

WMK Prods., Inc. v Cook
2013 NY Slip Op 31356(U)
June 21, 2013
Supreme Court, New York County
Docket Number: 600102/2004
Judge: Shirley Werner Kornreich
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SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: JUSTICE SHIRLEY WERNER KORNREICH

PART 54

Justice

Index Number : 600102/2004
WMK PRODUCTIONS INC.,
vs
COOK, VICTOR TRENT
Sequence Number : 009
PARTIAL SUMMARY JUDGEMENT

INDEX NO. _____
MOTION DATE 6/1/2013
MOTION SEQ. NO. _____

The following papers, numbered 1 to _____, were read on this motion to/for _____

Notice of Motion/Order to Show Cause — Affidavits — Exhibits _____ No(s). 102 - 136

Answering Affidavits — Exhibits _____ No(s). _____

Replying Affidavits _____ No(s). _____

Upon the foregoing papers, it is ordered that this motion is

and case-motion are
**MOTION ~~A~~ DECIDED IN ACCORDANCE
WITH ACCOMPANYING MEMORANDUM
DECISION AND ORDER.**

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE
FOR THE FOLLOWING REASON(S):

Dated: 6/24/13

SHIRLEY WERNER KORNREICH
[Signature]
S.C. J.S.C.

1. CHECK ONE: CASE DISPOSED NON-FINAL DISPOSITION
2. CHECK AS APPROPRIATE: MOTION IS: GRANTED DENIED GRANTED IN PART OTHER
3. CHECK IF APPROPRIATE: SETTLE ORDER SUBMIT ORDER
- DO NOT POST FIDUCIARY APPOINTMENT REFERENCE

CROSS-MOTION

SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY: PART 54

WMK PRODUCTIONS, INC.,

Index No. 600102/2004

Plaintiff,

- against -

DECISION & ORDER

VICTOR TRENT COOK, L'IL TRENTS MUSIC,
INC., RODRICK E. DIXON, THOMAS J.
YOUNG, COOK, DIXON & YOUNG TENORS,
LTD., & CD ENTERPRISES, INC.,

Defendants.

KORNREICH, SHIRLEY WERNER, J.:

Plaintiff WMK Productions, Inc. (WMK or plaintiff), moves for: 1) partial summary judgment against individual defendants Victor Trent Cook, Rodrick E. Dixon and Thomas J. Young (collectively Performers) on the second cause of action for breach of contract and the third cause of action for unfair competition; 2) renewal of WMK's motion to dismiss the Performers' affirmative defenses and counterclaims; and 3) a default judgment against Li'l Trent's Music, Inc. (LTM) and Cook, Dixon & Young Tenors, Ltd. (CDY Ltd). Mot. Seq 009. WMK is wholly-owned by Willette Klausner. LTM and CDY LTD defaulted on the motion. The Performers appeared *pro se* and opposed. Although all of the Performers appeared, Mr. Dixon acted as their spokesman with court permission. The court requested WMK to supply additional documents, which were e-filed on May 30 and June 1, 2013. Docs 128 through 136.

The Performers cross-move to dismiss the second amended complaint (SAC) on the grounds of: 1) failure to state a claim; 2) lack of damages; 3) *collateral estoppel*; 4) *res judicata*; and 5) unclean hands. They also cross-move for summary judgment of dismissal based upon

documentary evidence [CPLR 3212(a)] for: 2) tortious interference with contract; 2) sanctions; 3) directing an accounting of alleged unpaid royalties; 4) legal fees; and 5) a declaratory judgment that the Performers may refer to themselves as “The Original Three Mo’ Tenors” and “Cook Dixon and Young Formerly of the Three Mo’ Tenors”.

