

Kim v Francis

2019 NY Slip Op 31554(U)

May 30, 2019

Supreme Court, New York County

Docket Number: 650481/2018

Judge: Andrea Masley

Cases posted with a "30000" identifier, i.e., 2013 NY Slip Op 30001(U), are republished from various New York State and local government sources, including the New York State Unified Court System's eCourts Service.

This opinion is uncorrected and not selected for official publication.

SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: HON. ANDREA MASLEY PART IAS MOTION 48EFM

Justice

-----X

INDEX NO. 650481/2018

PAUL KIM,

MOTION DATE

Plaintiff,

MOTION SEQ. NO. 001 002 003

- v -

JONATHON FRANCIS, DAVID ARABOV, GERARD ADAMS, ELITE DAILY, ELITE DAILY.COM, BDG MEDIA, INC., DMG MEDIA, LLC, BUSTLE DIGITAL GROUP,

DECISION AND ORDER

Defendant.

-----X

Masley, J.

The following e-filed documents, listed by NYSCEF document number (Motion 001) 7, 8, 9, 10, 11, 12, 28, 31, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 64, 67, 70, 77

were read on this motion to/for DISMISS

The following e-filed documents, listed by NYSCEF document number (Motion 002) 13, 14, 15, 16, 17, 18, 19, 29, 32, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 65, 68, 71, 72

were read on this motion to/for DISMISSAL

The following e-filed documents, listed by NYSCEF document number (Motion 003) 20, 21, 22, 23, 24, 25, 26, 27, 30, 33, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 66, 69, 73, 74, 75

were read on this motion to/for DISMISSAL

In motion sequence number 001, defendant BDG Media Inc., d/b/a Bustle Digital Group (BDG) moves pursuant to CPLR 3211 (a) (5) and (7) to dismiss the complaint in its entirety, and pursuant to 22 NYCRR 130-1.1 for sanctions against plaintiff Paul Kim. In motion sequence numbers 002 and 003, respectively, defendant David Arabov and defendant Jonathon Francis a/k/a Jonathon Francis San Pedro, a/k/a Jonathon F. San Pedro (San Pedro) move (1) pursuant to CPLR 3211 (a) (7) to dismiss the entire complaint under the doctrine of laches, or in the alternative, dismiss the second, third,

fourth, fifth, sixth, seventh, eighth, ninth, tenth, eleventh, twelfth, thirteenth, and fourteenth causes of action for failure to state a claim, and (2) pursuant to CPLR 3211 (a) (5) for dismissal on statute of limitations grounds. These motions are consolidated for disposition.

Background

The following facts are alleged in the complaint unless noted otherwise and for the purposes of these motions, accepted as true. In 2011, Kim met Arabov, San Pedro, and defendant Gerard Adams.¹ (NYSCEF Doc. No. [Doc] 1² at ¶ 17.) These defendants subsequently interviewed Kim with respect to building a website, conceived as “Elite Wall Street,”³ which would provide stock tips presented by naked women. (*Id.* at ¶¶ 19, 20.) On July 7, 2011, and through a chain of emails, Kim entered an agreement with “Elite Daily and the Defendants” by which Kim agreed to accept fifteen per cent of “Elite Daily” in exchange for providing an operating website and managing all social media activities, graphic design, custom coding, production of business plans, photography, video editing and site branding. (*Id.* at ¶¶ 24, 25.) Over the course of several months, Kim built the Elite Daily website. (*Id.* at ¶ 26.) On July 12, 2011, and

¹ On November 14, 2018, Kim and Gerard stipulated to the following,

“If the Complaint is dismissed in whole or in part by the Orders Concerning the Pending Motions to Dismiss, whether by the Supreme Court or by the Appellate Division on appeal from the Orders Concerning the Pending Motions to Dismiss, such dismissal shall operate in favor of Adams as well, and such dismissal shall be, with respect to Adams, on the same terms and conditions as is applicable to the other defendants. Furthermore, Adams shall be bound by the Orders Concerning the Pending Motions to Dismiss as if he were a moving defendant joining in such Motions.” (NYSCEF Doc. No. 85.)

² Each movant either submitted a copy of the complaint in support of their motion (Docs 15, 23) or referred to Doc 1, the summons and complaint. (CPLR 2214 [c]). The court will refer to the complaint as Doc 1.

³ In October 10, 2011, Kim emailed Arabov with the recommendation to switch the site “Elite Wall Street” to “Elite Daily.” (*Id.* at ¶ 30.)

