegations that defendant appropriated plaintiff's customers and diverted business sufficient to support unfair competition claim]; *Barbagallo v Marcum LLP*, 2011 WL 5068086, *11, 2011 US Dist LEXIS 123530, *30 [EDNY 2011] [(s)imply alleging that defendant diverted plaintiff's customers and business is sufficient to show special damages]).³ Accordingly, the Bitters and Fret Fabrics are not entitled to dismissal of the unfair competition claim.

Conversion (Fifth Cause of Action)

The fifth cause of action alleges that Robert Bitter improperly removed property belonging to ROL's archives (Amended Complaint, ¶ 149).

A cause of action for conversion requires two elements: "(1) plaintiff's possessory right or interest in the property and (2) defendant's dominion over the property or interference with it, in derogation of plaintiff's rights" (*Dobroski v Bank of Am., N.A.*, 65 AD3d 882, 885 [1st Dept 2009], *lv dismissed* 14 NY3d 785 [2010], quoting *Colavito v New York Organ Donor Network, Inc.*, 8 NY3d 43, 50 [2006]).

The Bitters argue that the amended complaint fails to specify any identifiable property converted by Robert Bitter. However, the amended complaint alleges in detail that Robert Bitter:

"improperly removed property belonging to ROL from ROL's archives, including numerous 'Scalamandre' patterns; fabric for a chenille chair seat for Villa Louis; inventory lists for fabric memos, long lengths, wallpaper samples and rolls, and trimmings; inventory books for the Scalamandre Textile Museum collection; books with color printouts and descriptions relating to historic renovations; books with descriptions of Scalamandre product lines; picture books of the Scalamandre Textile

³The Bitters argue that the unfair competition claim fails to allege that Robert or Adriana Bitter had a confidential relation with ROL or agreement to refrain from competing against ROL. However, an unfair competition claim does not require a confidential relation; the misappropriation of trade secrets or proprietary information is sufficient to state the cause of action (*see Eagle Comtronics*, 256 AD2d at 1203).

Museum collection for damask, brocades, and other fabrics; slides for all Scalamandre collections; and finally, a letter from Jacqueline Kennedy thanking Franco Scalamandre for decorating the Kennedy White House, which was contained inside a picture frame”

(Amended Complaint, ¶ 149).

While the Bitters argue that ROL does not own the fabric for a chenille chair and a letter from Jacqueline Kennedy (*see* Gail Caskey Winkler Aff., ¶ 4; Bitter Action Complaint, Exh. E), the amended complaint sufficiently alleges that ROL has a possessory right to these items (Amended Complaint, ¶¶ 148, 150). Accordingly, the Bitters’ motion to dismiss the fifth cause of action is denied.

Breach of Contract (Sixth Cause of Action)

The sixth cause of action for breach of contract, asserted against Mark Bitter, alleges that he violated section 4 of his non-competition agreement, which provides that:

“Use of Name. [Mark] Bitter hereby agrees that he shall not at any time use, assist, permit, facilitate or encourage any person or entity to use the name ‘Scalamandre’, either alone or together with any other names, words or phrases, in any company name, as a tradename or as a trademark. [Mark] Bitter acknowledges that the registered trademark ‘Scalamandre’ is an asset solely of ROL, and that he has, and hereafter will assert, no right, title or interest therein. [Mark] Bitter agrees not to use the “Scalamandre” logo in any manner. [Mark] Bitter is free to describe who he is and what his heritage and work experience are, e.g., ‘grandson of Franco Scalamandre’ and ‘President of Scalamandre Silks, Inc. from XXXX to XXXX’, provided such use does not cause confusion in the market place as to ROL being the only person or entity having the right to do business under the registered trademark ‘Scalamandre’”

(Amended Complaint, ¶ 83).

The amended complaint also alleges that Mark Bitter violated section 5, the confidentiality provision of the non-competition agreement, which states:

“Confidential Information.