The SAC was filed by Albert Sontag, as Receiver (Receiver) for the Three Mo’ Partnership (Partnership). The gravamen of the action is a dispute over a show called “Three Mo’ Tenors” (Show), a compilation of songs with connecting dialogue authored by Marion Caffey. The SAC contains the following causes of action, numbered as follows: 1) declaratory judgment declaring *ultra vires* and unenforceable a September 2002 agreement between the Performers and, purportedly, the Partnership (2002 Agreement), which was executed by Brenda Trawick; 2) breach of contract for: a) alleged violation of the non-compete clauses in the Performers’ April 2001 employment agreements with the Partnership (Employment Agreements) beginning in May 1, 2002, and b) overcharging the Partnership for performances by the Performers between September 1, 2002 and May 1, 2003; 3) unfair competition allegedly beginning January 1, 2004; 4) tortious interference with a license agreement, dated October 24, 2003 (WMK License), between the Partnership and WMK, which became effective upon court approval on December 3, 2003, in a related proceeding to dissolve the Partnership; and 5) a permanent injunction enjoining all defendants, their agents and representatives from continuing to violate the non-compete clauses in the Employment Agreements, representing the Performers as the “Three Mo’ Tenors” (TMT), usurping the Show, holding themselves out as owners of the Show, and diverting business from the Partnership, WMK or Caffey. The SAC was verified by the Receiver’s attorney, Lawrence A. Mandelker on July 24,

2006. 12/28/12 Affidavit of Dixon (Dixon Aff, Doc 113), Ex D thereto (Doc 115).

The Performers' answer to the SAC consists of a general denial and the following affirmative defenses: 1) failure to state a claim; 2) direct estoppel, collateral estoppel, and *res judicata*; 3) unclean hands, inequitable conduct, breach of fiduciary duty and abuse of the Receiver's position; 4) the Receiver was not the real party in interest; 5) the Receiver diverted money to himself or those acting in concert with him; 6) the Receiver brought the action against the Performers in bad faith, with malice and ill will; 7) the Receiver collected money that should have gone to the Receivership estate, part of which should have been paid to the Performers. Except for the first two affirmative defenses (failure to state a claim and estoppel), the affirmative defenses also are denominated counterclaims.

I. Background

A. The Partnership

The Partnership, formed pursuant to a June 1, 2000, Co-Production Agreement, had four partners, referred to as "Producers", each owning 25%: BT Productions, Inc. (BT); Theatrical Concepts by Caffey, Inc. (Caffey's Entity), E. Camarano Corp. (Camarano's Entity) and Edgewater Productions, Inc. (Edgewater), Klausner's entity.¹ Unanimous consent was required for most

¹The record contains a June 1, 2000, Co-Production Agreement (Doc 128), which provides that Klausner individually is entering into it, but which is signed by Klausner on behalf of Edgewater. There are two Amended and Restated Co-Production Agreements also dated June 1, 2000 (Docs 129 & 130). Document 129 substitutes Edgewater for Klausner, but is executed by Edgewater only, while Document 130 is identical to 129, except that it is signed by all of the parties to it. In the lower left corner of each page of Documents 128, 129 and 130, they contain the identification numbers NY139012.6, NY139012.7 and NY139012.8, respectively. Other than substituting Edgewater for Klausner, the signatures, and the identification numbers, the three documents are the same. Document 130 will be referred to as the Partnership Agreement.

decision-making, except that Caffey's Entity could vote on behalf of Camarano's Entity.

Partnership Agreement, ¶9. The Producers had the right to delegate decision-making as to "day-to-day affairs" to a general manager. *Id.* Paragraph 18 provided that the Partnership Agreement could be amended only by a writing signed by all parties. *Id.*, ¶18. Trawick Artists Management, Inc. (Trawick Artists), was named as the booking agent for all tours of the Show and the general manager of the Initial Production and the Initial Development. Partnership Agreement, ¶7.

An October 27, 2000, Amendment to the Partnership Agreement (Partnership Amendment), provided that, due to BT's agreement to invest \$1,500,000, the net profits would be distributed as follows: 50% to BT; 16 2/3 % to Klausner; and 33 1/3% to Caffey and Euripedes Camarano jointly. Doc 131, ¶1. In the event of a conflict between the Producers about a business decision, the Partnership Amendment modified paragraph 9 of the Partnership Agreement and provided that the decision of the Producer owning the largest percentage would prevail. Doc 131, ¶3. It is undisputed that by September 2002, when the disputed 2002 Agreement was executed, BT and Edgework each owned 50% of the Partnership. This meant that they had to agree on business decisions.