July 13, 2011, respectively, Kim emailed San Pedro a first and second round of draft logos. (*Id.* at ¶ 28, 29.) In December 2011, Kim met with San Pedro, Arabov and Adams at which time Kim “was granted an eighteen ... per cent share of the company in consideration of [Kim’s] continued updating of the website.” (*Id.* at ¶ 27.) Kim “trademarked Elite Daily” under his and San Pedro’s name. (*Id.* at ¶ 31.) “On December 9, 2011, [Kim] became the co-owner of Elite Daily as referenced by trademark/service mark application register of Elite Daily (serial number 85491525).” (*Id.* at ¶ 37.) On February 12, 2012, San Pedro emailed Adams, Arabov and Kim stating: “Paul and I are wondering if we could all jump on a call and meet up for lunch if you are in the city. We wanted to just talk over the direction of Elite Daily so we are all on the same page.” (Doc 1 at ¶ 33.) Arabov replied the next day stating, “Yes, we’ll set up later today.” (*Id.* at 34.) On March 12, 2012, Kim emailed the defendants stating, “Just want an update on what’s going on with everything. I don’t get why nobody is responding??” (*Id.* at 35.) Sometime around January 2015, defendant Elite Daily and San Pedro fraudulently executed documents which requested the abandonment of Kim’s ownership of Elite Daily intellectual property. (*Id.* at ¶¶ 36, 37.) Also in January 2015, Kim learned that Elite Daily was sold to Daily Mail for approximately \$50,000,000. (*Id.* at ¶ 36.) It is unclear, from the complaint, whether Daily Mail is associated with defendant DMG Media because the complaint also states that in 2015, DMG Media purchased Elite Daily from San Pedro, Arabov, and Adams. (*Id.* at ¶ 45.) On April 17, 2017, BDG purchased Elite Daily from defendant DMG Media. (*Id.* at ¶ 44.) Defendant BDG presently operates the Elite Daily website. (*Id.* at ¶ 38.)

Kim subsequently commenced this action against the above captioned defendants for (1) breach of contract (2) fraud (3) fraud in the inducement (4) civil

conspiracy to defraud, (5) unfair competition (6) conversion, (7) copyright infringement, (8) breach of the implied covenant of good faith and fair dealing, (9) account stated, (10) violations of General Business Law 349, (11) trademark infringement, (12) breach of fiduciary duty, (13) promissory estoppel, and (14) unjust enrichment.

Discussion

Laches

Arabov and San Pedro's argument that Kim's claims are barred by the doctrine of laches, and therefore warrant dismissal, is without merit. "Laches is 'an equitable bar based on a lengthy neglect or omission to assert a right and the resulting prejudice to an adverse party.'" (*Matter of Linker*, 23 AD3d 186, 189 [1st Dept 2005].) Despite Arabov and San Pedro's arguments that Kim neglected to assert his rights over a lengthy period of time, nothing in the record supports these arguments, and therefore, the court is not persuaded. Even if Kim neglected to assert his rights over a lengthy period of time, the defendants have not articulated any genuine prejudice. (*Id.* ["The mere lapse of time, without a showing of prejudice, is insufficient to sustain a claim of laches."].) Regardless, "[l]aches is an equitable principle which may be invoked under proper conditions as a defense or shield against state claims, but cannot be used as a sword to obtain affirmative relief." (*Short v Rapping*, 135 AD2d 624 [2d Dept 1987] ["[T]o the extent that the appellant's motion to dismiss was predicated on the equitable doctrine of laches, it must fail."].) Accordingly, the court rejects this argument.

Statute of Limitations

CPLR 3211 (a) (5) provides that, "[a] party may move for judgment dismissing one or more causes of action asserted against him on the ground that . . . the cause of action may not be maintained because of . . . [the] statute of limitations . . ." For the

purposes of calculating the statute of limitations on a cause of action, “[t]he time within which an action must be commenced . . . shall be computed from the time the cause of action accrued to the time the claim is interposed. (CPLR 203 [a].) The statute of limitations for breach of contract actions is six years. (*ACE Sec. Corp., Home Equity Loan Trust, Series 2006-SL2 v DB Structured Prods., Inc.*, 25 NY3d 581, 599 [2015].)

