

RGBK, Inc. v Conley

2012 NY Slip Op 30584(U)

February 27, 2012

Supreme Court, Suffolk County

Docket Number: 33911/2008

Judge: Emily Pines

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SUPREME COURT - STATE OF NEW YORK
COMMERCIAL DIVISION, PART 46, SUFFOLK COUNTY

COPY

Present:

HON. EMILY PINES
J. S. C.

Original Motion Date: 12-06-2011
Motion Submit Date: 12-06-2012
Motion Sequence No.: 004 MOTD
005 MOTD

[] FINAL
[X] NON FINAL

RGBK, INC.,

Plaintiff,

-against-

GARY CONLEY, GLENN SCHIRIG,
DONNA NODEN, JOANN BURNS, SALLY
MILKS, MARILYN CONLEY, and ROOM
SERVICE TECHNOLOGIES, LLC,

Defendants.

_____ X

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ORDERED that the defendants' motion for partial summary judgment (motion sequence # 004) dismissing plaintiff's complaint and plaintiff's cross motion for partial summary judgment (motion sequence # 005) are decided as set forth herein.

FACTUAL AND PROCEDURAL BACKGROUND

The Plaintiff, RGBK, Inc. ("RGKB"), is a company that advises, consults, plans and designs large-scale commercial kitchens and food service facilities. Between 2002 and 2008, RGBK also operated a division known as Room Service Technologies ("RST"), which offered room service dining within hospitals. RGBK's President and Chief Executive Officer is Christopher Brady ("Brady"). The

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individual defendants, Gary Conley (“Conley”), Glenn Schirg (“Schirg”), Donna Noden (“Noden”), Joann Burns (“Burns”), and Sally Milks (“Milks”) are each highly educated professionals, with specialized skills, knowledge, and contacts in the health care and food service industries, which they developed over the course of their careers, which collectively exceed 150 years. Conley and Schirg have known each other for approximately 30 years, having both worked in the food service industry for their entire professional careers. Conley and Nolan have also known each other for approximately 30 years, as they both began working at Aladdin Synergetics, Inc. (“Aladdin”), an international food service company, in 1981. Schirg has known Burns and Milks since the 1970s, having worked together since that time.

Between 1998 and 2002, Conley and Schirg discussed the creation of a new health care food service company which would provide hospitals with a process to implement a high-end meal delivery system for their patients similar to room service in a luxury hotel. In early 2002, Conley, Schirg, and Brady participated in a series of meetings and conference calls to discuss the creation of the new company together, based upon the room service concept. RGBK was well aware of Conley’s and Schirg’s experience and credentials at this time, and Brady considered Conley’s skills, abilities and industry knowledge to be outstanding. At that time, Conley was employed by Aladdin, and had been since 1981, and Schirg was employed by RGBK. Brady claims that the concept of developing the new company was his. The defendants contend that while the company would be new, the room service concept was not new to the food service health care market as their were hospitals throughout the country that implemented and utilized similar room service delivery processes, including Swedish Medical Center in Washington State. Nevertheless, the parties agree that the room service concept is not a “patentable” idea. During these conference calls, the parties came up with a name for the new company, the basic concept for the logo, and the basic business plan.

RGBK alleges that in 2002 it created a new business division, RST, to implement the concept of providing hotel style room service dining in hospitals. Conley began working for RGBK to head up RST on August 12, 2002. In July 2002, one month before joining RGBK, Conley registered the domain name roomservicetechnologies.com through register.com. The “Registrant” of the domain name was “Room Service Technologies, Gary Conley” at Conley’s address in Tampa, Florida. Conley claims that he registered the domain name in his personal capacity before joining RGBK. RGBK contends that Conley registered the domain name as President of the new company, Room Service Technologies (“RST”) and that the website was designed by RGBK employees. Schirg, employed by RGBK since 1996, also began working for RST on August 12, 2002. Burns and Noden joined RST in 2003. Milks commenced full-time employment with RST in 2005. From 2002-2008 the individual defendants worked from their home offices located in various states and did not work at RGBK’s principal offices

located in Lindenhurst, New York.