The Partnership Agreement contemplated a separate Production Agreement and a separate Director's Agreement with Caffey. As of June 20, 2000, Caffey granted the Producers an exclusive license to produce the Show, the right to exploit it in various media (e.g., print, audio, video, internet), and the right to use the title TMT (Caffey License). Doc 136. The Caffey License also gave Caffey a right of first refusal as to whether to direct productions of the Show. *Id.* In return, Caffey was entitled to certain royalty payments, percentages of profits and fees. *Id.* The initial term of the Caffey License was seven years from the close of the Workshop for the Show, with various

extensions available. *Id.*

B. Employment Agreements, "Interim Agreements" & the Disputed 2002 Agreement

In April 2001, the Partnership hired the Performers pursuant to three separate employment agreements (Employment Agreements).² The Employment Agreements contained the following non-competition clause:

During the Term and continuing in perpetuity thereafter, you shall make no use of the title "Three Mo' Tenors" or perform in any show making use of such title and you shall not perform in any show which makes any reference to the Show in any of its advertisements or other publicity, and you shall not perform in any show whose repertoire in the aggregate is substantially similar to that used by the Show....

(Non-Compete Clause, emphasis supplied). The Non-Compete Clause further prohibited the Performers, commencing on the termination of the Employment Agreements, from performing with one tenor from the Show for three years, or with two or more tenors from the Show for five years. It is undisputed that the Employment Agreements expired by their terms on April 30, 2002. The Employment Agreements defined the term "Show" as "the concert series and related projects currently entitled 'Three Mo' Tenors' ... and produced by the Partnership" and the term "Performers" as "the three originating performers in the Show" The Performers claim that the Non-Compete Clause expired on April 30, 2002, with the expiration of the Employment Agreements.

The SAC asserts a claim for breach of the Employment Agreements that includes 2002 and 2003. It alleges that since May 1, 2002 (i.e., after the Employment Agreements expired on April 30, 2002), the Performers appeared together using the title TMT for a concert, using or referring to TMT in advertising and publicity, performing in a concert substantially similar to the Show,

²Defendant LTM, entered into an Employment Agreement on Cook's behalf.

claiming to be the Three Mo' Tenors, or claiming to own the rights to the Show, and selling visual and audio recordings of the Show. WMK seeks lost profits from "the production of said performances." SAC, ¶55.

In January and February 2002, it appears that there were negotiations with the Performers, of which Klausner was aware, concerning a new agreement with the Performers. However, there is no conclusive evidence that a new agreement was reached with the approval of Edgework. Dixon Aff, Ex I. The Performers admit that Klausner "informed all parties" that she wanted the new contract to contain the Non-Compete Clause. Dixon Aff, ¶24.

In September 2002, Trawick individually signed the disputed 2002 Agreement, purportedly as a "duly authorized Partner" of the Partnership. Dixon Aff, Ex L, Doc 117. As previously noted, BT, not Trawick individually, was a partner, and the Partnership Amendment required BT and Edgework to agree on business decisions. In a February 8, 2005 decision granting a preliminary injunction, Justice Cahn found that in an August 21, 2002 email, Klausner told Trawick and the Performers' agent (CDE) that: 1) Klausner objected to a new agreement that did not contain the Non-Compete Clause, and 2) no binding agreement could be reached without her consent. PI Dec, Doc 109, p 10.

The term of the purported 2002 Agreement was sixteen months from September 1, 2002, i.e., until January 1, 2004. Dixon Aff, Ex L, Doc 117. The 2002 Agreement provided that at the end of the "Term", or termination by the Partnership, pursuant to ¶15.4, whichever was earlier, the Performers could perform together and use the name TMT "for reference purposes," in a manner that would not mislead or confuse the public, or suggest that they were performing as the TMT. *Id.*

“Formerly known as” or “originally known as” the TMT were given as examples. *Id.* Use of TMT for reference purposes was subject to a royalty to the Partnership for use of the TMT name for two years. *Id.* There is no evidence that the Partnership terminated the 2002 Agreement. It is undisputed that the Performers terminated the purported 2002 Agreement on April 16, 2003 by written notice to the Partnership. Dixon Aff, ¶126.

The 2002 Agreement contained provisions for paying the Performers and the expenses and royalties due when the Show was performed. *Id.* Paragraph 2.3 provided for an extension period for bookings through May 31, 2004, with guaranteed payments to the Performers.

