Interactive Graphics Corp. v T+Ink, Inc.
2017 NY Slip Op 30796(U)
April 17, 2017
Supreme Court, New York County
Docket Number: 653695/2015
Judge: Saliann Scarpulla

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 39
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INTERACTIVE GRAPHICS CORPORATION

Plaintiff,

-against-

T-INK, INCORPORATED,

Defendant.

---X

DECISION/ORDER

Index No. 653695/2015
Motion Seq. No. 002

HON. SALIANN SCARPULLA, J.:

In this breach of contract action, defendant T+Ink, Incorporated ("T+Ink") moves to dismiss the second, third, fourth, fifth, sixth and seventh causes of action set forth in the complaint of plaintiff Interactive Graphics Corporation's ("Interactive") for failure to state a claim.[1] Additionally, T+Ink seeks to dismiss the complaint, pursuant to Business Corporation Law § 1312(a), because Interactive maintains this action as a foreign corporation doing business in New York without the proper authority.

Background[2]

T+Ink owns multiple patents, including the patent for the interactive technology "Touchcode." Touchcode uses conductive, or "smart," ink on product packaging to enhance the consumer interactive experience and for brand authentication. Interactive was created as an "advertorial" company using interactive technology such as Touchcode to "enhance purchasing experiences, customer service functions and product security."

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[1] Defendant states that it was incorrectly sued as T+ink, Incorporated, and that its correct entity name is T+ink, Inc.

[2] The facts as set forth below were taken from the allegations in the complaint.

Between January 2012 and June 2013, Interactive and T+Ink discussed partnering to license T+Ink's interactive technology. In or about July 2014, T+Ink contracted for Interactive to be the exclusive North America licensing agent of Touchcode (the "Agreement"). The Agreement, prepared by T+Ink, commenced on August 1, 2014 and was effective for "at least 48 months." The Agreement superseded a prior non-exclusive licensing agency agreement, which had been executed in or about June 2013.

Under the Agreement, Interactive became "T+Ink's de facto sales force" with "exclusive authority to market and promote Touchcode and other interactive applications throughout North America to prospective licensees consisting of multinational food and beverage companies, food service providers, restaurant chains, sports stadiums, concert venues and other hospitality industry companies." The Agreement further provided that T+Ink would maintain "proprietary control over the complex conductive ink printing process" such that "the Touchcode conductive ink remained static until unlocked and activated by the licensee using an unlocking device that only T+ Ink maintained."

The complaint alleges that, under the Agreement, T+Ink agreed to pay Interactive a royalty equivalent of 93% of the net sales that Interactive made in licensing Touchcode. Thus, T+Ink would earn a royalty of 7% of the net sales made by Interactive, and would also be entitled to payment for costs associated with the conductive ink printing and unlocking processes.

On or about August 4, 2014, Interactive's officers and sales team attended training on the marketing, functionality, capabilities and application of the Touchcode technology. The training was held at T+Ink's offices. To fulfill its obligations under the Agreement, Interactive performed, among other things, the following: (1) Interactive coordinated with T+Ink to design Interactive's website to reflect the T+Ink logo and Touchcode trademark; (2) Interactive coordinated with T+Ink to create an advertising "infomercial" and Touchcode promotional cards for prospective licensees;

(3) Interactive worked with representatives from T+Ink Germany to prepare for the technology demonstrations; and (4) Interactive spent thousands of hours developing prospective licensee contracts, and preparing for and presenting demos at prospective licensee meetings.

Between August 1, 2014 and October 2015, Interactive allegedly performed all material terms under the Agreement. As a result of Interactive's sales efforts, "prospective licensees expressed interest in purchasing a Touchcode licensing opportunity and using the technology on one or more product lines." The prospective licensees included Pepsico/Frito-Lay, Kraft-Heinz Company, Colorforms Brand LLC, The Walt Disney Company, Maple Leafs Sports & Entertainment, LLC and Bed Bath & Beyond. In order to finalize and close on the Touchcode licensing agreements, Interactive required a commitment from T+Ink to provide timely back-end support and assistance with the conductive ink printing process, without which Interactive could not proceed.

