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SHORT FORM ORDER

INDEX No. 07-32277
CAL. No. 11-01044CO

SUPREME COURT - STATE OF NEW YORK
I.A.S. PART 33 - SUFFOLK COUNTY

PRESENT:

Hon. THOMAS F. WHELAN
Justice of the Supreme Court

MOTION DATE 6-24-11 (#006 & #007)
MOTION DATE 10-24-11 (#008)
MOTION DATE 1-23-12 (#009)
ADJ. DATE 1-23-12
Mot. Seq. # 006 - WDN # 008 - MD
007 - XMG # 009 - MD

GIUMENTA CORP. D/B/A/ ARCHITECTURAL GRILLE, Plaintiff, - against - DESKTOP SOLUTIONS SOFTWARE, INC., Defendant.	PANTERIS & PANTERIS, LLP Attorney for Plaintiff 35-16 Bell Boulevard, Suite 201 Bayside, New York 11361 P.B. TUFARIELLO, P.C. Attorney for Defendant 25 Little Harbor Road Mount Sinai, New York 11766

Upon the following papers numbered 1 to 107 read on this motion to vacate note of issue; motion to dismiss; cross motion for summary judgment; and motion to vacate note of issue ; Notice of Motion/ Order to Show Cause and supporting papers 1-12; 13-47; 48-50 ; Notice of Cross Motion and supporting papers 51-59 ; Answering Affidavits and supporting papers 60-62; 63-78; 79-87; Replying Affidavits and supporting papers 88-89; 90-107 ; Other Defendant's memorandum of law and correspondence from defendant dated 12/30/11; (~~and after hearing counsel in support and opposed to the motion~~) it is,

ORDERED that the motions (#006, #008 & #009) by defendant Desktop Solutions Software, Inc., and the cross motion (#007) by plaintiff Giumenta Corp., d/b/a Architectural Grille, are consolidated for the purposes of this determination; and it is

ORDERED that the motion (#006) by defendant Desktop Solutions Software, Inc. shall be marked withdrawn in accordance with correspondence from movants' counsel dated December 30, 2011; and it is

ORDERED that the cross motion (#007) by plaintiff for summary judgment dismissing defendant's counterclaims against it is granted; and it is

ORDERED that the motion (#009) by defendant seeking the identical relief contained in its correspondence to the court, to wit, withdrawal of its motion for vacatur of the note of issue, is denied, as moot; and it is

ORDERED that the motion (#008) by defendant seeking an order dismissing plaintiff's complaint is decided as follows.

In this action for breach of contract and unjust enrichment, plaintiff Giumenta Corp., d/b/a Architectural Grille, seeks judgment against defendant Desktop Solutions Software, Inc. for damages related to defendant's alleged failure to develop and host a website for its business. By its complaint, plaintiff alleges that it paid defendant a sum of $47,928 for the development of the website, that there were inordinate delays in completion of the website, and that defendant failed to deliver a website that could be published to the internet or which contained many of the essential features specified in the parties' agreement. The complaint further alleges that defendant has been unjustly enriched since it received substantial payment despite failing to deliver the website in accordance with the terms of the agreement. Defendant joined issue on December 6, 2007, asserting, in addition to general denials, that any delay in its delivery of the website was caused by plaintiffs' demand for additional features to the website and changes to the contract, as well as plaintiffs' failure to provide information and documentation necessary for the completion of the website. The answer interposes counterclaims for breach of contract, breach of fiduciary duty, misappropriation of intellectual property, and a permanent injunction enjoining plaintiff from using its current website.

The parties have engaged in a protracted dispute over plaintiff's alleged failure to respond to defendant's discovery demands. As a result of the dispute, defendant made two separate motions for the dismissal of plaintiff's complaint. Plaintiff's first motion was withdrawn in accordance with a stipulation entered by the parties. By order dated November 6, 2008, this court denied defendant's second motion, finding, inter alia, that plaintiff substantially complied with defendant's demand for a second set of interrogatories. On March 11, 2009, defendant moved for summary judgment dismissing the complaint. Plaintiff opposed the motion and cross moved for dismissal of defendant's counterclaims. In opposition to defendant's motion, plaintiff submitted, among other things, an affidavit by Thomas Tidwell, Vice President of Sales and Marketing of The Ad Firm, a technology company allegedly hired by plaintiff to complete the unfinished website. The parties subsequently entered a stipulation withdrawing both motions on July 22, 2009. Following withdrawal of the motions, defendant made numerous unsuccessful attempts to locate and depose Mr. Tidwell, including obtaining a commission from the court permitting it to conduct a deposition of Mr. Tidwell in the State of Arizona. A compliance conference was conducted in this action on April 12, 2011, and a note of issue and certificate of readiness indicating the end of discovery were filed on May 18, 2011.