With respect to 2002, the Performers claim that from January 18, 2002 through July 25, 2002, they performed the Show pursuant to “interim agreements” with the Partnership. Dixon Aff, ¶38. This overlaps the period before the Employment Agreements expired on April 30, 2002. In addition, the Performers claim that they performed the Show pursuant to the 2002 Agreement from September 1, 2002 through December 31, 2002.

With respect to 2003, the Performers claim that they performed the Show pursuant to the 2002 Agreement in January 2003 through June 2003. Dixon Aff, ¶¶ 39 & 128. With respect to April and May 2003, they present evidence that performances of the Show had been booked by Trawick Artists, the booking agent pursuant to the Partnership Agreement, ¶7. Dixon Aff, Ex V, Doc 120 (Kirkendall Aff), and Exs F & G thereto, Docs 23-6 & 23-7; Sontag Affidavit, Doc 107 (Sontag Aff), ¶¶15-17.

The SAC admits that there were interim agreements, but claims that they covered performances in 2003 only. The SAC alleges that between May 14, 2003 and November 30 2003,

the Receiver entered into "Interim Agreements" with the Performers to appear in the Show at "certain venues previously booked" by the Partnership. SAC, ¶29. There is evidence that the Receiver authorized some presenters to pay the Performers' agent directly for bookings of the Show in April and May 2003, in order to allow the Partnership to honor commitments to presenters. Kirkendall Aff & Exs thereto (Docs 23-16 & 23-18); Sontag Aff, ¶16. The SAC alleges that from May 14, 2003 through November 15, 2003, the Performers appeared in the Show without paying all royalties due to the Partnership. SAC, ¶31.

The Performers claim that WMK owes them money for some of the 2002 and 2003 performances of the Show. Dixon avers that an accounting by the Partnership of monies paid to the Performers for performances during January through May 2002 allegedly was prepared on March 25, 2002. Dixon Aff, ¶60 and Ex M. The accounting does not give the dates of the performances, but indicates the gross revenues from each Show performance and compensation paid to the Performers for only six of the 23 venues listed -- some of which refer to multiple Shows at the same venue. *Id.* Between December 2002 and December 2003, the Performers claim that the Partnership had welched on some of its financial obligations to them, *inter alia*, bouncing checks and leaving them stranded in Las Vegas without airline tickets. Dixon Aff, ¶¶ 125 -126; Kirkendall Aff, ¶¶ 7 & 8.

The SAC alleges that the Performers' appearances in the Show between September 1, 2002 and May 1, 2003, pursuant to the 2002 Agreement, constituted a breach of contract because the Performers charged inflated fees and expenses, when they were entitled only to the reasonable value of their services pursuant to the September 2002 Agreement and "Interim Agreements." SAC, ¶¶

57-58. WMK demands an accounting of all monies received in excess of the reasonable value of the Performers' services for performances of the Show after May 1, 2002. SAC, ¶60.

The Performers point to the first amended complaint, ¶29, which they claim is an admission or estops WMK from claiming that the Performers owe WMK money. The first amended complaint alleged that after the Receiver was appointed, he entered into various agreements "without prejudice to either side," allowing the Performers to appear "at certain venues previously scheduled" by the Partnership, "upon payment of royalties" to the Partnership and Caffey, "which were paid." Dixon Aff, Ex A, First Amended Complaint, ¶29.

C. *The Receivership*

By order dated February 13, 2003, in the related proceeding for dissolution of the Partnership,³ the court (Hon. Herman Cahn, J.) ordered, *inter alia*, dissolution and accounting, appointed BT to continue the business of the Partnership "pending dissolution," and preliminarily enjoined Edgework and its agents from interfering with the Partnership's business (Dissolution Order). Edgework moved to renew and reargue, and to appoint a temporary receiver. On April 30, 2003, the court granted the motion to the extent of appointing Albert Sontag as the Partnership's Temporary Receiver (Receiver) and directed him to continue the business of the Partnership pending dissolution (Receivership Order). Although the Receiver was appointed "pending dissolution," it appears that the Partnership was dissolved on February 13, 2003 and the Receiver, instead of BT, was ordered to wind it up. *Ben-Dashan v Plitt*, 58 AD2d 244, 248-249 (4th Dept 1977) (partnership dissolved from date of court decree ordering dissolution but continues for

³*BT Productions, Inc. v Edgework Productions, Inc.*, Sup. Ct. NY Co, Index No. 603931/2002 (Dissolution).

purpose of winding up); Partnership Law §68.

