

S.A.S.C.O. Trading, Inc. v Pamnani

2016 NY Slip Op 32243(U)

November 1, 2016

Supreme Court, New York County

Docket Number: 655441/2016

Judge: O. Peter Sherwood

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**SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: COMMERCIAL DIVISION PART 49**

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**S.A.S.C.O. TRADING, INC. AND LA STRADA
FASHIONS NY, LLC,**

Plaintiffs,

DECISION AND ORDER

-against-

**Index No.: 655441/2016
Motion Sequence No.: 001**

**JHONY KISHINCHARD PAMNANI,
GEORGE REYES, CHRISTOPHER WERN,
ALLEN STEINBERG, ELLIOT RUSSELL
BERGEN, THE BIG K GROUP, INC., MAIN
STREET FASHION, INC., RESOLUTION
CLOTHING, LLC, AND RAJESH BHAMBRI,
NEW YORK ANGELS, INC.,**

Defendants.

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O. PETER SHERWOOD. J.:

In Motion Sequence 001, plaintiffs request a temporary restraining order enjoining defendants, a number of former employees and the companies to which they migrated, from using plaintiffs' confidential information to divert plaintiffs' suppliers (clothing, manufacturers) and customers (retailers). Plaintiffs also seek to enjoin defendants from destroying any relevant records and from competing in the same tract of industry (boys and mens leisure clothing) for six months.

I. BACKGROUND

Plaintiffs S.A.S.C.O. Trading, Inc. ("SASCO") and La Strada Fashions NY, LLC ("La Strada") are both New York companies involved in the design, manufacture, and distribution of men's and boys' leisure clothing. Defendants Jhony Kishinchand Pamnani, George Reyes, Christopher Wern, Allen Steinberg, and Elliot Russell Bergen are all former employees of plaintiffs (collectively, the "Former Employee Defendants") who now work for defendant Main Street Fashion, Inc. ("Main St.") and provide services to defendant Resolution Clothing, LLC ("Resolution"). Defendant Rajesh Bhambri owns both Main St. and Resolution. Bergen is also the principal and sole owner of defendant Big K Group, Inc. ("Big K").

Plaintiffs allege that defendants misappropriated plaintiffs' confidential information, diverted corporate opportunities, and in some instances, presented themselves to third parties as employees

of plaintiffs. According to plaintiffs, a number of the Former Employee Defendants conspired with the remaining defendants to form Resolution and to (i) steal plaintiffs' designs, confidential pricing, manufacturing and buyer information, (ii) leverage plaintiffs' relationships with manufacturers for the purposes of creating and/or obtaining identical or nearly identical merchandise, (iii) sell "knock-off" versions of plaintiffs' trademarked clothing to plaintiffs' customers, and (iv) destroy plaintiffs' documents in an attempt to hide their plans and to disrupt plaintiffs' business.

Plaintiffs claim that they learned of defendants plans through emails that certain Former Employee Defendants meant to send or receive through their e-mail accounts at Resolution, but were inadvertently sent through e-mail accounts maintained by plaintiffs. These emails include:

- Reyes attempted to provide images of plaintiffs' trademarked merchandise to Bergen and Wern. Shortly after, Reyes sent another email that read "[d]amm [sic], it went through my old email" (aff of Samuel Attias ¶ 70; exhibit F).
- Certain Former Employee Defendants circulated images of plaintiffs' trademarked "Straight Faded" long-sleeve hooded knit tops and inserted a "Resolution Clothing" logo across the page (*id.* ¶ 90-92; exhibits C, D).

Plaintiffs claim to have received a communication from Pamnani to one of plaintiffs' suppliers in which Pamnani stated that he worked "for [a] company called Resolution clothing" and that he "had your name from Sasco trading" (complaint ¶ 60; aff of Samuel Attias, exhibit I). Plaintiffs also allege that while still employed by plaintiffs, Pamnani downloaded and sent La Strada's full client account list to his own personal e-mail account (complaint ¶ 43; aff of Samuel Attias, exhibit B). Additionally, plaintiffs state that Wern repeatedly downloaded and sent copies of computer-aided design ("CAD") drawings of plaintiffs' trademarked merchandise to his own personal e-mail account, which he then later circulated amongst the Former Employee Defendants (complaint ¶ 45; aff of Samuel Attias, exhibits C, D). Plaintiffs claim that Reyes destroyed the majority of two years' worth of e-mails and used several cloud-based services, such as Drop Box and OneDrive, to store files created for La Strada (complaint ¶ 59).