When Conley joined RST in 2002, he imported the contents of his personal customer list into RGBK's customer list and he added contact information obtained from publicly available sources. After joining RST, Noden also added information from her personal contacts and from publicly available sources. RGBK contends that its customer database was updated and corrected by Noden with the assistance of RGBK resources.

None of the individual defendants are bound by an employment agreement, a restrictive covenant, or a confidentiality agreement with RGBK. While they were with RST, no one from RGBK ever told any of the individual defendants that any of the documents they used or had access to were RGBK's confidential, proprietary or protected trade secret material. Nevertheless, Conley testified that he considered RST's developments to be confidential information.

During the time that the individual defendants were with RST, RGBK worked with third-party companies known as RG West, RG Illinois, and RG Texas, and freely shared documents with those companies, including its customer list and assessment proposals, project launch manuals, training manuals and marketing materials ("Room Service Documents"). These companies did not execute confidentiality agreements and no one from RGBK ever asked the companies not to disseminate the customer list. RGBK did not assign user names and passwords to its employees to restrict access to its documents until 2005 or 2006. RST regularly distributed the customer list to prospective clients as part of its routine sales pitch. Schirg provided RST's clients with access to the FTP site so that they could download materials.

On February 13, 2008, the individual defendants filed in Florida to form Room Service Technologies, LLC ("RST, LLC"), effective March 1, 2008.

By letter from their attorney dated February 29, 2008, the individual defendants, the operating principals of RST, resigned as employees of RGBK. The letter further states the willingness of the individual defendants to complete work on nine on-going projects in exchange for payment. Counsel for RGBK responded by letter dated April 28, 2008, advising that RGBK would permit the individual defendants to continue providing services to the nine clients without waiving any of its rights and claims against the individual defendants.

RGBK alleges that at the time the individual defendants resigned, Conley took away RGBK's access to the RST website, which had been publicized through numerous marketing materials prepared

for RST with the assistance of RGBK. Further, RGBK claims that it financed the development of RST by investing hundreds of thousands of dollars.

RGBK commenced this action on September 9, 2008. The Complaint alleges, among other things, that RST was launched in 2002 as a new business division of RGBK and, if it became profitable, it would become a separate legal entity. RGBK alleges that it agreed to pay all of the expenses of RST and hired the individual defendants to operate it. RGBK further alleges that when RST became profitable, the individual defendants resigned as RGBK employees, formed a competing business (RST, LLC), and took all revenues, business prospects, clients, intellectual property and trade secrets of RST and began competing with RST. RGBK also alleges that the defendants converted the RST domain name and web site. The Complaint sets forth six causes of action: breach of fiduciary duty, misappropriation of trade secrets, conspiracy, tortious interference with existing business relations, interference with prospective business relationships, and defamation.

By Order dated April 13, 2009, this Court, among other things, dismissed the third cause of action for conspiracy and the sixth cause of action for defamation.

On May 22, 2009, the defendants served a Verified Answer with Counterclaims against RGBK and Brady for breach of contract, promissory estoppel, and unjust enrichment/quantum meruit. Defendants allege, among other things, that Brady breached the promise he made to defendants that once RST became profitable, it would be incorporated as a separate legal entity in which defendants would have an ownership interest.

By order dated January 20, 2010, this Court granted the defendants motion to amend their answer to assert additional counterclaims stemming from an alleged incident on August 26, 2009, at a conference both parties attended. Defendants allege that Brady took some of RST, LLC's customer information sheets that had been filled out by prospective clients at the conference and that Brady called Schirg a "thief" in the presence of several hundred conference attendees, including prospective clients of RST, LLC. Based upon these allegations, the defendants added counterclaims for conversion, tortious interference with prospective business relations, defamation, injurious false hood, and unfair competition.

By order dated March 24, 2011, this Court granted plaintiff's motion for leave to serve an amended complaint to add a cause of action alleging unfair competition, and deemed plaintiff's Amended Verified Complaint served upon defendants.