In or around June 2015, Interactive's sales efforts positioned it to finalize and close on Touchcode licensing agreements with the prospective licensees. Interactive claims that, in or about July or August 2015, T+Ink attempted to force Interactive to change the terms of the Agreement and agree to accept reduced royalties. Interactive refused. In or about August and September 2015, T+Ink allegedly ignored and refused Interactive's requests for support in the conductive ink printing process. Interactive alleges that, as a result of T-Ink's refusal to provide support, Interactive was "compelled to postpone or cancel further discussions and final pitch meetings" with the proposed licensees.

Interactive alleges that T-Ink breached the Agreement by: (1) failing to perform its obligations under the Agreement by failing to facilitate and support Interactive's prospective licensing arrangements, (2) terminating the Agreement and withdrawing Interactive's authority to license Touchcode previously granted, and (3) demanding, under threat of lawsuit, that Interactive cease all performance under the Agreement.

In or about October 2015, "T+Ink attempted to take control of [Interactive's] operations and management by pressuring, coercing, or compelling [Interactive] to hire Jonathan Stathakis, a T+Ink employee, contractor and/or consultant as well as family member of T+Ink founders and executives Anthony and Jonathan Gentile."

In an October 19, 2015 letter, T+Ink's counsel, Douglas Wolf, "denied the existence of any business arrangement between Interactive and T+Ink while, at the same time, claiming [Interactive] was in breach of the terms of the business arrangement with T+Ink, terminating the business arrangement between [Interactive] and T+Ink, and threatening potential legal action if [Interactive] continued to pursue Touchcode licensing agreements . . .." On November 6, 2015, Wolf sent another letter making the same demands.

In a November 6, 2015 letter, Interactive responded to Wolf's letter, stating that Interactive and T+Ink had a contract enforceable through, at a minimum, July 31, 2018. In the letter, Interactive claimed that T+Ink breached the Agreement, and had tortiously interfered with Interactive's prospective business relations. Interactive then commenced this action.

Interactive's complaint contains seven causes of action: breach of contract, tortious interference with prospective economic relations, tortious interference with prospective business/economic advantage, breach of the implied covenant of good faith and fair dealing, unjust enrichment, promissory estoppel, and quantum meruit.

T+Ink moves to dismiss the complaint on the ground that Interactive is an unauthorized foreign corporation doing business in New York, and, therefore, pursuant to the Business Corporation Law, is prohibited from maintaining this action. T+Ink further moves to dismiss Interactive's second and third causes of action for tortious interference on the grounds that the claims lack particularity and are duplicative of Interactive's breach of contract claim.[3] Additionally, T+Ink moves to dismiss Interactive's four quasi-contract claims for breach of the implied covenant of good faith and fair dealing, unjust enrichment, promissory estoppel, and quantum meruit.

Discussion

I. T+Ink's Business Corporation Law § 1312(a) motion

T+Ink argues that because Interactive is a foreign corporation doing business in New York without authorization, it may not maintain this action. Consequently, T+Ink asks the Court to stay the action for six months, to afford Interactive the time to properly file with the New York Department of State. In the event Interactive does not file the appropriate documents, T+Ink claims that the Court must dismiss the action, pursuant to Business Corporation Law (BCL) § 1312 (a).

BCL § 1312 (a) bars suits by corporations that do business in New York without authorization: "(a) A foreign corporation doing business in this state without authority shall not maintain any action or special proceeding in this state unless and until such corporation has been authorized to do business in this state and it has paid to the state all fees and taxes imposed under the tax law or any related statute, as defined in section eighteen hundred of such law, as well as penalties and interest charges related thereto, accrued against the corporation."

A foreign corporation's failure to comply with the requirements set forth under this statute undermines the corporation's capacity to bring suit in a New York court. *Tri-Terminal Corp. v CITC Indus.*, 78 AD2d 609 (1st Dept 1980). To successfully argue for dismissal under this statute, a defendant must "demonstrate that these corporations' activities are so systematic and regular as to manifest continuity in New York" and must, further, "rebut the presumption that these entities are

[3] T+Ink does not move to dismiss the first cause of action for breach of contract.

doing business where they were incorporated and not in New York." *Nick v Greenfield*, 299 AD2d 172, 173 (1st Dept 2002) (internal citations omitted).