San Pedro asserts that “the statute of limitations began to run on the date of the agreement” (Doc 21 at ¶ 7), but “[i]n contract cases, the cause of action accrues and the Statue of Limitations begins to run from the time of the breach.” (*John J. Kassner & Co., v City of New York*, 46 NY2d 544, 550 [1979].) Accordingly, the court rejects this argument. Likewise, the court rejects Arabov’s argument that Kim’s contract claim is barred by the statute of limitations because the contract was breached once Kim did not receive a share of the revenue from the website at the end of 2011. Indeed, the breach is when the defendants failed to pay Kim a percentage of the revenue. For instance, San Pedro wrote in an email dated July 7, 2011,

“I told David that you would love to have stake in the company as opposed to just building a project and then us contracting you out for all web shit - He was like, are you crazy of course he has to be in on this with us for this whole thing - With that in mind, he initially offered 15% of overall revenue - We toyed with the thought of breaking it down btw Stock Marketing Income and Ad Revenue/Membership and that gets too confusing and I don’t want you getting stuck on the short [sic] end of the stick so we’re going to do an All-In on this shit - Let me know if you’re cool with that piece of the pie or if you want to counter. [Arabov] is totally not a greedy dude at all, hes just interested in being a full time winner like we are so let me know!”

(Doc 58 at 12.) However, there is no documentary proof that revenue was received in 2011 to contradict the complaint’s allegations.

To the extent that the defendants move to dismiss Kim's conversion claim on statute of limitations grounds, the question is rendered academic in light of the discussion below.

Breach of Contract

CPLR 3211 (a) (7) provides that a "party may move for judgment dismissing one or more causes of action asserted against him on the ground that the pleading fails to state a cause of action." A motion made pursuant to CPLR 3211, requires the court to give the pleadings a liberal construction and accept the facts alleged as true. (*Leon v Martinez*, 84 NY2d 83, 87 [1994].) The court also accepts as true any submissions in opposition to the dismissal motion. (*511 W. 232nd Owners Corp. v Jennifer Realty Co.*, 98 NY2d 144, 152 [2002].) The court will accord plaintiff the benefit of every possible favorable inference to determine if the facts as alleged in the complaint fit within any cognizable legal theory. (*Leon*, 84 NY2d at 87-88.) The court's analysis of plaintiff's claims is "limited to the four corners of the pleading." (*Johnson v Proskauer Rose LLP*, 129 AD3d 59, 67 [1st Dept 2015].)

BDG contends that Kim fails to state a breach of contract claim. "The elements of a breach of contract claim are formation of a contract between the parties, performance by the plaintiff, the defendant's failure to perform, and resulting damage." (*Flomenbaum v New York Univ.*, 71 AD3d 80, 91 [1st Dept 2009].) Here, Kim fails to allege facts that state a claim for breach of contract against BDG. Kim does not allege facts that he and BDG formed a contract, that he performed under this contract, that BDG failed to perform, and resulting damage. Kim's affidavit (Doc 35) and emails (Docs 38, 39, 40, 41) do not indicate that any contract existed between Kim and BDG. Accordingly, the breach of contract claim against BDG is dismissed. Because San Pedro and Arabov do

not move to dismiss this cause of action for failure to state a claim, the court declines to address whether a breach of contract claim is stated against San Pedro or Arabov.

Fraud

Kim contends that defendants misrepresented that Kim would own 15% of Elite Daily “as an incentive to hav[e] [Kim] use all of his skills to create a state-of-the-art website” until the defendants “were able to secretly and surreptitiously sell the site.” (Doc 1 at ¶ 54.) “To state a cause of action for fraud, a plaintiff must allege a representation of material fact, the falsity of the representation, knowledge by the party making the representation that it was false when made, justifiable reliance by the plaintiff and resulting injury.” (*Kaufman v Cohen*, 307 AD2d 113, 119 [1st Dept 2003][internal quotation marks and citation omitted].) “[A] fraud claim that arises from the same facts as an accompanying contract claims, seeks identical damages and does not allege a breach of any duty collateral to or independent of the parties’ agreements is subject to dismissal as redundant of the contract claim.” (*Cronos Group Ltd. v XComIP, LLC*, 156 AD3d 54, 62-63 [1st Dept 2017][internal quotation marks and citations omitted].) Here, as to BDG, Kim has failed to allege facts that BDG made a representation of material fact, the falsity of BDG’s representation, BDG’s knowledge that the representation was false when made, justifiable reliance on BDG’s representation, and resulting damage. Accordingly, the fraud claim against BDG is dismissed.

