

Photonics Indus. Intl., Inc. v Xiaojie Zhao

2017 NY Slip Op 30283(U)

February 6, 2017

Supreme Court, Suffolk County

Docket Number: 05-13835

Judge: Joseph A. Santorelli

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SHORT FORM ORDER

INDEX No. 05-13835
CAL. No. 16-00980CO

SUPREME COURT - STATE OF NEW YORK
I.A.S. PART 10 - SUFFOLK COUNTY

COPY

PRESENT:

Hon. JOSEPH A. SANTORELLI
Justice of the Supreme Court

MOTION DATE 9-1-16 (005, 006)
ADJ. DATE 11-17-16
Mot. Seq. # 005 - MD
Mot. Seq. # 006 - XMotD

-----X

PHOTONICS INDUSTRIES
INTERNATIONAL, INC.,

Plaintiff,

- against -

XIAOJIE ZHAO, XU ZHEN E, DONGZIAO YU
and YUCO OPTICS CORP., d/b/a YUCOPTICS
and HANGZHAU CBV PLASTICS,

Defendants.

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Upon the following papers numbered 1 to 65 read on these motions to vacate the note of issue and for summary judgment; Notice of Motion/ Order to Show Cause and supporting papers 1-10; Notice of Cross Motion and supporting papers 16-21; Answering Affidavits and supporting papers 11-12; 13-15; 22-33; 34-60; Replying Affidavits and supporting papers 61-65; Other ; (and after hearing counsel in support and opposed to the motion) it is,

ORDERED that the motion by plaintiff Photonics Industries International, Inc. to vacate the note of issue it filed on June 1, 2016, is denied; and it is further

ORDERED that the cross motion by defendant Xiaojie Zhao for summary judgment dismissing the complaint asserted against him is granted to the extent indicated, and is otherwise denied.

Plaintiff Photonics Industries International, Inc. commenced this action for injunctive relief and to recover damages for misappropriation of trade secrets, breach of contract, false advertising, and unfair competition. Defendants' answer denies the allegations and is provided only in reply. Plaintiff is a closely-held New York corporation that primarily designs, manufactures and sells lasers, including air-cooled diode pumped lasers, in national and international markets. Plaintiff employed defendant Xiaojie Zhao in various positions from September 2000 until April 23, 2004. Plaintiff alleges that as a condition of his employment, Zhao executed an employment agreement, dated September 5, 2000, which included, among other provisions, a covenant to protect and to not use or disclose trade secrets, confidential or proprietary information. Plaintiff also alleges that Zhao violated a provision in the employment contract whereby he agreed not to engage in the manufacture, design or sale of lasers or laser systems for a period of two years following termination of his employment. On January 13, 2006, this court (Jones, Jr. J.) denied, inter alia, plaintiff's application for a preliminary injunction. On April 10, 2007, the Second Department affirmed (*Photonics Indus. Intl., Inc. v Xiaojie Zhao*, 39 AD3d 610, 832 NYS2d 298 [2d Dept 2007]).

On May 12, 2016, the undersigned, based upon "the stipulation of counsel certifying that disclosure is complete and the readiness of this matter ready for trial," ordered plaintiff to file a note of issue on or before June 2, 2016. Although plaintiff complied with such order the certificate of readiness states that there are no outstanding requests for discovery, "subject to stipulation of parties regarding completion of discovery."

Plaintiff now moves to vacate the note of issue and certificate of readiness it filed on June 1, 2016. In support of the motion, plaintiff submits the complaint, including the employment agreement; various e-mails; an unsigned stipulation; and the note of issue. Defendants Dongxiao Yu and Yuco Optics Corp. oppose the motion and submit an affidavit of Dongxiao Yu. Defendant Xiaojie Zhao also opposes the motion and cross-moves for summary judgment dismissing of the complaint against him. Zhao submits his own affidavit, the employment agreement, the transcript of his own deposition testimony, and three US patents. Plaintiff opposes the cross motion and submits affidavits of Yusong Yin and Alexander Laymon, various correspondence and e-mails, and the pleadings. Defendant Xu Zhen E submits an affirmation of counsel, opposes plaintiff's motion, and supports the cross motion.

Yusong Yin avers he is president of Photonics Industries International, Inc., a closely-held New York corporation that he formed in 1993, which is in the business of designing, manufacturing, and selling lasers on the national and international market. He avers that in 2000 Photonics hired Xiaojie Zhao, and through his employment Zhao managed air-cooled diode pumped lasers, was quality control manager, customer support manager and engineering manager. Yin avers that Zhao had access to and learned Photonics' proprietary information, and violated his employment contract after his termination in 2004 by working with defendant Dongxiao Yu, who formed Yuco Optics Corp., and competed in the solid state laser market.