In the complaint, Interactive alleges that it is a foreign corporation, incorporated in Delaware, and "during all relevant periods related to this action . . . its principal place of business [was] at T+Ink's offices located at 244 West 54th St., 9th Floor, New York, NY 10019." Although Interactive submits an affidavit from its chief executive officer stating that Interactive does not do business in New York, Interactive is bound to the allegations in the complaint, which I must accept as true upon a motion to dismiss. *Moncreiffe Corp. v. Heung*, 293 A.D.2d 324, 324 (1st Dep't 2002). Interactive is therefore a foreign corporation, doing business in this state, without proper authority. To the extent that Interactive contends that BCL § 1314 (b) affords it the right to maintain this action despite its registration status, I find that BCL § 1314 (b) does not override BCL § 1312 (a), and that BCL § 1314 (b) does not afford Interactive the right to maintain this action if it is out of compliance with BCL § 1312 (a).

Noncompliance with BCL § 1312 (a) is curable during the pendency of an action. *See Tri-Terminal Corp.*, 78 AD2d at 609. Thus, on the condition of dismissal of this action in the event of Interactive's failure to comply, the court directs Interactive to demonstrate whether it has obtained proper authority to do business in New York within 30 days of the date of this Order.

II. Interactive's second and third causes of action: Tortious Interference

T+Ink moves to dismiss the second cause of action for tortious interference with prospective economic relations and third cause of action for tortious interference with prospective economic advantage on the grounds that they lack the requisite particularity and are duplicative of Interactive's breach of contract claim.

To establish a claim for tortious interference with prospective economic relations, a plaintiff must allege that it would have entered into an economic relationship, but for the defendant's wrongful conduct, or that defendant acted for the sole purpose of harming the plaintiff. *Vigoda v DCA Prods. Plus*, 293 AD2d 265, 266 (1st Dept 2002). Further, plaintiff must demonstrate that the defendant's interference with its prospective business relations was accomplished by "wrongful means." *Snyder v Sony Music Entertainment*, 252 AD2d 294, 299-300 (1st Dept 1999). "'Wrongful means' includes physical violence, fraud, misrepresentation, civil suits, criminal prosecutions and some degree of economic pressure, but more than simple persuasion is required." *Id.* Tortious interference with business relations is "conduct directed not at the plaintiff itself, but at the party with which the plaintiff has or seeks to have a relationship." *Carvel Corp. v Noonan*, 3 NY3d 182, 192 (2004).

Likewise, to state a claim for tortious interference with prospective economic advantage in New York, a plaintiff must plead: (1) that it had a business relationship with a third party; (2) that the defendant knew of that relationship and intentionally interfered with it; (3) that the defendant acted solely out of malice or used improper or illegal means that amounted to a crime or independent tort; and (4) that the defendant's interference caused injury to the relationship with the third party. *Amaranth LLC v J.P. Morgan Chase & Co.*, 71 AD3d 40, 47 (1st Dept 2009).

In the second and third causes of action, Interactive alleges that T+Ink interfered with its relationships with prospective licensees. Specifically, Interactive alleges that T+Ink undermined these relationships by: (1) failing to provide the support Interactive needed to complete its negotiations regarding the licensing of Touchcode; and (2) contacting, or attempting to contact, the prospective licensees to provide "false or misleading information disputing that [Interactive] had the authority to market, promote and license the Touchcode technology on T+Ink's behalf."

Based upon these allegations I find that Interactive has adequately pled its claims for tortious interference. At this stage of the litigation, Interactive has sufficiently alleged that T+Ink, with knowledge of Interactive's relationship with the prospective licensees, contacted or attempted to contact prospective licensees to induce them not to work with Interactive by presenting false statements "disputing that [Interactive] had the authority to market, promote and license the Touchcode technology on T+Ink's behalf." These alleged acts may constitute a tort independent of the contract, and, therefore satisfy the pleading requirements. *See Carvel Corp. v Noonan*, 3 NY3d at 191-192.

Interactive's allegations of T+Ink's contact with Interactive's prospective licensees, together with Interactive's allegations that T+Ink sought to amend the terms of the Agreement to reduce Interactive's royalties, and that T+Ink refused to provide support and assistance in the conductive ink printing process, raise issues of fact concerning T+Ink's intent, and state claims of tortious interference. These allegations do not duplicate Interactive's breach of contract claims, as they allege tortious conduct collateral to any contractual responsibilities.