The defendants now move for partial summary judgment dismissing all causes of action asserted in plaintiff's Amended Verified Complaint. In support of the motion, the defendants submit, among other things, affidavits from Conley, Schirg, Noden, Burns and Milks, as well as copies of the transcripts from the depositions of Conley, Schirg, Brady and Romano.

With regard to the first cause of action alleging breach of fiduciary duty, the defendants contend that inasmuch as they were not bound by any employment agreement, restrictive covenant, or a confidentiality agreement with RGBK, they were not prohibited from forming RST, LLC and utilizing their own skills and contacts, developed over the course of their careers prior to employment with RGBK, to operate RST, LLC. They claim that they did not use RGBK's time, facilities or proprietary secrets in forming RST, LLC. Additionally, the defendants contend that RST, LLC does not compete with RGBK's business in commercial kitchen design. Rather, RST, LLC's business is in the health care food market exclusively targeting hospitals. Defendants argue that RST, LLC was not in existence until March 1, 2008, after the defendants resigned from RGBK, and that they did not contact any hospital clients regarding the formation of RST, LLC until after they had resigned from RGBK. Moreover, the defendants assert that any materials they utilize in the operation of RST, LLC are not RGBK's trade secrets or confidential information.

Defendants further contend that summary judgment in their favor dismissing the causes of action for misappropriation of trade secrets (second cause of action) and unfair competition (fifth cause of action) is warranted because the information allegedly misappropriated by defendants, including RGBK's Customer List, Assessment Proposals, Implementation Manuals, Training Manuals, and Marketing Materials does not qualify as trade secrets. Rather, defendants contend that the information was the product of their own professional experience and contacts in the health care food industry acquired prior to employment with RGBK or that it was publicly available. In any event, defendants claim that RGBK shared the information with numerous third parties, including prospective customers, and that RGBK took no steps to protect the secrecy of the information, thereby negating any claim that the information constitutes trade secrets. Additionally, defendants point out that RGBK did not make any of its employees execute a confidentiality agreement. With regard to RST's domain name, Conley claims that on June 14, 2002, almost two months before he joined RGBK, he registered the domain name roomservicetechnologies.com in his own name, and that he never relinquished his personal administrative rights over the domain name. He claims that he never allowed anyone else to control the domain name. Thus, defendants argue that plaintiff cannot demonstrate that defendants converted the domain name since it was always the property of Conley and not RGBK. Defendants also contend that RGBK cannot assert ownership rights over the name "Room Service Technologies" or its logo because the name and logo were created by Conley, Schirg, and Brady together before Conley joined RGBK.

Defendants argue that plaintiff's claim for tortious interference with business relations should be dismissed because RGBK authorized defendants to continue working on the projects in progress at the time they resigned and because RGBK has failed to identify any third party that breached an existing contract with it as a result of defendants' alleged actions.

Finally, defendants contend that plaintiff's claim for tortious interference with prospective business relations should be dismissed because the evidence demonstrates that the defendants did not employ any wrongful means or undertake any activity with malice for the sole purpose of harming RGBK.

RGBK opposes defendants' motion and cross-moves for partial summary judgment on its fifth cause of action for unfair competition and dismissing defendants' counterclaims for conversion (fourth), tortious interference with prospective business relations (fifth), defamation (sixth and seventh), injurious falsehood (eighth and ninth), and unfair competition (tenth). In support of the motion, plaintiff submits additional transcripts of depositions and numerous documents.

In opposition to defendants' motion, RGBK contends that its breach of fiduciary cause of action should not be dismissed because the evidence demonstrates that the defendants converted RGBK's entire subsidiary, RST, including its identity, logo, web site, good will and existing contracts. RGBK claims that after the defendants resigned, it was incapable of competing with RST, LLC because the defendants were the only people at RGBK with experience doing room service projects and they had gutted RST, leaving nothing behind. RGBK asserts that Conley and Schirg were both officers of RGBK and that their promotion of RST, LLC, and their communications with and conversion of RST's existing clients, placed their own interests above those of RGBK, by whom they were employed.

