

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

PRESENT: EMILY JANE GOODMAN

PART 17

Index Number : 601150/2007
WONG, TOBIAS
 vs.
RAY KOH
 SEQUENCE NUMBER : 002
 DEFAULT JUDGMENT

INDEX NO. _____
 MOTION DATE _____
 MOTION SEQ. NO. _____
 MOTION CAL. NO. _____

this motion to/for _____

PAPERS NUMBERED

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...

Answering Affidavits — Exhibits _____

Replying Affidavits _____

Cross-Motion: Yes No

Upon the foregoing papers, it is ordered that this motion *is denied per attached*

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

FILED
 OCT. 28 2009
 COUNTY CLERK'S OFFICE
 NEW YORK

Dated: 10/14/09

[Signature]
 EMILY JANE GOODMAN

Check one: FINAL DISPOSITION NON-FINAL DISPOSITION

Check if appropriate: DO NOT POST REFERENCE

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: IAS PART 17

-----x
TOBIAS WONG, ANDREW COATES, CARLOS SALGADO

Plaintiffs,

Index No. 601150/07

-against-

RAY KOH, CONDUIT GROUP LLC, and JOHN DOES
1-5

Defendants.

-----x
Emily Jane Goodman, J.S.C.:

Plaintiffs move, for a second time, for a default judgment in an action involving 25 causes of action, and submit a Memorandum of Law, as directed by the Court in its Decision and Order, dated July 27, 2007, which denied Plaintiffs' previous motion for a default judgment, with leave to renew.

As noted in that Decision, this action involves three ~~Plaintiffs, who are designers, who allege that Defendants have~~ failed to honor written and/or oral agreements entitling Plaintiffs to royalties for products Plaintiffs have designed for Defendants. Plaintiffs' causes of action are for breaches of written and oral contracts, failure of consideration, estoppel, unjust enrichment, dilution of name, unfair competition, deceptive practices, false advertising, tortious interference with contract, loss of prospective economic advantage, conversion, breach of fiduciary duty, and violation of the right of attribution. In their

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complaint, Plaintiffs seek both rescission of the contracts and simultaneously, damages. The complaint also seek orders (1) directing Defendants to return to Plaintiffs all proofs, prototypes and technical specifications, (2) directing Defendants to take all steps to remove Plaintiffs' names from Defendants' website and marketing material, and (3) directing Defendants to take all steps to nullify all contracts entered into by Defendants in relation to Plaintiffs' designs (despite the fact that this Court would have no jurisdiction over parties to such contracts, other than Defendants, and despite the fact that no basis is cited for the authority to grant such relief). Plaintiffs also seek an order directing "certified destruction" of unauthorized reproductions of Plaintiffs' designs and imposition of a constructive trust upon any proceeds from unauthorized sales of proofs, as well as attorneys fees.

Plaintiffs now move for a default judgment, submitting a Memorandum of Law on their causes of action for breach of contract for failure to pay royalties, fraud, violation of GBL §349(a), attorneys fees under GBL §349(h), and punitive damages. Plaintiffs also explain that they seek relief against both the individual and Conduit Group LLC (the LLC)¹ for the same actions/inactions,

¹The Product Design Agreement, annexed to the motion, refers to The Conduit Group, LLC. as opposed to Conduit Group LLC. The judgment on liability is granted against both The Conduit Group,

because the oral license agreements were made with Defendant Koh and because Defendant Koh was the alter ego of the LLC (which Plaintiffs allege is a New Jersey LLC, not authorized to business in New York).²

The motion for a default judgment is granted as to liability against Defendant Koh and Defendant LLC on the breach of contract causes of action (the First, Second, Third and Fourth Causes of Action)¹, and the violation of the right of attribution cause of action as to Plaintiff Salgado (the Twenty Fifth Cause of Action). Although the Memorandum of Law does not address the cause of action for violation of the right of attribution, a default judgment is granted on liability on this cause of action based on Salgado's claim that Defendants' placed the LLC's identifying information on the Six Pack pieces, instead of Salgado's name. Plaintiff Salgado ~~sufficiently states a claim for reverse passing off under 15 USC~~ §1125 (see Samoto Designs LLC v Singh, 1999 US Dist LEXIS 3959 [SDNY 1999] [a claim for reverse passing off requires that plaintiff demonstrate (1) that the work at issue originated with

LLC. and Conduit Group LLC.

²The Court cannot locate the LLC on the Department of State website.

³Partial damages are granted in favor of Plaintiff Coates in the amount of \$2,500, representing the amount of a check that Defendant Koh stated that he had mailed Plaintiff Coates, but then stated he had lied about doing so.

plaintiff, (2) the origin of the work was falsely designated by defendant, (3) the false designation was likely to cause consumer confusion, and (4) plaintiff was harmed by the false designation of origin]).