As to Arabov and San Pedro, Kim’s claim of fraud arises from the same facts as the contract claim because the crux of both claims is that defendants promised to make Kim a 15% owner of Elite Daily, and upon Kim’s development of the website, the defendants did not make Kim a 15% owner. Kim fails to allege a breach of a duty

collateral to or independent of the alleged contract. Kim also fails to allege damages that are not identical. Accordingly, the fraud claim against Arabov and San Pedro is dismissed.

Fraud In The Inducement

Kim contends that “Defendants provided the inducement to [Kim] in order for him to build the website.” (Doc 1 at ¶ 59.) “A viable claim for fraudulent inducement requires the allegations of a ‘misrepresentation of a material fact, which was known by [the adversary] to be false and intended to be relied on when made, and that there was justifiable reliance and resulting injury.’” (*Perella Weinberg Partners LLC v Kramer*, 153 AD3d 443, 449 [1st Dept 2017][internal quotation marks and citation omitted].) Here, Kim fails to allege facts that state a claim for fraudulent inducement against BDG. Kim does not allege that BDG misrepresented a material fact that BDG knew to be false and intended Kim to rely on. Nor does Kim allege facts as to justifiable reliance and resulting injury. As to Arabov and San Pedro, Kim merely recasts his fraud claim and therefore, the fraudulent inducement claim is duplicative of the breach of contract claim. Accordingly, the fraudulent inducement claim against BDG, Arabov, and San Pedro is dismissed.

Civil Conspiracy To Defraud

Because Kim fails to state causes of action for fraud and fraudulent inducement against BDG, Arabov, and San Pedro, the civil conspiracy to defraud claim is dismissed. Indeed, “New York does not recognize an independent cause of action for conspiracy to commit a civil tort.” (*Capin & Assoc. v 599 W. 188th St., Inc.*, 139 AD3d 634, 635 [1st Dept 2016] [citation omitted].) “While a plaintiff may allege, in a claim of fraud or other tort, that parties conspired, the conspiracy to commit a fraud or tort is not, of itself, a

cause of action.” (*Hoeffner v Orrick, Herrington & Sutcliffe LLP*, 85 AD3d 457, 458 [1st Dept 2011] [citation omitted].) Accordingly, dismissal of the underlying claim mandates dismissal of the conspiracy claim against BDG, Arabov, and San Pedro.

Unfair Competition

Kim asserts a claim of common law unfair competition against the defendants and maintains that “there is surplus evidence of misappropriation of a commercial advantage.” (Docs 42, 52 at 16, 62 at 15.) “We have long recognized two theories of common-law unfair competition; palming off and misappropriation. ‘Palming off’ - that is, the sale of the goods of one manufacturer as those of another - was the theory of unfair competition endorsed by New York courts, and ‘has been extended ... to situations where the parties are not even in competition.’” (*ITC v Punchgini, Inc.*, 9 NY3d 467, 476 [2007][internal quotation marks and citations omitted].)

“Under the ‘misappropriation theory’ of unfair competition, a party is liable if they unfairly exploit ‘the skill, expenditures and labors’ of a competitor. The essence of the misappropriation theory is not just that the defendant has ‘reap[ed] where it has not sown,’ but that it has done so in an unethical way and thereby unfairly neutralized a commercial advantage that the plaintiff achieved through ‘honest labor.’”

(*E.J. Brooks Co. v Cambridge Sec. Seals*, 31 NY3d 441, 449 [2018][internal quotation marks and citations omitted].) “Under New York law, “[a]n unfair competition claim involving misappropriation usually concerns the taking and use of the plaintiff’s property to compete against the plaintiff’s own use of the same property.” (*ITC v Punchgini, Inc.*, 9 NY3d at 479.) Here, Kim has not alleged facts that fit within a cognizable claim of unfair competition based on a misappropriation theory. For instance, Kim has not alleged the unethical way in which BDG reaped where it did not sow, nor even

addressed this matter. Additionally, Kim has not alleged facts that the defendants are competitors who took and used Kim's property to compete against Kim's own use of the same property. Accordingly, the unfair competition claim against BDG, Arabov and San Pedro is dismissed.