With regard to the second cause of action for misappropriation of trade secrets, RGBK contends that issues of fact exist as to whether the room service concept and the systems utilized by RST in implementing the concept were proprietary information entitled to protection from misappropriation. Specifically, RGBK claims that the "Room Service Assessment Proposal" ("Proposal") developed during the growth of RST is an example of RGBK's proprietary information. For a prospective customer, the Proposal sets forth assessments, program overviews, scope of services, financial details, and other aspects of a room service proposal. RGBK contends that after the defendants resigned and formed RST, LLC, the new company generated virtually identical proposals. RGBK also claims that RST's Project Launch Manual was proprietary information and that RST, LLC generated similar manuals. Further, RGBK asserts that its database containing customer contact information was

proprietary as it was updated with the assistance of RGBK resources. RGBK does not deny that it shared confidential information with certain third-party companies but it points out that it owned 50% of each of these companies.

With regard to the third cause of action for tortious interference with existing business relations, RGBK argues that had it not authorized the defendants to complete the on going projects at the time they resigned, it would have left itself vulnerable to nine separate breach of contract claims due to its inability to perform. RGBK also contends that by utilizing the same name, contacting existing clients at the time they resigned, and holding themselves out as being the same entity, had the effect of procuring the breach of existing contracts that defendants had entered into as RGBK's agents.

With regard to the cause of action for tortious interference with prospective business relations, RGBK contends that the defendants actions prevented it from entering into contracts with two clients for whom assessments were prepared by RST before the defendants resigned. These two clients subsequently entered into contracts with RST, LLC.

In support of that branch of its cross-motion seeking summary judgment on its cause of action for unfair competition, RGBK argues that by the time Conley had registered the domain name www.roomservicetech.com on June 14, 2002, he had already agreed to come and work for RGBK to lead RST, that he admitted that he registered the domain name in his own name as the President of RST, and that RGBK reimbursed him for the cost of registration. RGBK also claims that Conley misrepresented on RST, LLC's web site that it was formed in 2002, when, in fact, it was not formed until 2008, and that RST, LLC marketed itself as having been a leader and pioneer in the health care market. Additionally, RGBK claims that the defendants use of the RST name and logo, developed and marketed by RGBK. RGBK argues that in doing so the defendants misappropriated for its own commercial advantage the six year period that they operated RST for RGBK.

Next, RGBK argues that defendants' fourth counterclaim for conversion should be dismissed because RST, LLC has been unable to specifically identify the property allegedly converted by Brady and it has not produced evidence that Brady exercised dominion and control over the RST, LLC's property. Brady denies that he took anything from RST, LLC's table at the conference.

With regard to the fifth counterclaim for tortious interference with prospective business relations, RGBK argues that RST, LLC has failed to demonstrate, with reasonable certainty, that it would have entered into a contractual relationship with a third party but for Brady's actions at the conference in allegedly converting RST, LLC's materials.

RGBK also argues that the sixth and seventh counterclaims for defamation should be dismissed

because the evidence demonstrates that Brady's statement calling Schirg "a thief" at a professional conference was a non-actionable statement of opinion. It contends that the statement was fair comment in light of Schirg's participation in the conversion of RST from RGBK.

Next, RGBK argues that the eighth and ninth counterclaims for injurious falsehood should be dismissed because Schirg and RST, LLC have failed to come forward with any evidence of special, actual damages caused by Brady's statement calling Schirg a thief.

Finally, RGBK argues that the tenth counterclaim for unfair competition based upon Brady's alleged conversion of RST, LLC's customer information sheets as there is no evidence that RGBK and/or Brady contacted specific prospective customers and thereby gained any commercial advantage. RGBK cites Brady's testimony that since the defendants resigned, RGBK has not entered into any health care room service engagements.

In opposition to RGBK's cross-motion, defendants argue, among other things, that its counterclaims for defamation and injurious falsehood should not be dismissed because calling someone a "thief" constitutes slander per se and does not require proof of special damages. Defendants also contend that the counterclaims for conversion and tortious interference with prospective business relations should not be dismissed because the evidence demonstrates that there are issue of fact as to whether the prospective customers would have retained RST, LLC but for Brady's conversion of the customer information sheets.