Xiaojie Zhao testified that he obtained a PhD in photonics from Huazhong University of Science and Technology in Wuhan, China. Photonics is the science of light generation, detection, and manipulation through emission, transmission, modulation, signal processing, switching, amplification, and sensing. He testified he completed a fellowship in Japan and became a research staff member at Princeton University. He testified in September of 2000 he joined Photonics Industries International as a laser engineer. He testified his salary was \$50,000.00 per year, and in 2004 when he was terminated his salary was \$65,000.00. He admits to signing the employment agreement. He testified that in July 2004 he was employed by Yuco Optics Corp. as a sales manager, and that he used public sources to contact potential clients.

Plaintiff's motion for an order vacating the note of issue and compelling defendants to provide further discovery is denied. Although parties to litigation are entitled to "full disclosure of all evidence material and necessary in the prosecution or defense of an action, regardless of the burden of proof" (CPLR 3101[a]), the filing of a note of issue and certificate of readiness denotes the end of the discovery phase of litigation (*Arons v Jutkowitz*, 9 NY3d 393, 411, 850 NYS2d 345 [2007]; see *Tirado v Miller*, 75 AD3d 153, 901 NYS2d 358 [2d Dept 2010]). A party seeking discovery after the filing of the note of issue, therefore, must move to vacate the note within 20 days after service of the note of issue and submit an affidavit demonstrating that the case is not ready for trial (22 NYCRR 202.21[e]). A party seeking additional discovery after expiration of the 20-day period provided in 22 NYCRR 202.21(e) must show "unusual or unanticipated circumstances develop[ed] subsequent to the filing of the note of issue and certificate of readiness which require additional pretrial proceedings to prevent substantial prejudice" (22 NYCRR 202.21 [d]; see *Utica Mut. Ins. Co. v P.M.A. Corp.*, 34 AD3d 793, 826 NYS2d 138 [2d Dept 2006]; *Audiovox Corp. v Benyamini*, 265 AD2d 135, 707 NYS2d 137 [2d Dept 2000]).

The application for vacatur here is untimely, having been made more than twenty days after the filing of the note of issue (see *Tirado v Miller*, 75 AD3d 153, 901 NYS2d 358; *Schroeder v IESI NY Corp.*, 24 AD3d 180, 805 NYS2d 79 [1st Dept 2005]; *Audiovox Corp. v Benyamini*, 265 AD2d 135, 707 NYS2d 137). The circumstances relating to the filing of the note of issue developed before the filing of the note of issue, not subsequent to it. In any event, considering the merits of plaintiff's motion, plaintiff has failed to explain why discovery has not been completed in the ten years prior to the filing of the note of issue. Accordingly, plaintiff's motion is denied.

Likewise, defendant Zhao's cross motion is defective, as the answer was first submitted with his reply papers (see CPLR 3212 [b]; *Tudisco v Mincer*, 126 AD3d 150, 16 NYS3d 878 [4th Dept 2015]; *Wider v Heller*, 24 AD3d 433, 805 NYS2d 130 [2d Dept 2005]). Such a procedural defect may be overlooked if the record is sufficiently complete and the opposing party has not been prejudiced (see CPLR 2001; see also *Welch v Hauck*, 18 AD3d 1096, 795 NYS2d 789 [3d Dept 2005]). In the interest of judicial economy, the court will overlook the defect as the record is sufficiently complete, and plaintiff supplied the answer in opposition to the cross motion, and, therefore, no prejudice has been shown (*Welch v Hauck*, 18 AD3d 1096, 795 NYS2d 789).

It is well settled that the party moving for summary judgment must make a prima facie showing of entitlement to judgment as a matter of law, offering sufficient evidence in admissible form to demonstrate the

absence of any material issues of fact (*see Alvarez v Prospect Hosp.*, 68 NY2d 320, 508 NYS2d 923 [1986]; *Zuckerman v City of New York*, 49 NY2d 557, 427 NYS2d 595 [1980]; *Friends of Animals, Inc. v Associated Fur Mfrs., Inc.*, 46 NY2d 1065, 416 NYS2d 790 [1979]). The failure to make such a prima facie showing requires the denial of the motion regardless of the sufficiency of the opposing papers (*see Winegrad v New York Univ. Med. Ctr.*, 64 NY2d 851, 487 NYS2d 316 [1985]). “Once this showing has been made, however, the burden shifts to the party opposing the motion for summary judgment to produce evidentiary proof in admissible form sufficient to establish the existence of material issues of fact which require a trial of the action” (*Alvarez v Prospect Hosp.*, 68 NY2d at 324, 508 NYS2d 923, *citing Zuckerman v City of New York*, 49 NY2d at 562, 427 NYS2d 595).