Plaintiffs also allege that while employed by plaintiffs, Wern generated orders on behalf of plaintiff which he never submitted to plaintiff (*id.* ¶ 48). Plaintiffs also allege that, when a customer asked Wern about placing an order with plaintiffs, Wern suggested that the quality of plaintiffs' products had diminished and advised that the customer not to place an order with plaintiffs.

Plaintiffs believe Wern later solicited this customer on behalf of defendants (*id.* ¶ 49). Plaintiffs also allege that Wern misappropriated purchase orders from two significant buyers in Puerto Rico, which are now being fulfilled by defendants (*id.* ¶ 75). Steinberg allegedly attempted to secretly delete an important customer's e-mail request for plaintiffs to provide product samples at a review meeting (*id.* ¶ 65). According to plaintiffs, Steinberg delayed an order from Winners chain store of Canada until he left plaintiffs' employment in order to sell that customer a "knock-off version" of plaintiffs' product (*id.* ¶ 72). Plaintiffs state that they have made numerous attempts to contact this "previously loyal" customer but have not heard back (*id.* ¶ 73). Plaintiffs also believe that Bhambri and Pamnani have travelled across Asia for the purposes of soliciting plaintiffs' key factories and manufacturers (*id.* ¶ 74).

Defendants emphatically deny plaintiffs assertions. None of the defendants is a party to any confidentiality, noncompete or employment agreement. Defendants add that as a matter of law, clothing designs cannot be protected from copying (*see Jovani Fashion, Inc. v Cinderella Devine, Inc.*, 808 F Supp2d 542, 547 [SDNY 2011] *aff'd* 500 F. App'x 42, 44 [2d Cir 2012]). And while a trademark may protect a brand, label, or logo associated with a product, the pattern or design of a garment is not protected (*see Bonito Boats v Thunder Craft Boats*, 489 US 141, 157 [1989]). The claim that defendants improperly downloaded plaintiff's account lists, computer aided designs and emails are either false, was needed to perform design work because plaintiff's computer systems were inadequate or otherwise were not protected (*see Pamnani Aff'd; Reyes Aff'd Wern Aff'd; and Steinberg Aff'd*).

On October 14, 2016, plaintiffs were granted a temporary restraining order brought on by Order to Show Cause enjoining defendants from, *inter alia*, diverting plaintiffs' business, using plaintiffs' confidential information, and destroying records relating to the Order to Show Cause. At the hearing for a preliminary injunction, the court continued the Order to Show Cause pending review of defendants' opposition papers submitted to the court at the hearing. Upon such review and after hearing the arguments of counsel, the temporary injunction must be modified.

II. Arguments

Plaintiffs argue they are likely to succeed on the merits of their misappropriation claims because the information defendants took from plaintiffs falls comfortably under the definition of a

“trade secret” under New York law. Plaintiffs cite to *Leo Silfen, Inc v Cream* (29 NY2d 387 [1972]) and *North Atlantic Instruments, Inc. v Haber* (188 F.3d 38,46 [2d Cir 1999]) for the proposition that both customer lists and client contact information may be entitled to protection where the information cannot be duplicated without great difficulty. Plaintiffs argue that the account information for buyers and suppliers, technical design specifications, and customer pricing, order and purchase history all merit protection under this standard, due to the extensive effort it took to gather the information and the fact that only employees and consultants had access to it. Plaintiffs also argue in the alternative that even if this information is not entitled to trade secret protection, defendants may still be enjoined from soliciting plaintiffs’ customers and manufacturers on the ground that there has been a “physical taking.” “If there has been a physical taking or studied copying, the court may in a proper case enjoin solicitation, not necessarily as a violation of a trade secret, but as an egregious breach of trust and confidence while in plaintiff’s employ” *Leo Silfen, Inc.*, 29 NY2d at 391-92.

Defendants respond with affidavits of the individual defendants disputing the facts asserted by plaintiffs, disputing whether the information at issue is confidential and contesting that the items of clothing at issue are entitled to neither trademark nor copyright protection and arguing that, in any event, defendants have not taken any steps to guard what they claim to be confidential trade secrets.

III. DISCUSSION

To receive injunctive relief, the moving party must “establish a likelihood of success on the merits, irreparable injury absent the grant of injunctive relief, and that the balance of the equities tips in their favor” (*Metro. Steel Indus., Inc. v Perini Corp.*, 50 AD3d 321, 322 [1st Dept 2008]). Because plaintiffs have not established a likelihood of success on the merits, the court need not consider the remaining two branches of the standard.