Conversion

Kim maintains that defendants "converted the trademark ... to their own name by wrongfully and improperly removing [Kim's] name from ... [the] trademark." (Doc 1 at ¶ 72.) "Conversion is the unauthorized assumption and exercise of the right of ownership over another's property to the exclusion of the owner's rights. (*Lemle v Lemle*, 92 AD3d 494, 497 [1st Dept. 2012][citation omitted].) The elements of a conversion claim are "(1) plaintiff had legal ownership or immediate superior right of possession to specific identifiable personal property and (2) defendant exercised unauthorized dominion over property to the exclusion of plaintiff's rights." (*Aetna Cas. & Sur. Co. v Glass*, 75 AD2d 786, 786 [1st Dept 1980][citation omitted].) However, a trademark "cannot support a claim of conversion" because it is "intangible intellectual property having no existence apart from the good will of the product or service it symbolizes." (*Grgurev v Licul*, 229 F Supp 3d 267, 286 [SD NY 2017][internal quotation marks and citation omitted].) Here, Kim alleges that the defendants converted the trademark, and therefore, this cause of action is dismissed against BDG, Arabov, and San Pedro.

Copyright Infringement

Kim alleges that defendants continue to infringe upon his ownership rights by copying and reproducing unauthorized derivative work based upon the Elite Daily website. (Doc 1 at ¶ 76.) "All legal and equitable rights equivalent to copyrights are governed exclusively by [The Copyright Act of 1976]." (*Editorial Photocolor Archives*,

Inc. v Granger Collection, 61 NY2d 517, 518 [1984].) “States may not, by statute or common law, provide equivalent rights, and State courts are divested of jurisdiction to consider claims to enforce those rights.” (*Id.*) Stated otherwise, “the federal Copyright Act ... divests state courts of subject matter jurisdiction over actions on claims accruing after January 1, 1978, brought to enforce legal or equitable rights equivalent to copyrights.” (*H2O Swimwear, v Lomas*, 164 AD2d 804, 805 [1st Dept 1990][citations omitted].) Accordingly, this cause of action is dismissed against BDG, Arabov, and San Pedro.

Breach of the Implied Covenant of Good Faith and Fair Dealing

Kim alleges that “in violation of the implied covenants of good faith and fair dealing contained in the agreement by and between [Kim] and [d]efendants, [d]efendants ... completely ignored their obligations to [Kim], and knowingly did so in violation of [their] duties owed to [Kim].” (Doc 1 at ¶ 81.)

“Within every contract is an implied covenant of good faith and fair dealing. This covenant is breached when a party to a contract acts in a manner that, although not expressly forbidden by any contractual provision, would deprive the other party of the right to receive the benefits under their agreement. For a complaint to state a cause of action alleging breach of an implied covenant of good faith and fair dealing, the plaintiff must allege facts which tend to show that the defendant sought to prevent performance of the contract or to withhold its benefits from the plaintiff.”

(*Aventine Inv. Mgmt., Inc. v. Canadian Imperial Bank of Commerce*, 265 A.D.2d 513, 513-514, [1st Dept 1999][citation omitted].) A claim for breach of the implied covenant of good faith and fair dealing is properly dismissed as duplicative of a breach of contract claim where both claims arise from the same facts. (*MBIA Ins. Corp. v Countrywide Home Loans, Inc.*, 87 AD3d 287, 297 [1st Dept 2011].) This claim cannot be maintained

where “it is premised on the same conduct that underlies the breach of contract cause of action and is intrinsically tied to the damages allegedly resulting from a breach of the contract.” (*MBIA Ins. Corp. v Merrill Lynch*, 81 AD3d 419, 419-420 [1st Dept 2011][internal quotation marks and citations omitted].) Here, Kim fails to allege a breach of contract claim against BDG, and therefore, the implied covenant of good faith and fair dealing claim “cannot be used as a substitute for plaintiff’s nonviable breach of contract claim.” (*Vista Food Exch., Inc. v BenefitMall*, 138 AD3d 535, 537 [1st Dept 2016][citation omitted].) Nevertheless, Kim fails to allege facts which tend to show that BDG sought to prevent performance of any contract or withhold such benefits from Kim.

As to Arabov and San Pedro, Kim fails to allege facts that these defendants acted in a manner that was not expressly forbidden by the alleged contract but would deprive Kim of benefits of the alleged contract. Kim fails to allege facts that Arabov and San Pedro sought to prevent performance of the contract or to withhold its benefits. Indeed, this breach of the implied covenant of good faith and fair dealing is premised on the same conduct that underlies the breach of contract - defendants’ purported failure to provide Kim with a 15% ownership interest in Elite Daily - and the damages for both claims are intrinsically tied together. Accordingly, this claim is dismissed against BDG, Arabov, and San Pedro.

Account Stated

Kim alleges that an account was stated between him and the defendants “[a]s a result of [Kim’s] fifteen (15%) per cent ownership in Elite Daily.” (Doc 1 at ¶ 84.)