Restrictive covenants contained in employment contracts that tend to prevent an employee from pursuing a similar vocation after termination of employment are disfavored in the law (*see Reed, Roberts Assocs. v Strauman*, 40 NY2d 303, 386 NYS2d 677 [1971]; *Skaggs-Walsh, Inc. v Chmiel*, 224 AD2d 680, 638 NYS2d 698 [2d Dept 1996]). Such covenants will be enforced only if reasonably limited temporally and geographically to protect the legitimate interests of the employer and then only to the extent necessary to protect the employer from unfair competition which stems from the employee’s use or disclosure of trade secrets or confidential customer information, or if the employee’s services are unique or extraordinary (*Columbia Ribbon & Carbon Mfg. Co. v A-1-A Corp.*, 42 NY2d 496, 398 NYS2d 1004 [1977]; *see also Savannah Bank N.A. v Savings Bank of Fingerlakes*, 261 AD2d 917, 691 NYS2d 227 [4th Dept 1999]; *H&R Recruiters v Kirkpatrick*, 243 AD2d 680, 663 NYS2d 865 [2d Dept 1997]; *Family Affair Haircutters v Detling*, 110 AD2d 745, 488 NYS2d 204 [2d Dept 1985]).

A trade secret is defined as any formula, pattern, device or compilation of information which is used in one’s business, and which gives the owner an opportunity to obtain an advantage over competitors who do not know or use it (*see Ashland Mgt. Inc. v Jamen*, 82 NY2d 395, 604 NYS2d 912 [1993]; *ENV Servs. v Alesia*, 10 Misc3d 1054 A, 809 NYS2d 481 [Sup Ct Nassau County 2005]). Trade secret protection will not be accorded unless a plaintiff can demonstrate that the information contained in the list was not readily available through other sources (*Leo Silfen, Inc. v Cream*, 29 NY2d 387, 328 NYS2d 423 [1972]). Moreover, the solicitation of a plaintiff’s clients by a former employee is not actionable unless the customer list could be considered a trade secret or there was wrongful conduct by the employee, such as physically taking or copying the employer’s files or using confidential information (*Amana Express Int’l. v Pier-Air Int’l Ltd.*, 211 AD2d 606, 621 NYS2d 108 [2d Dept 1995]; *see also JAD Corp of America v Lewis*, 305 AD2d 545, 759 NYS2d 388 [2d Dept 2003]). Additionally, former employees are entitled to utilize their recollection of information concerning the particular business needs and habits of customers, and such recollected information is not construed as confidential for purposes of enforcing restrictive employment covenants (*see Buhler v Michael P. Maloney Consulting Inc.*, 299 AD2d 190, 749 NYS2d 867 [1st Dept 2002]; *Investor Access Corp. v Doremus & Co.*, 186 AD2d 401, 588 NYS2d 842 [1st Dept 1992]).

As to the first cause of action alleging misappropriation of trade secrets and conversion, defendant Zhao has established his prima facie entitlement to summary judgment, as he testified plaintiff’s “lasers are not unique in the industry and are not significantly different from other similar lasers manufactured by other entities.” Defendant has established, based upon his deposition testimony, that air-cooled diode pumped lasers are common to the market place and their detailed specifications are publicly available. Additionally,

while existing customer lists, may be regarded as trade secrets for the purposes of enforcing restrictive covenants and secrecy agreements (*see Ashland Mgt. Inc. v Jamen, supra; ENV Servs. v Alesia, supra*). Zhao testified, while at Yuco, he used a photonic buyer guide (unrelated to plaintiff), Industrial Solutions buyer guide, and trade show lists to obtain customer information. He testified “everything is public domain,” establishing his prima facie case. Additionally, no evidence exists that even if the lasers were unique, and the customer lists were a trade secret, that defendant Zhao appropriated either. Although Yin speculates in his affidavit that Zhao could only have succeeded as the result of misappropriation, he offers no actual evidence. In opposition, plaintiff has failed to raise a triable issue of fact with regard to this cause of action. Plaintiff has identified that Photonics was the only laser manufacturer who supplied high-powered end pumped intra-cavity diode pumped lasers on the international market and has offered an expert, Alexander Laymon, who opines that Yuco could not have manufactured and developed the Focus Series F3x UV lasers without using plaintiff’s proprietary information. The expert fails, however, to identify both what information was proprietary and by what means it was “misappropriated.” The expert opinion is rejected as speculative and tailored to meet a desired result (*see Klein v King Kullen Grocery Co., 272 AD2d 585, 709 NYS2d 832 [2d Dept 2000]; Solow v Liebman, 262 AD2d 633, 692 NYS2d 693 [2d Dept 1999]; Matter of Aetna Cas. & Sur. Co. v Barile, 86 AD2d 362, 450 NYS2d 10 [1st Dept 1982]*).