Defendant now moves for an order vacating the note of issue, arguing that discovery is incomplete and that it will be unable to conduct Mr. Tidwell's deposition in time to file its motion for summary judgment within 120 days of entry of the note of issue. Defendant also requests that plaintiff be precluded from utilizing Mr. Tidwell's affidavit in connection with its cross motion, since it only identified him as a

witness in its opposition to defendant's summary judgment motion. Plaintiff opposes the motion and cross-moves for an order dismissing defendant's counterclaims. Plaintiff asserts, inter alia, that it never impeded defendant's attempts to depose Mr. Tidwell, and that defendant did not serve a notice for such deposition until May 12, 2011, approximately three days after it received plaintiff's note of issue. Plaintiff further seeks dismissal of defendant's counterclaims on the grounds the court lacks subject matter jurisdiction to resolve the counterclaims, and that such counterclaims are contrary to the terms of the parties' contract, which specified that the website was a work made for hire. In opposition to plaintiff's cross motion, defendant avers that triable issues exist as to whether the parties' contract grants plaintiff ownership of its "original, singular and concrete ideas and intellectual property" embodied in the subject website, and whether plaintiff breached the parties' contract and misappropriated such intellectual property when it requested defendant publish the website to a third-party server and permitted the website to be copied by an independent contractor.

After the filing of such motions, the Court received correspondence from defendant's counsel, dated December 30, 2011, stating that defendant wishes to withdraw its motion for vacatur of the note of issue. Plaintiff opposes defendant's request only to the extent that such withdrawal requires dismissal of its cross motion. Inasmuch as the withdrawal of the motion does not preclude plaintiff's cross motion for dismissal of defendant's counterclaims, defendant is permitted to withdraw its motion. Defendants' request that all relevant submissions included in its moving papers be considered in opposition to plaintiff's cross motion also is granted. However, the Court denies, as academic, defendant's further request in its correspondence that it be precluded from deposing nonparty witness Thomas Tidwell. Based upon the foregoing, the motion (#009) by defendant seeking the identical relief requested in its December 30, 2011 correspondence to the court is denied, as moot.

As to plaintiff's cross motion, the federal Copyright Act preempts a state cause of action if the claim asserted falls within the subject matter of federal copyright law and seeks protection of rights that are equivalent to the exclusive rights protected by the statute (17 USC §301 [a]; *see* ***Computer Associates International, Inc. v. Altai***, 982 F2d 693, 716 [2d Cir. 1992]; ***Harper & Row, Publishers, Inc. v. Nation Enters.***, 723 F2d 195, 200 [2d Cir. 1983], *rev'd on other grounds*, 471 U.S. 539 [1985]; *see also* ***Hicinbothem v National Gulf Corp.***, 266 AD2d 637, 697 NYS2d 760 [3d Dept 1999]). "A state right is equivalent to copyright if the state right is infringed by the mere act(s) of reproduction, performance, distribution or display" (***Universal City Studios, Inc. v. The T-Shirt Gallery, Ltd.***, 634 F Supp 1468, 1475 [SD NY 1986], *quoting* ***Mayer v. Josiah Wedgwood & Sons, Ltd.***, 601 F Supp 1523, 1535 [SD NY 1985]). "A dispute that turns on whether a copyrighted work was created independently or as a work made for hire is an ownership dispute that unquestionably arises under the Copyright Act" (***Scandinavian Satellite Sys. v Prime TV Ltd.***, 291 F3d 839, 845 [DC 2002]). Furthermore, while "ideas" generally do not enjoy copyright protection, courts have consistently held that they fall within the "subject matter of copyright" for the purposes of preemption analysis when they are embodied within a copyrighted work (*see* ***Entous v Viacom Intl. Inc.***, 151 F Supp 2d 1053 [CD Cal 2001]; ***Selby v New Line Cinema Corp.***, 96 F Supp 2d 1053 [CD Cal 2000]).