DISCUSSION

A party moving for summary judgment has the burden of making a prima facie showing of entitlement to judgment as a matter of law, offering sufficient evidence demonstrating the absence of any material issues of fact (*Winegrad v. New York Univ. Med. Ctr.*, 64 NY2d 85, 487 NYS2d 316 [1985]; *Zuckerman v. City of New York*, 49 NY2d 557, 427 NYS2d 595 [1980]). Merely pointing to gaps in the opposing party's proof is insufficient (*Healy v. Damus*, 88 AD3d 848 [2d Dept. 2011]). Once a prima facie showing has been made by the movant, the burden shifts to the party opposing the motion to produce evidentiary proof in admissible form sufficient to establish material issues of fact which require a trial (*see, Zayas v. Half Hollow Hills Cent. School Dist.*, 226 AD2d 713, 641 NYS2d 701 [2nd Dept. 1996]). "[I]n determining a motion for summary judgment, evidence must be viewed in the light most favorable to the nonmovant" (*Pearson v Dix McBride, LLC*, 63 AD3d 895 [2d Dept 2009]). Since summary judgment is the procedural equivalent of a trial, the motion should be denied if there is any doubt as to the existence of a triable issue or when a material issue of fact is arguable (*Salino v IPT Trucking, Inc.*, 203 AD2d 352 [2d Dept 1994]).

As recently recognized by the Appellate Division, Second Department in *Island Sports Physical Therapy v. Burns* (84 AD3d 878 [2d Dept 2011]):

“[A]n employee owes a duty of good faith and loyalty to an employers in the performance of the employee’s duties” (*30 FPS Prods., Inc. v. Livolsi*, 68 AD3d 1101, 1102, 891 NYS2d 162, quoting *Wallack Frgt. Lines v. Next Day Express*, 273 AD2d 462, 463, 711 NYS2d 891; see *Lamdin v. Broadway Surface Adv. Corp.*, 272 NY 133, 5 NE2d 66; *CBS Corp. v. Dumsday*, 268 AD2d 350, 353, 702 NYS2d 248). “An employee may create a competing business prior to leaving [her or] his employer without breaching any fiduciary duty unless [she or] he makes improper use of the employer’s time, facilities or proprietary secrets in doing so” (*Schenider Leasing Plus v. Stallone*, 172 AD2d 739, 741, 569 NYS2d 126; see *30 FPS Prods., Inc. v. Livolsi*, 68 AD3d at 1002, 891 NYS2d 162; *Beverage Mktg. USA, Inc. v. South Beach Beverage Co., Inc.* 58 AD3d 657, 658, 873 NYS2d 84; *Wallack Frgt. Lines v. Next Day Express*, 273 AD2d at 463, 711 NYS2d 891; *CBS Corp. v. Dumsday*, 268 AD2d at 353, 702 NYS2d 248). In general, an employee may solicit an employer’s customers only when the employment relationship has terminated (see *A & L Scientific Corp. v. Latmore*, 265 AD2d 355, 356, 696 NYS2d 495; *Catalogue Serv. of Westchester v. Wise*, 63 AD2d 895, 405 NYS2d 723).

“Further, solicitation of an entity’s customers by a former employee or independent contractor is not actionable unless the customer list could be considered a trade secret, or there was wrongful conduct by the employee or independent contractor, such as physically taking or copying files or using confidential information” (*Starlight Limousine Serv. v. Cucinella*, 2725 AD2d 704, 705, 713 NYS2d 195; see *Walter Karl, Inc. v. Wood*, 137 AD2d 22, 27, 528 NYS2d 94; see also *Leo Silfen, Inc. v. Cream*, 29 NY2d 387, 391–392, 328 NYS2d 423, 278 NE2d 636).