The second cause of action alleges breach of contract based on defendant Zhao’s failure to assign inventions to plaintiff. Defendant Zhao has failed established his prima facie entitlement to summary judgment as to this cause of action. Zhao avers that he is credited as an inventor with three United States patents, two have been assigned to plaintiff and the third listing Yusong Yin, president of plaintiff, as a co-inventor. The documentary evidence, including US patent no. 6,842,293 B1, indicates that Yin was credited as a co-inventor; however, the patent was not assigned to Photonics. Accordingly, Zhao has not established a prima facie case that this cause of action be dismissed. Moreover, in opposition, plaintiff has raised a triable issue of fact, as Yin avers that Zhao is credited with thirteen (13) patents in the relevant time frame.

The third cause of action alleges a breach of the employment contracts non-competition clause. That clause provides:

I agree that a period of two years following the termination of my employment, however caused, I will not directly or indirectly for my behalf, or on behalf of, or as an employee of any other merchant, firm, association, corporation, or other entity engage in or be employed by a manufacturer, designer or seller of lasers or laser systems or any other business competitive with the Company.

Defendant Zhao has established his prima facie entitlement to summary on this cause of action as the non-competition clause, while reasonable regarding a time restriction, is without geographical limitation, and therefore, unenforceable, as an otherwise valid covenant will not be enforced if it is unreasonable in time, space or scope or would operate in a harsh or oppressive manner (*see American Broadcasting Companies, Inc. v Wolf, 52 NY2d 394, 438 NYS2d 482 [1981]*). While the court has the authority to “blue pencil” or to sever and grant partial enforcement for an overbroad employee restrictive covenant, as plaintiff suggests, the court declines to rewrite the restrictive covenant (*BDO Seidman v Hirshberg, 93 NY2d 382, 690 NYS2d*

854 [1999]). Accordingly, the third cause of action is dismissed (*see Columbia Ribbon & Carbon Mfg. Co. v A-1-A Corp.*, 42 NY2d 496, 398 NYS2d 1004 [1977]).

The fourth cause of action alleges false advertising in violation of 15 USC § 1125 (a). That section provides:

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Defendant Zhao, the only moving defendant, has established his prima facie entitlement to summary judgment as to this cause of action as no reproduction of any advertisement has been produced, and plaintiff has failed to raise a triable issue as to the fourth cause of action. Plaintiff alleges that Yuco's website contained numerous false representations, including the products it had available at the time, the quality and characteristics of the products that were in commerce, the assembly of its products in a "clean room," and the patents it possessed. On this record, plaintiff has not produced, in admissible form, the alleged false advertisements. Section 43(a) of the Lanham Act forbids the use of a "false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same...." (15 USC § 1125 [a]). A successful Lanham Act plaintiff must make one of two showings. The plaintiff must demonstrate either that the challenged advertisement is literally false, or, although literally true, that it is still likely to mislead or confuse consumers (*see Johnson & Johnson Merck v Smithkline Beecham Corp.*, 960 F2d 294, 297 [2d Cir 1992]; *Johnson & Johnson v GAC Int'l, Inc.*, 862 F2d 975, 977 [2d Cir 1988]). Where the plaintiff's theory is that the challenged advertisement is impliedly false, extrinsic evidence must confirm that the advertisement is likely to mislead or confuse (*see Smithkline Beecham*, 960 F2d at 297). Plaintiff has not shown that Zhao, as opposed to Yuco, advertised. Critically, plaintiff has not produced the offending advertisement. Accordingly, the fourth cause of action is dismissed as to defendant Zhao.

The final cause of action alleges unfair competition in violation of the common law. Under New York law, "[a]n unfair competition claim involving misappropriation usually concerns the taking and use

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of the plaintiff's property to compete against the plaintiffs own use of the same property" (*ITC Ltd. v Punchgini, Inc.*, 9 NY3d 467, 850 NYS2d 366 [2007]). Defendant has established his prima facie entitlement to summary judgment as to this cause of action as plaintiff has not provided any evidence of a "misappropriation" of property. In opposition, plaintiff has failed to raise a triable issue of fact. Accordingly, this cause of action is dismissed as to Zhao.

Dated: FEB 06 2017


HON. JOSEPH A. SANTORELLI
J.S.C.

 FINAL DISPOSITION X NON-FINAL DISPOSITION