The motion is denied as to fraud cause of action, which was not plead and which duplicates the breach of contract claims, is denied as to GBL §349(a) based on lack of standing, is denied as to attorney's fees under GBL §349 (h), for failure to demonstrate a violation of GBL §349, and is denied as to punitive damages.

Plaintiffs' fraud claim duplicates, and is not collateral to, the breach of contract claims (see Raytheon Co. v AES Red Oak, LLC, 37 AD3d 364 [1st Dept 2007]). This unplead cause of action is based upon the same allegations as the breach of contract claims (Fallon v McKeon, 230 AD2d 629, 629-630 [1st Dept 1996] ["the mere ~~allegation that defendant . . . did not intend to honor his~~ contractual obligations does not convert what was essentially a breach of contract action into an action for fraud"]).

Plaintiffs' GBL § 349 causes of action fail because Plaintiffs have not demonstrated that they, as consumers, have been subject to any deceptive or misleading act which has injured them. To have a viable claim under GBL § 349, a plaintiff must allege that the defendant engaged in an act or practice that is deceptive or misleading in a material way to a consumer, who has been injured by

reason thereof (Small v Lorillard Tobacco Co., 94 NY2d 43, 55 [1999]; Solomon v Bell Atlantic Corp., 9 AD3d 49, 52 [1st Dept 2004]). Although Plaintiffs maintain that the public has been harmed because Defendants have misled customers by selling unauthorized reproductions of Plaintiff Wong's matchbook sculpture, labeling the product "by Tobias Wong for Conduit" and by selling unauthorized reproductions of Plaintiff Salgado's Six Pack design, Plaintiffs are neither consumers nor competitors, and have not demonstrated that they have standing to assert a private right of action under GBL §349 (h), where Plaintiffs' injury results from a private dispute with Defendants (see City of New York v Smoke-Spirits.com, Inc., 541 F3d 425, 456-57 [2d Cir 2008]).

With respect to punitive damages, based on breach of contract, plaintiffs have only alleged a private wrong, not an injury of a ~~public right and therefore, punitive damages are not warranted.~~ In breach of contract cases, the purpose of punitive damages is not to remedy private wrongs, but to vindicate public rights, where the breach of contract is also actionable as a tort "evinced a 'high degree of moral turpitude' and demonstrates 'such wanton dishonesty as to imply a criminal indifference to civil obligations.'" Rocanova v Equitable Life Assur. Socy. of the U.S., 83 NY2d 603, 613 (1994). With respect to tort claims, punitive damages are awarded "[w]here the defendant's wrongdoing has been intentional

and deliberate, and has the character of outrage frequently associated with crime." Prozeralik v Capital Cities Communications, Inc., 82 NY2d 466, 479 (1993) (internal citations omitted). No such conduct satisfying this standard is alleged here.

The issues of damages is referred to a Special Referee to hear and report with respect to the breach of contract and violation of the right of attribution causes of action. The Referee may draw all negative inferences against Defendants, who by defaulting in this action, have made it very difficult for Plaintiffs to calculate the amount of their damages for failure to pay royalties for items they created and observed being sold at various stores and museum shops, without compensation to them, and by failing to account to Plaintiffs as to the number of items sold and when those items were sold.

~~Accordingly, it is~~

ORDERED that Plaintiffs' motion for a default judgment is granted as to liability against Defendant Koh and Defendant Conduit Group LLC and The Conduit Group LLC on the breach of contract causes of action (the First, Second, Third and Fourth Causes of Action) and the violation of the right attribution cause of action (the Twenty Fifth Cause of Action) and is otherwise denied, as stated herein; and it is further

ORDERED that the issue of damages for the breach of contract

causes of action for failure to pay royalties and the violation of the right of attribution cause of action is referred to a Special Referee to hear and report; and it is further

ORDERED that the Special Referee may draw all negative inferences against Defendants, who by defaulting in this action have made it very difficult for Plaintiffs to calculate the amount of their damages for failure to pay royalties for items they created and observed being sold at various stores and museum shops, without compensation to them, by failing to account to Plaintiffs as to the number of items sold and when those items were sold; and it is further

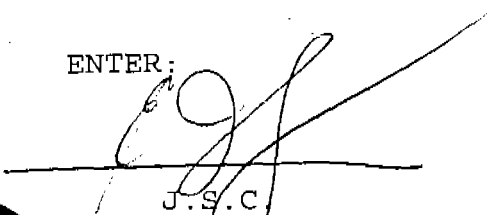
ORDERED that should Plaintiffs wish to pursue any other causes of action, Plaintiffs should move for a default judgment with or before a motion to confirm/reject the report of the Special Referee, along with a memorandum of law; and it is further

ORDERED that Plaintiffs serve a copy of this Decision and Order on Defendants at least seven days prior to the Reference.

This Constitutes the Decision and Order of the Court.

DATED: October 14, 2009

ENTER:


J.S.C.
EMILY JANE GOODMAN

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