Here, the defendants established their prima facie entitlement to judgment as a matter of law on the cause of action alleging breach of fiduciary duty by demonstrating that they did not, while in the employ of RGBK, use RGBK’s time or facilities to form RST, LLC, or solicit the clients of RGBK’s subsidiary, RST, before their employment relationships with RGBK were terminated on February 29, 2008 (see *Island Sports Physical Therapy v. Burns*, supra). Additionally, the defendants established, prima facie, that they did not engage in any wrongful conduct, such as physically taking or copying files or using confidential information, and that RGBK’s customer list did not constitute a trade secret as the contact information for hospitals was available in the marketplace (see *Starlight Limousine Serv., Inc. v. Cucinella*, 275 AD2d 704 [2d Dept. 2000]; *Beverage Mktg. USA, Inc. v. South Beach Beverage Co., Inc.*, 58 AD3d 657, 658 [2d Dept. 2009]; *Island Sports Physical Therapy v. Kane*, 84 AD3d 879, 880 [2d Dept. 2011]). In opposition, RGBK failed to raise a triable issue of fact. RGBK’s allegation that defendants converted its entire subsidiary and all of its clients is vague and conclusory (see *Beverage Mktg. USA, Inc. v. South Beach Beverage Co., Inc.*, supra at 658). It has failed to produce any evidence

that the defendants utilized RGBK's time, facilities, or proprietary secrets in creating RST, LLC (*see Fredric M. Reed & Co., Inc. v. Irvine Realty Group, Inc.*, 281 AD2d 352 [1st Dept. 2001]). It is undisputed that the individual defendants did not have employment agreements or confidentiality agreements and were not subject to restrictive covenants. Although defendants filed an application to form RST, LLC on February 13, 2008, before they resigned from RGBK, the formation was not effective until March 1, 2008, after their resignations. Accordingly, that branch of defendants' motion for summary judgment dismissing the first cause of action is granted.

In its second cause of action for misappropriation of trade secrets, RGBK claims that the "concept" and "systems" it utilized in the implementation of the room service program, including its database of customer contacts and templates utilized to prepare Room Service Assessment Proposals and Project Launch Manuals, were trade secrets entitled to protection from misappropriation.

The Court of Appeals has accepted the definition of a trade secret set forth in section 757 of Restatement of Torts 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. Inc. v. Janien*, 82 NY2d 395, 407 [1993]).

"The Restatement suggest that in deciding a trade secret claim several factors should be considered:

'(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' (Restatement of Torts § 757, comment *b*).

(*Id.*)

Here, the defendants established their prima facie entitlement to judgment as a matter of law on the cause of action alleging misappropriation of trade secrets. The defendants have demonstrated, and RGBK acknowledges, that the individual defendants brought a wealth of knowledge and information with them to RGBK, obtained during their years of experience in the industry before joining RGBK.

Moreover, the room service “concept” clearly does not constitute a trade secret as it is not a “formula, pattern, device or compilation of information.” Nor are the templates utilized to prepare proposals and manuals for customers. Rather, the templates are simply the format in which the information is presented to the customer, they are not information. Moreover, as stated above, RGBK’s customer list did not constitute a trade secret as the contact information for hospitals was available in the marketplace. In opposition, RGBK has failed to raise a triable issue of fact. RGBK has failed to demonstrate, among other things, that the information it seeks to protect was not known outside the business, that it took measures to guard the secrecy of the information, or that it expended effort and money in developing the information. Knowledge of the intricacies of a business operation or customer lists, where the customers are readily ascertainable from independent sources, are not protected trade secrets (*see Reed, Roberts Assocs., Inc. v. Strauman*, 40 NY2d 303 [1976]; *WMW Machinery Co., Inc. v. Koerber AG*, 240 AD2d 400 [2d Dept. 1997]; *Amana Express Intern., Inc. v. Pier-Air Intern., Ltd.*, 211 AD2d 606 [2d Dept. 1995]). Accordingly, that branch of defendants’ motion for summary judgment dismissing the second cause of action is granted.