“An account stated is an agreement between the parties to an account based upon prior transactions between them with respect to the correctness of the separate items composing the account and the balance due, if any, in favor of one party or the other.” In this regard, ‘receipt

and retention of plaintiff's accounts, without objection within a reasonable time, and agreement to pay a portion of the indebtedness, [gives] rise to an actionable account stated ..."

(*Shea & Could v Burr*, 194 AD2d 369, 370-371 [1st Dept 1993][internal quotation marks and citation omitted].) "A claim for account stated may not be utilized simply as another means to attempt to collect under a disputed contract." (*Martin H. Bauman Assoc., Inc. v H&M Intl. Transport*, 171 AD2d 479, 485 [1st Dept 1991].) Moreover, "[a]n account stated cannot be made an instrument to create liability when none otherwise exists but assumes the existence of some indebtedness between the parties or an express agreement to treat the statement in question as an account stated." (*Id.* [citation omitted].) Here, Kim has failed to allege that BDG, Arabov, and San Pedro received and retained Kim's accounts without objection for a reasonable time and agreed to pay a portion of the indebtedness. Therefore, this cause of action is dismissed against BDG, Arabov, and San Pedro.

General Business Law 349

Kim claims that the defendants "engaged in deceptive and misleading business practices" in violation of "New York General Business Law § 349." (Doc 1 at ¶ 87.) "To successfully assert a section 349(h) claim, a plaintiff must allege that a defendant has engaged in (1) consumer-oriented conduct that is (2) materially misleading and that (3) plaintiff suffered injury as a result of the allegedly deceptive act or practice." (*City of New York v Smokes-Spirits.Com, Inc.*, 12 NY3d 616, 621 [2009][citation omitted].) "[S]ection 349 is directed at wrongs against the consuming public and plaintiffs must demonstrate that the complained-of acts or practices have a broader impact on consumers at large." (*Id.* [internal quotation marks omitted].) Indeed, section 349

claims based on theories of trademark infringement and unfair competition concerning confusing labels do not pose a significant risk of harm to the public health or interest and therefore, mandate dismissal. (*DePinto v Ashley Scott, Inc.*, 222 AD2d 288, 289 [1st Dept 1995].) Additionally, “[p]rivate contract disputes, unique to the parties ... [do] not fall within the ambit of the statute.” (*Oswego Laborers’ Local 214 Pension Fund v. Marine Midland Bank, N.A.*, 85 NY2d 20, 25 [1995].) Here, Kim fails to allege that BDG, Arabov, and San Pedro’s acts or practices have a broader impact on consumers at large and how they are misleading. To the extent that Kim’s section 349 claim against BDG, Arabov and San Pedro are premised on some purported trademark infringement or unfair competition, Kim has failed to allege a significant risk of harm to the public health or interest. Insofar as Kim’s section 349 claim is based on a purported contract among the parties that is unique to them, that too is insufficient to state a claim under the statute. Accordingly, this claim against BDG, Arabov, and San Pedro is dismissed.

Trademark Infringement

Kim claims that he is the owner of the Elite Daily trademark and that defendants “have violated the terms of the trademark” and the Lanham Act. (Doc 1 at ¶¶ 92-93.) He further states in the complaint that he “trademarked Elite Daily under the names Paul Kim and Jonathan San Pedro.” (*Id.* at ¶ 31.) Additionally, Kim alleges that he was the owner of the trademark Elite Daily bearing “serial number 8549152” but defendants wrongfully removed Kim’s name “from the ownership of the trademark.” (*Id.* at ¶ 3.)

The Lanham Act “provides separate causes of action for, among other things, infringement of registered and unregistered trademarks.” (*Federal Treasury Enter. Sojuzplodoimport v SPI Spirits*, 726 F3d 62, 72 [2d Cir 2013].) “Section 32(1) of the Act ... protects only registered trademarks.” (*Id.*) “It provides a cause of action against any

person who uses in commerce any imitation of a registered mark likely to cause confusion, or to cause mistake, or to deceive.” (*Id.*) This cause of action is available only to registrants of the trademark, “a term the Act defines as embracing the actual registrant’s ‘legal representatives, predecessors, successors, and assigns.’” (*Id.*) “In other words, only registrants - as statutorily defined - have statutory standing to bring an action under Section 32 (1).” (*Id.* [internal quotation marks omitted].)