- (a) [Mark] Bitter hereby agrees that, from and after the date hereof, he shall not at any time directly or indirectly use or disclose Confidential Information (as defined herein) . . .
- (b) “Confidential Information” includes, but shall not be limited to: trade secrets; company, industry and product information, reports, publications; proposals; prospective or current customer lists; financial information; costs; pricing information; programs; plans; illustrations; product designs not yet seen by the public; data and data bases; information relating to manufacturing, purchasing, accounting, marketing, merchandising and selling; all concepts or ideas in or reasonably related to the Business or ROL’s products and services; and all other information that would reasonably be considered to be confidential. Such information may be embodied in hard copy, software, computer readable form, or otherwise. Confidential information does not include any information now in the public domain, and any information that enters into the public domain other than as a direct or indirect result of an action on the part of [Mark] Bitter or any of his relatives, or any affiliate of [Mark] Bitter or any of his relatives”

(*id.*, ¶ 86).

The Bitters argue that the non-competition agreement is unenforceable because it is overbroad and unlimited in duration, given that Mark Bitter is prevented from engaging in any business having to do with high-end fabric or furniture interior design, anywhere in the world for a two-year period. With respect to the use of name and confidential information provisions, the Bitters point out that these provisions are overly broad and unlimited in duration, thus rendering them unreasonable. The Bitters further argue that the amended complaint fails to allege any breach of the non-competition agreement or any damages.

ROL counters that it is not claiming that Mark Bitter breached the entire agreement. Rather, according to ROL, it is only claiming breaches of the use of name and confidential information provisions. ROL maintains that the unlimited scope of these provisions are

reasonable in light of Scalamandre/ROL's worldwide business and the fact that they do not impede Mark Bitter from earning a living or pursuing employment in the textiles industry. Further, ROL argues that it sufficiently alleges violations of the agreement and damages.

In the context of a "sale of business involving . . . the transfer of its good will as a going concern, the courts will enforce an incidental covenant by the seller not to compete with the buyer after the sale" (*Purchasing Assoc. v Weitz*, 13 NY2d 267, 271 [1963], *rearg denied* 14 NY2d 584 [1964]). "The sole limitations on the enforceability of such a restrictive covenant is that the restraint imposed be 'reasonable,' that is, not more extensive, in terms of time and space, than is reasonably necessary to the buyer for the protection of his legitimate interest in the enjoyment of the asset bought" (*id.* at 271-272). Whether a covenant is reasonable depends on the circumstances of each case (*Karpinski v Ingrasci*, 28 NY2d 45, 49 [1971]).

In assessing the reasonableness of the covenant, the courts focus on the particular facts and circumstances giving rise to the agreement, "the type of business involved, the circumstances underlying the sale, including whether the party subject to the restrictive covenant was represented by counsel" (*Pontone v York Group, Inc.*, 2008 WL 4539488, *4, 2008 US Dist LEXIS 80372, *11 [SD NY 2008]). "A covenant will not be declared invalid merely because it is unlimited in duration if the other restrictions on geographic area and scope are limited and reasonable" (*Town Line Repairs v Anderson*, 90 AD2d 517, 518 [2d Dept 1982]). In addition, if a particular restriction is found to be unreasonable, "it can be pared or severed and the covenant in its corrected form can be enforced" (*id.*).

Here, section 4 of the non-competition agreement prohibits Mark Bitter from "using, assisting, permitting, facilitating or encouraging" any person or entity to use the "Scalamandre"

name (Berman Aff., Exh. G). Section 5 provides that Mark Bitter agreed not to directly or indirectly use any “Confidential Information,” which includes, among other things, trade secrets and customer lists (*id.*). These provisions do not have any geographic or time limitations. However, any unenforceable provisions of the non-competition agreement are severable, and the non-competition agreement can be partially enforced to the extent of ROL’s “legitimate interest in the enjoyment of the asset bought” (*see Purchasing Assoc.*, 13 NY2d at 271-272). Moreover, the amended complaint sufficiently alleges that Mark Bitter violated these provisions by assisting his cousin Franco Scalamandre in securing “Scalamandre” trademarks abroad, and by communicating with the White House involving “Scalamandre,” leading the White House to believe that he is affiliated with Scalamandre and ROL (Amended Complaint, ¶¶ 41-42, 89). ROL has also sufficiently alleged that it has been damaged by this conduct (*see Harris v Seward Park Hous. Corp.*, 79 AD3d 425, 426 [1st Dept 2010]). Therefore, the Bitters’ motion to dismiss the sixth cause of action is denied.