The elements of the tort of interference with contract are (1) the existence of a valid contract, (2) defendant’s knowledge of that contract, (3) defendant’s intentional procuring of the breach, and (4) damages (*White Plains Coat & Apron Co., Inc. v. Cintas Corp.*, 8 NY3d 422, 426 [2007]). There must be a breach of contract in order for there to be actionable interference with contract (*NBT Bancorp Inc. v. Fleet/Norstar Financial Group, Inc.*, 87 NY2d 614, 621 [1996]). Here, RGBK’s third cause of action must be dismissed as there is no evidence of any breach of any contract between RGBK and a third party (*see J.C. Klein, Inc. v. Forzley*, 289 AD2d 79, 80 [1st Dept. 2001]). The fact that RGBK permitted the defendants, after they resigned, to continue working on projects in progress at the time they resigned, does not demonstrate that any of RGBK’s existing contracts were breached. In fact, RGBK effectively admits that none of its existing contracts were breached when it argues that it would have left itself open to nine separate breach of contract claims had it not authorized defendant to complete the projects. Therefore, that branch of defendants’ motion for summary judgment dismissing the third cause of action is granted.

As recently stated by the Appellate Division, Second Department:

“To establish a defendant’s liability for damages for tortious interference with prospective contractual relations, the plaintiff must show that the defendant engaged in wrongful conduct which interfered with a prospective contractual relationship between the plaintiff and a third party. As a general rule, such wrongful conduct must amount to a crime or an independent tort, and may consist of ‘physical violence, fraud or misrepresentation, civil suits and criminal prosecutions’ *Guard-Life Corp. v. Parker Hardware Mfg. Corp.*, 50 NY2d 183, 191, 428 NYS2d 628,

406 NE2d 445). Such wrongful conduct may include 'some degrees of economic pressure;' however, 'persuasion alone' is not sufficient (*id.* at 191, 428 NYS2d 628, 406 NE2d 445; *see Lyons v. Menoudakos & Menoudakos, P.C.*, 63 AD3d 801, 802, 880 NYS2d 509).

(*Smith v. Meridian Tech., Inc.*, 86 AD3d 557, 559-560 [2d Dept. 2011]).

Here, the defendants, through their own affidavits, have made a prima facie showing that they did not engage in wrongful conduct amounting to a crime or an independent tort, nor did they engage in conduct for the sole purpose of inflicting intentional harm on RGBK (*see Carvel Corp. v. Noonan*, 3 NY3d 182, 190 [2004]). Rather, they established that their conduct was motivated by their own economic self-interest to establish a separate company to provide services to enable hospitals to implement room service meal programs. Again, the defendants did not have employment or confidentiality agreements and were not subject to restrictive covenants. Certainly they were free to leave the company at any time and enter into a competing business venture. In opposition, RGBK has failed to raise a triable issue of fact. Additionally, RGBK has failed to identify any wrongful conduct by the defendants directed not at RGBK but at RGBK's prospective clients (*Id.* at 192). Accordingly, that branch of defendants' motion for summary judgment dismissing the fourth cause of action is granted.

With regard to the fifth cause of action for unfair competition, both parties seek summary judgment. RGBK claims that the defendants misappropriated the RST domain name and website that RGBK financed and developed, as well as RST's name and logo, and that defendants used the website to misappropriate the goodwill and achievements of RST from 2002 to 2008. For example, RST, LLC stated on the web site that it was formed in 2002, despite not having been formed until 2008, and listed as "success stories" projects that had been performed by RST prior to the formation of RST, LLC. In opposition, defendants contend that RGBK's claim for unfair competition should be dismissed because none of the documents or information at issue constitute trade secret material. Further, defendants argue that it was legally impossible for them to have converted RST's name because RST, LLC was not formed as a legal entity until 2008, after they resigned from RGBK. With regard to the domain name, defendants argue that it was never the property of RGBK as it was registered by Conley personally and he never relinquished administrative control of it.

"The law of unfair competition applied by New York State courts is based upon state statutes and decisions and, in part, on federal statutes. Aside from monopoly and restraint of trade . . . there are five categories of unfair competition: (1) trade secrets, (2) trademark or trade name infringement, (3) palming off,

(4) misappropriation, and (5) false labeling or advertising.

(2 NY PJ3d 3:58, at 593 [2012]).