III. Interactive's Claim Alleging T+Ink's Breach Of Implied Covenant Of Good Faith And Fair Dealing And Other Quasi Contract Claims

T+Ink seeks dismissal of Interactive's four quasi-contract claims as duplicative of Interactive's breach of contract claim. The four claims are: (1) breach of the implied covenant of good faith and fair dealing; (2) unjust enrichment; (3) promissory estoppel; and (4) quantum meruit.

As for its claim of breach of the implied covenant, Interactive alleges that T+Ink's conduct, in particular, its failure to provide the back-end support to facilitate Interactive's Touchcode licensing, rendered Interactive's ability to meet its obligations under the agreement impossible. In its complaint, Interactive alleges as follows: "The promise to provide critical, timely back-end support as described in this Complaint to facilitate [Interactive's] licensing of Touchcode to the Licensees, while not expressly delineated in the Exclusive Agency Agreement, is implied in the terms, is central and necessary to [Interactive's] ability to fulfill its contractual obligations to T+Ink as well as to the Licensees, and is not contrary to any express provision in the Exclusive Agency Agreement."

"Implied in every contract is a covenant of good faith and fair dealing, which 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 the agreement." *Jaffe v Paramount Communications*, 222 AD2d 17, 22-23 (1st Dept 1996). Such a claim will be dismissed if it is accompanied in the complaint by a breach of contract claim that arises from the same set of facts. *Amcan Holdings, Inc. v Canadian Imperial Bank of Commerce*, 70 AD3d 423, 426 (1st Dept 2010). However, "'where there is a bona fide dispute as to the existence of a contract or the application of a contract in the dispute in issue, a plaintiff may proceed upon a theory of quasi contract as well as breach of contract, and will not be required to elect his or her remedies' [internal citation omitted]." *Sabre Intl. Sec., Ltd. v Vulcan Capital Mgt., Inc.*, 95 AD3d 434, 438-439 (1st Dept 2012).

Because there is a dispute as to the existence of the Agreement, I decline to dismiss Interactive's quasi-contract claims at this time.[4] In its complaint, Interactive alleges that in an October 19, 2015 letter, T+Ink "denied the existence of any business arrangement between [Interactive] and T+Ink while, at the same time, claiming [Interactive] was in breach of the terms of the business arrangement with T+Ink . . ." As a result, it is appropriate for Interactive to proceed on alternative causes of action, and is not required to elect its remedy at this stage. Further, Interactive sufficiently alleges a breach of the implied covenant of good faith and fair dealing based on its allegation that T+Ink refused to provide back end support to support its licensing of Touchcode, by

[4] T-Ink asserts that it does not dispute the existence of the Agreement, but disputes the rights and obligations contained in the Agreement. Because the parties do not agree on the rights and obligations contained in the Agreement, Interactive may maintain its quasi-contract claims. Neither party has submitted a copy of the Agreement.

pressuring Interactive to enter into less advantageous terms than the Agreement, and by contacting or attempting to contact prospective licensees to provide false information about Interactive's right to act as a licensing agent for Touchcode.

On these same grounds, Interactive argues that its claims for unjust enrichment, promissory estoppel, and quantum meruit, should be permitted to go forward. "A quasi or constructive contract rests upon the equitable principle that a person shall not be allowed to enrich himself unjustly at the expense of another. In truth it is not a contract or promise at all. It is an obligation which the law creates, in the absence of any agreement, when and because the acts of the parties or others have placed in the possession of one person money, or its equivalent, under such circumstances that in equity and good conscience he ought not to retain it . . ." *Miller v Schloss*, 218 NY 400, 407 (1916).

The requirements of proof for a claim of unjust enrichment include the allegation that the plaintiff conferred a benefit upon the defendant and that the defendant obtained the benefit without adequately compensating the plaintiff. *Korff v Corbett*, 18 AD3d 248, 251 (1st Dept 2005). To establish a claim for unjust enrichment, a plaintiff must prove: "'(1) the defendant was enriched, (2) at the plaintiff's expense, and (3) that it is against equity and good conscience to permit the defendant to retain what is sought to be recovered' [internal citations omitted]" *GFRE, Inc. v U.S. Bank, N.A.*, 130 AD3d 569, 570 (2d Dept 2015) (internal citations omitted).