Prima Facie Tort (Seventh Cause of Action)

The seventh cause of action, labeled prima facie tort, alleges that defendants’ conduct was undertaken to harm ROL’s financial interests and commercial advantage, and not for any lawful purpose (Amended Complaint, ¶¶ 165-166).

A cause of action for prima facie tort requires: “(1) the intentional infliction of harm, (2) resulting in special damages, (3) without excuse or justification, and (4) by an act or series of acts that would otherwise be lawful” (*DeMicco Bros., Inc. v Consolidated Edison Co. of N.Y., Inc.*, 8 AD3d 99, 100 [1st Dept 2004]). In particular, a plaintiff must allege “disinterested malevolence,” meaning that the defendant’s sole purpose was to harm the plaintiff (*Starishevsky*

v Parker, 225 AD2d 480 [1st Dept 1996]). Where the defendant is motivated by profit, self-interest, or business advantage, there is no recovery under prima facie tort (*Roberts v Pollack*, 92 AD2d 440, 447 [1st Dept 1983]). The complaint must also allege special damages, which must be pleaded with sufficient particularity (*Freihofer v Hearst Corp.*, 65 NY2d 135, 143 [1985]; *Vigoda v DCA Prods. Plus*, 293 AD2d 265, 266 [1st Dept 2002]). Here, the amended complaint fails to allege that defendants acted with disinterested malevolence, and fails to allege any special damages. Prima facie tort was not meant to “become a catch-all alternative for every cause of action which cannot stand on its legs” (*Lemberg v Blair Communications*, 251 AD2d 205, 206 [1st Dept 1998] [internal quotations and citation omitted]). Accordingly, the seventh cause of action is dismissed.

Leave to Replead

Although ROL requests leave to replead in its opposition papers, it has not provided any basis to support the cause of action for prima facie tort. Accordingly, the court denies ROL’s request to replead this cause of action.

Consolidation

ROL cross-moves to consolidate the Bitter Action with this action. CPLR 602 (a) provides that “[w]hen actions involving a common question of law or fact are pending before a court, the court, upon motion, may order a joint trial of any or all matters in issue, may order the actions consolidated, and may make such other orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.” Where common questions of law or fact exist, a motion pursuant to CPLR 602 (a) to consolidate or for a joint trial should be granted absent a showing of prejudice to a substantial right of the party opposing the motion (*see DeSilva v Plot*

Realty, LLC, 85 AD3d 422, 423 [1st Dept 2011]; *Geneva Temps, Inc. v New World Communities, Inc.*, 24 AD3d 332, 334 [1st Dept 2005]). “Consolidation is appropriate where it will avoid unnecessary duplication of trials, save unnecessary costs and expense and prevent the injustice which would result from divergent decisions based on the same facts” (*Chinatown Apts., Inc. v New York City Tr. Auth.*, 100 AD2d 824, 825 [1st Dept 1984]).

ROL argues that the this action and the Bitter Action should be consolidated because the court will be required to interpret the same foreclosure-related documents, to address the same assets, and to hear testimony from the same witnesses. Alternatively, ROL seeks an order directing that the two actions be jointly tried.

In opposition, the Bitters contend that this action and the Bitter Action do not share common questions of law or fact: whether defendants committed trademark infringement or unfairly competed with ROL has no bearing on ROL’s contractual obligations. The Bitters further argue that consolidation would prejudice their rights because a jury could potentially be confused by having the Bitters and ROL as both plaintiff and defendant, and because the consolidated action would prove to be unwieldy and costly.

Fret Fabrics argues, in opposition, that the two actions do not involve common questions of law or fact, and that consolidation will unduly prejudice its rights because it will be required to participate in costly discovery concerning matters only relating to the Bitter Action.