General Business Law § 133 “protects trade names from unlawful infringement by prohibiting the use of someone else’s name, style or symbol as part of one’s own name with an intent to deceive the public.” The plaintiff must show that the defendant used plaintiff’s name or symbol as part of the defendant’s corporate, assumed or trade name for purposes of advertising with an intent to deceive (*see Out of Box Promotions, LLC v. Koschitzki*, 55 AD3d 575 [2d Dept. 2008]). An unfair competition claim involving misappropriation also may involve the taking and use of the plaintiff’s commercial advantage, or goodwill, to compete against the plaintiff (*ITC Ltd. v. Punchgini, Inc.*, 9 NY3d 467, 478-479 [2007]).

Here, the conflicting evidence submitted by the parties demonstrates the existence of triable issues of fact on RGBK’s unfair competition claim, including whether defendants misappropriated the “RST” name, its logo, and domain name. Although Conley claims that he registered the domain name in his individual capacity, the evidence supports the conclusion that he did so on behalf of RST. Additionally, a question of fact exists as to whether defendants, through representations made after the formation of RST, LLC, took and used the goodwill developed by RGBK through RST from 2002 until 2008, and used it for the commercial advantage of RST, LLC. Accordingly, that branch of defendants’ motion seeking summary judgment dismissing RGBK’s fifth cause of action is denied and that branch of RGBK’s cross motion seeking summary judgment on its fifth cause of action is also denied.

That branch of RGBK and Brady’s cross motion for summary judgment seeking dismissal of the fourth counterclaim for conversion is denied. The parties conflicting factual assertions as to whether Brady took specifically identified property, i.e. customer information sheets, belonging to RST, LLC, at a conference in 2009, demonstrate the existence of issues of fact as to whether Brady/RGBK interfered with RST, LLC’s possessory right or interest in the property (*see Colavito v. New York Organ Donor Network, Inc.*, 8 NY3d 43, 49-50 [2006]).

That branch of RGBK and Brady’s cross motion for summary judgment seeking dismissal of the fifth counterclaim for tortious interference with prospective business relations is granted. There is no evidence in the record that RST, LLC would have entered into contracts with specific customers but for Brady’s alleged conversion of RST, LLC’s customer information sheets (*see Slatkin v Lancer Litho Packaging Corp.*, 33 AD3d 421 [1st Dept. 2006]). Moreover, RST, LLC has failed to identify any wrongful conduct by RGBK/Brady directed not at RST, LLC but at its prospective clients (*see Carvel Corp. v. Noonan*, 3 NY3d 182, 192 [2004]).


That branch of RGBK and Brady's cross motion for summary judgment seeking dismissal of the sixth and seventh counterclaims for defamation is denied. Contrary to the contention of RGBK and Brady, considering the context in which the statement was made, during a business conference, it cannot be fairly categorized as opinion (*see Thomas H. v. Paul B.*, __ NY3d __, 2012 NY Slip Op 01318 [2012]).

That branch of RGBK and Brady's cross motion for summary judgment dismissing the eighth and ninth causes of action for injurious falsehood is granted as a prima facie showing has been made that RST, LLC did not sustain any special damages (*see Gilliam v. Richard M. Greenspan, P.C.*, 17 AD3d 634, 635 [2d Dept. 2005]; *DiSanto v. Forsyth*, 258 AD2d 497, 498 [2d Dept. 1999]). In opposition, defendants have failed to raise a triable issue of fact.

Finally, that branch of RGBK and Brady's cross motion for summary judgment dismissing the tenth counterclaim for unfair competition is granted. The defendants allege that Brady and RGBK utilized the customer information sheets allegedly taken by Brady to contact and solicit potential customers of RST, LLC. However, Brady testified that since defendants resigned, RGBK did not enter into any healthcare room service engagements. Thus, RGBK/Brady have made a prima facie showing that the customer information sheets were not utilized for commercial advantage to compete against RST, LLC. Defendants do not make any argument in opposition to this branch of RGBK/Brady's cross motion.

This constitutes the **DECISION** and **ORDER** of the Court.

Dated: February 27, 2012
Riverhead, New York



EMILY PINES
J. S. C.