To state a trademark infringement claim under the Lanham Act, the plaintiff must allege that (1) the plaintiff’s mark is protected and (2) the defendants’ use of the allegedly infringing mark would likely cause confusion as to the origin or sponsorship of the defendant’s goods with plaintiff’s goods. (*Starbucks Corp. v Wolfe’s Borough Coffee, Inc.*, 588 F3d 97 [2009].) “[O]wnership of the relevant trademark is one of the necessary elements ... of trademark infringement under the Lanham Act.” (*Federal Treasury Enter. Sojuzplodoimport v Spirits Intl. N.V.*, 623 F3d at 69 [2d Cir 2019][internal quotation marks and citations omitted].)

Here, Kim does not allege in the complaint that Arabov, San Pedro, and BDG’s use of the trademark, Elite Daily, would likely cause confusion as to the origin or sponsorship of Arabov, San Pedro, and BDG’s services with any services of Kim’s. More importantly, Arabov and San Pedro submit documentary evidence from the United States Patent and Trademark Office’s Trademark Electronic Search System indicating that Kim and San Pedro were only applicants for the Elite Daily trademark, but not registrants. (Doc 17; Doc 25.) Because Kim was not a registrant of the Elite Daily trademark, despite premising his infringement claim on the alleged registration, Kim lacks standing to sue under Section 32(1). (*Federal Treasury Enter. Sojuzplodoimport*,

623 F3d 61; *Grgurev v Licul*, 229 F Supp 3d 267, 284 [SD NY 2017] [“[F]ederal trademark statutes distinguish between the terms ‘applicant and registrant’”].)

Breach of Fiduciary Duty

Kim alleges that San Pedro and Arabov owed him a fiduciary duty “in that the [d]efendants promise[d] an interest in Elite Daily.” (Doc 1 at ¶ 98.) The elements of a breach of fiduciary duty claim are (1) the existence of a fiduciary relationship, (2) misconduct by the other party, and (3) damages directly caused by the party’s misconduct. (*Pokoik v Pokoik*, 115 AD3d 428, 429 [1st Dept 2014].) “A cause of action for breach of fiduciary duty which is merely duplicative of a breach of contract claim cannot stand.” (*William Kaufman Org. v Graham & James*, 269 AD2d 171, [1st Dept 2000][citation omitted].) Here, Kim’s breach of fiduciary duty premised on defendants’ promise of an interest in Elite Daily is duplicative of the breach of contract claim. To the extent that Kim argues that San Pedro owed Kim a fiduciary duty arising out of Kim’s alleged ownership of the trademark, it is will settled that “[a] trademark ... confers rights to a name only.” (*Clorox Co. v Sterling Winthrop, Inc.*, 117 F3d 50, 56 [2d Cir 1997].) Indeed, a trademark “merely enables the owner to bar others from use of the mark.” (*Id.* [internal quotation marks and citations omitted]). This claim is dismissed against BDG, Arabov, and San Pedro.

Promissory Estoppel

Kim claims that San Pedro and Adams made a promise significant enough to cause Kim to complete the build-out of the Elite Daily website. (Doc 1 at ¶ 103.) “The elements of a claim for promissory estoppel are: (1) a promise that is sufficiently clear and unambiguous; (2) reasonable reliance on the promise by a party; and (3) injury caused by the reliance.” (*MatlinPatterson ATA Holdings LLC v Federal Express Corp.*,

87 AD3d 836, 841-842 [1st Dept 2011][citation omitted].) Here, Kim states a claim for promissory estoppel against Arabov and San Pedro because he alleges that they made a promise to give him a 15% interest in Elite Daily, he relied on the promise by building the website, and was injured by their failure to pay him.

Unjust Enrichment

Kim claims that defendants have benefitted from Kim's work, expertise, skills and expenditures of time and effort, and therefore, seeks \$50,000,000. (Doc 1 at ¶ 109, 112.) To adequately plead a claim for unjust enrichment, "the plaintiff must allege 'that (1) the other party was enriched, (2) at that party's expense, and (3) that it is against equity and good conscience to permit the other party to retain what is sought to be recovered.'" (*Georgia Malone & Co., Inc. v Rieder*, 19 NY3d 511, 516 [2012][citation omitted].) Although the plaintiff does not need to allege privity, the plaintiff has to assert a connection between the parties that is not too attenuated. (*Id.*) Here, Kim fails to allege facts that BDG was enriched at Kim's expense and that it is against equity and good conscience to permit BDG to retain what Kim is seeking to recover. Indeed, Kim does not assert any connection to BDG, let alone one that is not too attenuated.