Here, defendant's counterclaims asserts causes of action based on breach of contract, breach of fiduciary duty, misappropriation of intellectual property, and injunctive relief enjoining plaintiff from further use of its current website. The counterclaims, including the counterclaim based upon breach of contract, are predicated upon plaintiff's alleged misappropriation, transfer and unauthorized copying of defendant's intellectual property. Therefore, the claims, which seek protection of rights equivalent to those exclusively protected by the federal Copyright Act, are preempted by the federal statute (*see* ***Scandinavian Satellite Sys. v Prime TV Ltd.***, *supra*; ***National Basketball Assn. v Motorola***, 105 F3d 841 [2d Cir 1997]; ***Computer Associates International, Inc. v. Altai***, *supra*; *cf.* ***Jordan v Aarismaa***, 245 AD2d 616, 665 NYS2d 973 [3d Dept 1997]). Further, inasmuch as defendant's counterclaim for the alleged misappropriation of "original ideas" or "concrete work product" refers to intellectual property contained within the subject website, such claims also are preempted (*see* ***Entous v Viacom Intl. Inc.***, *supra*; ***Selby v New Line Cinema Corp.***, *supra*). Accordingly, plaintiff's cross motion for summary judgment dismissing defendant's counterclaims is granted.

Defendant also moves for dismissal of plaintiff's complaint pursuant to CPLR 3211(a) (7). Defendant argues, inter alia, that plaintiff failed to state a cause of action for breach of contract since it created and delivered a functioning website to plaintiff in accordance with parties' agreement. Defendant further asserts that plaintiff's cause of action for unjust enrichment is not actionable since, among other things, plaintiff benefitted from delivery of the subject website.

When considering a motion to dismiss pursuant to CPLR 3211 (a) (7), the court must construe the pleadings liberally, accept the allegations of the complaint as true and provide the plaintiffs the benefit of every possible favorable inference (*see* ***EBC I, Inc. v Goldman, Sachs & Co.***, 5 NY3d 11, 19, 799 N.Y.S.2d 170 [2005]; ***Griffin v Anslow***, 17 AD3d 889, 891, 793 N.Y.S.2d 615 [3d Dept 2005]). A court may consider evidentiary material submitted by a plaintiff to remedy defects in the complaint, but the court should not rely on evidence submitted by the proponent of the motion as a basis for dismissal unless that evidence conclusively establishes the falsity of an alleged fact (*see* ***Guggenheimer v Ginzburg***, 43 NY2d 268, 275, 401 NYS2d 182 [1977]; ***County of Suffolk v MHC Greenwood Village, LLC***, 91 AD3d 587, 937 NYS2d 89 [2d Dept 2012]; ***Sokol v Leader***, 74 AD3d 1180, 904 NYS2d 153 [2d Dept 2010]). On a motion pursuant to CPLR 3211 (a) (7), the Court's sole inquiry is whether the facts alleged in the complaint fit within any cognizable legal theory, not whether there is evidentiary support for the complaint (***Leon v. Martinez***, 84 NY2d 83, 87, 614 NYS2d 972 [1994]).

Here, plaintiff's complaint, which states that it paid plaintiff to develop and host a working website, and that it incurred damages when plaintiff failed to deliver such website, states a valid caused of action for breach of contract (*see* ***J.P. Morgan Chase v J.H. Elec. of N.Y., Inc.***, 69 AD3d 802, 893 NYS2d 237 [2d Dept 2010]; ***Furia v Furia***, 116 AD2d 694, 498 NYS2d 12 [2d Dept 1986]). Further, none of the evidence submitted by defendant conclusively establishes the falsity of the factual allegations underlying the claim. "Whether a plaintiff can ultimately establish its allegations is not part of the calculus on a motion to dismiss" (***EBC I, Inc. v Goldman, Sachs & Co.***, *supra* at19; *see* ***Leon v Martinez***, 84 NY2d 83, 614 NYS2d 972 [1994]). Thus, the branch of defendant's motion for dismissal of plaintiff's breach of contract claim is denied.

However, as for the branch of defendant's motion seeking dismissal of plaintiff's claim for unjust enrichment, "[t]he existence of a valid and enforceable written contract governing a particular subject matter ordinarily precludes recovery in quasi contract for events arising out of the same subject matter. . . A 'quasi contract' only applies in the absence of an express agreement" (***Clark-Fitzpatrick, Inc. v Long Island R Co.***, 70 NY2d 382, 388, 521 NYS2d 653 [1987]; *see* ***A. Montilli Plumbing & Heating Corp. v Valentino***, 90 AD3d 961, 935 NYS2d 647 [2d Dept 2011]; ***Scott v Fields***, 85 AD3d 756, 925 NYS2d 135 [2d Dept 2011]). Under the circumstances of this case, it is undisputed that the parties entered into a valid contract covering the creation and publication of the website, and that the alleged breach arises from the subject matter of such agreement. Plaintiff's quasi contractual claim for unjust enrichment, therefore, is dismissed.