The factors to be considered in evaluating a trade secret claim include 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 extended by the business in developing the information; 6) the ease or difficulty with which the information could be properly acquired or duplicated by others, *Ashland*

Management Inc. v Janien, 82 NY2d 395, 604 NYS2d 912, 624 NE2d 1007 (1993), quoting Restatement of Torts 757, comment b; *Wiener v Lazard Freres & Co.*, 241 Ad2d 114, 672 NYS2d 8 (1st Dept. 1998). Few if any of these tests have been met.

The information which plaintiffs claim is proprietary trade secrets is not. That information falls into of three main categories - - overseas manufacturers who make clothing for plaintiffs, discount retail stores that buy the clothing for sale to consumers and designs of the discount clothing that plaintiffs sell - - are matters of public record, in the public domain, has not been protected by plaintiffs or is information defendants collected before becoming employed by plaintiffs. For example, the identity and location of plaintiffs' overseas suppliers can be found on a database to which anyone can subscribe for a small fee (*see Markawski Aff'm*, ¶4). Retailers often publish manufacturer names, factory locations and other supplier information (*see id*, ¶6). The Defendants who are involved with sales had relationships with manufacturers that pre-dated their employment with plaintiffs (*see Wern Aff'd*, ¶9; *Steinberg Aff'd*, ¶8; *Bergen Aff'd*, ¶5). Detailed information, including buyer contract information and type of merchandise, offered for sale by clothing retailers is available on several websites (*see Markawski Aff'm*, Ex. K). Further clothing size specifications are posted online and clothing design software is available for purchase (*see id*, ¶¶ H and L). Plaintiffs' designs were created to be marketed. They are not secret. Their suppliers and buyers are well known in the industry and to the Former Employee Defendants, most of whom have been in the industry for many years. Trade secret protection does not attach to customer lists where such customers are readily ascertainable from sources outside plaintiffs' businesses unless the former employees stole the customer list (*see Amana Exp. Intern., Inc. v Pier-Air Intern., Ltd.*, 211 AD2d 606 [2d Dept 1995]). Further, in order to prevail on a claim for misappropriation of trade secrets, plaintiffs must show that they employed precautionary measures to preserve its secrets (*see Precision Concepts, Inc. v Bonsanti*, 172 AD2d 737 [2d Dept 1991]). These requirements have not been met.

Assuming that defendants copied designs created by plaintiffs, such designs appear not to be protected unless the copying extends to a trademarked brand, label or logo associated with the garment (*see Bonito Boats*, 489 U.S. at 157). Plaintiffs have not shown that their logo, "Straight Faded", is trademark protected and that the trademarked product was used by defendants to market its products to customers.

Plaintiffs have not carried their burden showing a likelihood of success on the merits as overseas clothing manufacturing sources, client contracts, the identity of buyers for retail outlets, garment specification and clothing design software are all readily accessible of the internet. This information appears to be widely available in the industry. Similarly payment terms and discounts appear to be standard. It also appears that clothing design and size specifications “are useful articles for purposes of the Copyright Act and thus are not typically copyrightable” *Jovani Fashion, Inc.*, 808 F Supp 2d at 547. Moreover, the copying and sale of “knock-off-products” as opposed to copying of a trademarked brand or logo gets no protection (*see, e.g. Bonito Boats* [“[T]he plaintiff has the right not to lose his customers through false representations that those are his wares which in fact are not, but he may not monopolize any design or patter, however trifling. The defendant, on the other hand may copy plaintiff’s goods slavishly down to the minutes detail; but he may not represent himself as the plaintiff in their sale.”])).

Although plaintiffs have not demonstrated entitlement to a preliminary injunction, in an exercise of its supervisory responsibilities over the record in this case, the court will enter a limited injunction to protect plaintiffs’ brand such as it is and to preserve evidence.

It is hereby

ORDERED that the Temporary Restraining Order dated October 17, 2016 and continued on October 19, 2016 is herewith VACATED and SUBSTITUTES THEREFOR;

ORDERED that defendants are preliminarily enjoined from (I) manufacturing, licensing, using in any way, transferring, displaying or offering for sale, any of plaintiffs’ trademarked logos or branded products, including but not limited to “Straight Faded” and (ii) destroying, disposing of, amending, or otherwise altering and any records, whether physical or electronic relating to the issues involved in this case.

This constitutes the decision and order of the court.

DATED: November 1, 2016

ENTER,


O. PETER SHERWOOD
J.S.C.