Although it appears at first blush that Kim states a claim for unjust enrichment against Arabov and San Pedro, the complaint as drafted, fails to allege that it is against equity and good conscience to permit Arabov and San Pedro to retain what Kim is seeking to recover. Incredibly, Kim has failed to allege the third element of what appears to be an otherwise successful claim. Indeed, the crux of this claim as alleged is that defendants benefited from Kim's work and received a windfall (Doc 1 at ¶ 109, 110); however, the fact that defendants received a benefit is itself insufficient because the plaintiff must

allege that the enrichment was unjust. (*Wiener v Lazard Freres & Co.*, 241 AD2d 114 [1st Dept 1998].)

Sanctions

BDG contends that Kim's claims against BDG are frivolous and warrant sanctions. 22 NYCRR Section 130-1.1 (a) empowers courts with discretionary authority to sanction attorneys or parties, in the form of costs and fees, for frivolous conduct. Conduct is frivolous if, "it is completely without merit in law and cannot be supported by a reasonable argument for an extension, modification, or reversal of existing law." (22 NYCRR Section 130-1.1[c][1].) "In determining whether the conduct undertaken was frivolous, the court shall consider, among other issues the circumstances under which the conduct took place ... and whether or not the conduct was continued when its lack of legal or factual basis ... should have been apparent" (22 NYCRR Section 130-1.1[c].) Here, the complaint is lamentable and clumsy, much to Kim's detriment, but the court is not convinced that the claims are frivolous. Had Kim retained more dexterous counsel at the outset, these claims may well have survived a motion to dismiss. Indeed, dismissal of Kim's claims is punishment enough, especially because Elite Daily was allegedly purchased for \$50,000,000.

It is hereby,

ORDERED that the motion of defendant BDG Media Inc., d/b/a Bustle Digital Group to dismiss the complaint herein is granted and the complaint is dismissed in its entirety as against said defendant, with costs and disbursements to said defendant as taxed by the County Clerk, and the Clerk is directed to enter judgment accordingly in favor of said defendant; and it is further

ORDERED that the motion of defendant BDG Media Inc., d/b/a Bustle Digital Group to sanction plaintiff Paul Kim's attorney, in the form of paying BDG Media Inc.'s costs and fees with respect to this motion within 30 days of this order's entry on NYSCEF is granted; and it is further

ORDERED that the action is severed and continued against the remaining defendants; and it is further

ORDERED that the caption be amended to reflect the dismissal and that all future papers filed with the court bear the amended caption; and it is further

ORDERED that counsel for the moving party shall serve a copy of this order with notice of entry upon the County Clerk (60 Centre Street, Room 119), who is directed to mark the court's records to reflect the change in the caption herein; and it is further

ORDERED that such service upon the County Clerk and the Clerk of the General Clerk's Office shall be made in accordance with the procedures set forth in the Protocol on Courthouse and County Clerk Procedures for Electronically Filed Cases (accessible at the "E-Filing" page on the court's website at the address www.nycourts.gov/supctmanh); and it is further

ORDERED that the motions of defendant David Arabov and defendant Jonathon Francis a/k/a Jonathon Francis San Pedro, a/k/a Jonathon F. San Pedro to dismiss are granted and the second, third, fourth, fifth, sixth, seventh, eighth, ninth, tenth, eleventh, twelfth, and fourteenth causes of action of the complaint are dismissed; and it is further

ORDERED that plaintiff is granted leave to serve an amended complaint so as to replead the causes of action by July 1, 2019; and it is further

ORDERED that, in the event that plaintiff fails to serve and e-file an amended complaint in conformity by July 1, 2019, leave to replead shall be deemed denied, and

defendant's counsel is to e-file and hand deliver to Part 48 (Room 242) an affirmation attesting to such non-compliance; and it is further

ORDERED that defendant is directed to serve a copy of this order with notice of entry on plaintiff's counsel within 2 days after this decision is uploaded on NYSCEF; and it is further

ORDERED that counsel are directed to appear for a preliminary conference in Room 242, 60 Centre Street, New York, New York, on July 9, 2019 at 11:30 AM.

5/30/19
DATE


HON. ANDREA MASLEY

CHECK ONE:

CASE DISPOSED

NON-FINAL DISPOSITION

GRANTED

DENIED

GRANTED IN PART

OTHER

APPLICATION:

SETTLE ORDER

SUBMIT ORDER

CHECK IF APPROPRIATE:

INCLUDES TRANSFER/REASSIGN

FIDUCIARY APPOINTMENT

REFERENCE