Alternately, defendant seeks summary judgment dismissing plaintiff's complaint pursuant to CPLR 3212(b) on the basis that it substantially complied with the contract and was prevented from completing performance when plaintiff, in breach of its duty of good faith and fair dealing, requested that the website be published to a subsequently inaccessible third-party server. Defendant's submissions includes, inter alia, a copy of the parties' contract, as well as transcripts of the deposition testimony by Stephen Giumenta and defendant's president, Frank Imburgio. Plaintiff opposes summary dismissal of its complaint, arguing triable issues exists as to whether defendant rendered substantial performance, whether defendant wilfully breached the contract, and whether the subject website delivered by defendant was commercially inoperable because it was copied from a pre-existing website and utilized GNU General Public Licensed free open source software.

The traditional elements for breach of contract are (1) formation of a contract between the plaintiff and the defendant, (2) performance by the plaintiff, (3) the defendant's failure to perform, and (4) resulting damage (*see* ***J.P. Morgan Chase v J.H. Elec. of N.Y., Inc.***, *supra*; ***Furia v Furia***, *supra*). If a party substantially performed its contractual obligations, it is entitled to the payment due under the contract less a deduction for the cost of completion or correction for any defects in its performance (*see* ***James E. McMurray Enters., v Frohlich***, 309 AD2d 836, 766 NYS2d 78 [2003]; ***Teramo & Co. v O'Brien-Sheipe Funeral Home***, 283 AD2d 635, 725 NYS2d 87 [2001]). The party attempting to prove substantial performance must establish that the alleged defects were insubstantial, minor or trivial (*see* ***Spence v Ham***, 163 NY 220, 57 NE 412 [1900]; ***Carefree Bldg. Prods. v Belina***, 169 AD2d 956, 564 NYS2d 852 [1991]; ***Jerry B. Wilson Roofing & Painting v Jacob-E. R. Kelly Assoc.***, 128 AD2d 953, 513 NYS2d 263, *lv denied* 70 NY2d 828, 523 NYS2d 490 [1987]). However, the question of whether there has been substantial performance, or a breach, is to be determined, whenever there is any doubt, by the trier of fact (*see* ***Jacob & Youngs Inc. v Kent***, 230 NY 239, 129 NE 889 [1921]; ***F. Garofalo Elec. Co. v New York Univ.***, 300 AD2d 186, 754 NYS2d 227 [2002]; ***J. C. Drywall & Acoustical Contrs., v West Shore Partners***, 187 AD2d 564, 590 NYS2d 216 [1992]). Similarly, in the context of a party moving for summary judgment on a cause of action for the alleged breach of an implied covenant of good faith and fair dealing, whether or not such duty has been breached is often a factual question that becomes a question of law only in those cases where only one inference is rationally possible (***Mechanicville v Niagra Mohawk Power Corp.***, 302 AD2d 780, 754 NYS2d 783 [2003]; ***Dvoskin v Prinz***, 205 AD2d 661, 613 NYS2d 654 [1994]).

Here, defendant failed to establish its prima facie entitlement to summary judgment as a matter of law (*see* ***Alvarez v Prospect Hospital***, 68 NY2d 320, 508 NYS2d 923 [1986]; ***Winegrad v New York Univ. Med. Center***, 64 NY2d 851, 487 NYS2d 316 [1985]; ***Bulger v Tri-Town Agency***, 148 AD2d 44, 47, 543 NYS2d 217 [3d Dept 1989]). Defendant's own submissions include contradictory accounts by the owners of both corporate parties as to the operability of the website, and whether the alleged defects were so pervasive and essential that they denied plaintiff the benefit it bargained for under the contract. Moreover, the deposition transcripts of Mr. Giumenta and Mr. Imburgio, which contain conflicting accounts of the cause of the two-year delay in completion of the website, raise credibility issues as to whether such delay was the result of defendant's willful failure to comply with the terms of the contract or whether plaintiff intentionally sought to prevent defendant from completing performance by preventing it from gaining further access to the website after it was published to a third-party server. Accordingly, the branch of defendant's motion seeking summary judgment dismissing plaintiff's complaint is denied.

Dated: 4/9/12

THOMAS F. WHELAN, J.S.C.