Here, ROL has shown that this action and the Bitter Action share some important common questions of law and fact (*see DeSilva*, 85 AD3d at 423). Indeed, it will be necessary to determine what assets became ROL’s property as a result of the foreclosure, and whether Robert Bitter converted ROL’s property from its archives in both actions (Amended Complaint, ¶ 79;

Bitter Action Complaint, ¶¶ 62-64, Exh. L). As such, there may be times when consolidated discovery makes sense, and other times when it does not. This can be addressed by counsel as discovery proceeds without consolidating the two cases in one action. On the other hand, a good case can be made to try both cases before the same jury so that the common questions can be addressed only once. The court's inclination at this early stage would be to have one trial follow the other before the same jury with the common questions addressed by the jury in the first trial and determined on a special verdict sheet. However, this, too, can await further consideration in consultation among counsel and the court as the issues are flushed out in discovery.

Conclusion and Order

Based upon the foregoing, it is

ORDERED that the motion (sequence number 004) of defendants Adriana Bitter, Mark Bitter, and Robert Bitter to dismiss the amended complaint is granted to the extent of dismissing the seventh cause of action (prima facie tort) as against them, and is otherwise denied; and it is further

ORDERED that the motion (sequence number 005) of defendants Franco Scalamandre and Siddhartha Holdings, LLC to dismiss the amended complaint is granted and the amended complaint is severed and dismissed as against said defendants, and the Clerk of the Court is directed to enter judgment in favor of said defendants with costs and disbursements as taxed by the Clerk upon the submission of an appropriate bill of costs; and it is further

ORDERED that the motion (sequence number 006) of defendant Fret Fabrics LLC (Fret Fabrics) to dismiss the amended complaint is granted to the extent of dismissing the seventh cause of action (prima facie tort) as against it, and is otherwise denied; and it is further

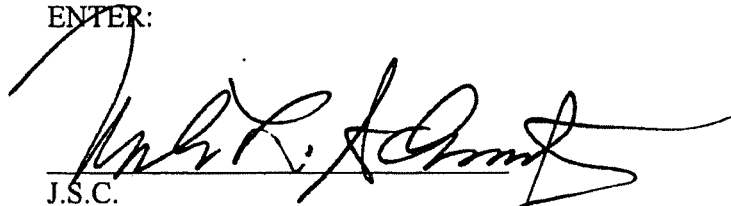
ORDERED that the cross-motion by plaintiff Ronkonkoma Operations LLC is granted only to the extent of directing a consolidated discovery in this action and the action captioned *Bitter v Renzo*, Index No. 652003/11 (Sup Ct, NY County) where counsel deems this appropriate and cost-efficient. The court reserves decision on whether there should be two trials before the same jury; and it is further

ORDERED that the remainder of the action shall continue; and it is further

ORDERED that the remaining defendants shall answer the amended complaint within 30 days of service of a copy of this order with notice of entry.

Dated: April 12, 2012

ENTER:



J.S.C.

MELVIN L. SCHWEITZER
J.S.C.

SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT

PART 45

Index Number : 652006/2011
RONKONKOMA OPERATIONS LLC

vs
BITTER, MARK
Sequence Number : 004
DISMISS ACTION

INDEX NO.
MOTION DATE
MOTION SEQ. NO.

The following papers, numbered 1 to , were read on this motion to/for

Notice of Motion/Order to Show Cause — Affidavits — Exhibits No(s).
Answering Affidavits — Exhibits No(s).
Replying Affidavits No(s).

Upon the foregoing papers, it is ordered that this motion is

by defendants Adrianna Bitter, Mark Bitter and Robert Bitter to dismiss the complaint is GRANTED to the extent of dismissing the SEVENTH cause of action, and otherwise DENIED per the attached Decision and order

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE FOR THE FOLLOWING REASON(S):

Dated: April 12, 2012

Handwritten signature of Mark R. Adams, J.S.C.

- 1. CHECK ONE: CASE DISPOSED NON-FINAL DISPOSITION
2. CHECK AS APPROPRIATE: MOTION IS: GRANTED DENIED GRANTED IN PART OTHER
3. CHECK IF APPROPRIATE: SETTLE ORDER SUBMIT ORDER
DO NOT POST FIDUCIARY APPOINTMENT REFERENCE