According to Interactive's complaint, T+Ink accepted Interactive's services. Interactive alleges that it spent thousands of hours developing prospective licensees for T+Ink's Touchcode product, during which it maintained routine contact with T+Ink, discussing development efforts with T+Ink, which included identifying the names of prospective licensees. Interactive alleges that, as a result of this work and contact, T+Ink was unjustly enriched by Interactive's efforts. Interactive alleges that it received no compensation for these business development efforts.

A viable claim of promissory estoppel includes allegations of: "(1) a clear and unambiguous promise, (2) reasonable and foreseeable reliance by the party to whom the promise was made, and (3) an injury sustained in reliance on the promise." *Rogers v Town of Islip*, 230 AD2d 727, 727 (2d Dept 1996). On this claim, Interactive alleges that T+Ink "rendered . . . a clear and unambiguous promise, in particular, that [Interactive] would have the sole and exclusive right to license T+Ink's Touchcode technology throughout North America for 48 months and, in exchange, keep 93% of the net sales as royalties." Interactive sufficiently pleads that it reasonably relied on T+Ink's promises when it marketed and promoted the technology, sometimes working with T+Ink on these efforts. Finally, Interactive alleges significant injury as a result of the expenditures it made on its business development efforts.

To establish a claim of quantum meruit, a "plaintiff must allege (1) the performance of services in good faith, (2) the acceptance of the services by the person to whom they are rendered; (3) an expectation of compensation therefor, and (4) the reasonable value of the services," allegedly rendered [internal quotation marks and citation omitted]. *Farina v Bastianich*, 116 AD3d 546, 548 (1st Dept 2014). "A quantum meruit recovery is proper where the defendant wrongfully has prevented the plaintiff's performance of a written agreement. *Carvatt v Lippner*, 82 AD2d 818, 818 (2d Dept 1981).

As set forth above, Interactive alleges that it "acted as T+Ink's de facto sales force for Touchcode, spending thousands of hours developing prospective licensee contracts and reporting those prospective licensee contacts back to T+Ink." Interactive further alleges that T+Ink accepted the services of Interactive and "encouraged [Interactive] to continue its aggressive broad-based business development and licensing efforts . . . [Interactive] had a reasonable expectation of compensation for its efforts, and T+Ink had an understanding that [Interactive] was entitled to such compensation for its efforts including, among others, a royalty of 93% of all net sales made by [Interactive]."

Because there is a genuine dispute as to the existence of a contract between T+Ink and Interactive, Interactive is not required to elect one remedy over another. Further, Interactive has alleged all the elements of these three quasi-contract claims. On this 3211 motion, I am required to accept the facts as plead in the complaint as true, not seek any additional detail and "make no effort to evaluate the ultimate merits of the case." *L. Magarian & Co., Inc. v Timberland Co.*, 245 AD2d 69, 69 (1st Dept 1997). Accordingly, I deny T+Ink's motion to dismiss the fourth, fifth, sixth, and seventh causes of action.

In accordance with the foregoing, it is

ORDERED that plaintiff Interactive Graphics Corporation shall file an affidavit indicating whether it has been authorized to do business in this state by the New York State Department of State, together with proof of such authorization, within 30 days of the date of this order; and it is further

ORDERED that, upon plaintiff Interactive Graphics Corporation's failure to file proof that it is authorized to do business in the State of New York within 30 days of the date of this order, the complaint shall be dismissed pursuant to Business Corporation Law § 1312(a); and it is further

ORDERED that defendant T+Ink, Incorporated's motion to dismiss the complaint based on failure to state a claim is denied; and it is further

ORDERED that defendant T+Ink is directed to serve an answer to the complaint within 20 days of the date of this decision; and it is further

ORDERED that the parties appear for a status conference at 60 Centre Street, Room 208 on June 21, 2017 at 2:15 p.m.

This constitutes the decision and order of the Court.

DATE: 4/17/17

SALIANN SCARPULLA, JSC