On June 12, 2003, the Receiver's attorney, Mandelker, wrote to the Performers' attorney, Robert Cinque, requesting them to file a claim with the Receiver. Mandelker Aff, Ex E. Similar letters from Mandelker to Cinque were sent on April 1 and May 11, 2004. *Id.* It is undisputed that the Performers never filed a claim or intervened in the Dissolution.

During the latter half of 2003, the Receiver and Performers agreed to a series of booking dates for performances of the Show, and the payment of fees and expenses in connection with them. On July 3, 2003, the Receiver, the Performers and their agent, CD Enterprises, Inc. (CDE) executed an agreement (1st Settlement) permitting the Performers to appear in performances previously booked by the Partnership for July and August 2003. The 1st Settlement contains the following clause, upon which the Performers rely to prove their right to use the name TMT:

WHEREAS, it is the Receiver's position that by reason of the material breach by the Partnership as more fully set forth in the notices from counsel for the Tenors, the Partnership no longer has any right to the services of the Tenors, nor does the Partnership have any right to restrict the use by the Tenors of the name "Three Mo' Tenors" in any manner or fashion.

Dixon Aff, Ex N. However, the operative language of paragraph eight provides:

This Agreement is made in conjunction with the compromise and settlement of certain disputes between the parties. ***Nothing herein contained is to be deemed an admission or concession by either the Artists or the Receiver that any of the claims made by them are accepted by the other. Other than the express terms of this Agreement and the specific engagements covered herein, this Agreement is without prejudice to the rights or claims of the parties at law or in equity that each of the parties may have against the other all of which are expressly reserved.***

Id. [emphasis supplied]. Paragraph one provided that in advertising and promotional material, the Performers' individual billings "shall not exceed 50% of the size and prominence of the billing for

‘Three Mo’ Tenors.’” *Id.*

On September 3, 2003, the Receiver and the Performers executed a second settlement agreement (2nd Settlement, together with 1st Settlement, Settlements), for Shows previously booked by the Partnership for September through November 2003. The whereas clause regarding breach by the Partnership and its inability to restrict the Performers’ use of the name TMT was not included.⁴

The Receiver’s final account was approved in the Dissolution, and he was discharged by court order (Cahn, J.), dated August 30, 2007 and entered September 11, 2007. In addition to discharging the Receiver and approving his final account, the order directed the payment of commissions and legal fees and the final disposition of the remaining Partnership in the Show, as follows:

ORDERED that the temporary receiver is granted leave to assign the remaining rights of the Three Mo’ Partnership in Three Mo’ Tenors, including its rights as plaintiff in an action entitled Sontag v Cook bearing New York County Index No.

⁴The parties to the 1st Settlement agreed to a division of the monies for the July and August 2003 performances. The presenter was to pay the Receiver 15% of the guaranteed fee for the performances on the dates set forth therein, and 10% of the guaranteed fee for the “Fill In Dates”, defined as performances of the Show booked by the Performers on terms acceptable to them during the period through August 31, 2003. *Id.* CDE was required to pay the Performers’ fees, as well as production and Performers’ expenses that were not the responsibility of the presenter. *Id.* CDE was to remit royalties owed to Caffey to the Receiver, who was to pay them to Caffey. *Id.* The 1st Settlement provided that additional compensation, other than the stipulated sums to be paid the Receiver would “not be subject to any claim or fee by the Receiver.” *Id.* The 1st Settlement booking dates for 2003 were: July 11-12 Los Angeles; July 26 Cincinnati; July 29-30 Pittsburgh; August 4 Vienna, VA; August 8 Atlanta; and August 12 Philadelphia; 2003. The 2nd Settlement 2003 booking dates were: September 18 Shreveport, LA; September 20 College Sta., TX; October 2 Utica, NY; November 8-9 Joliet, IL and November 14-15 Dayton, OH. In addition, the Settlements provided for additional “Fill In Dates”, during the same periods.

600102/03 to WMK Productions, Inc., or to its order for the sum of \$25,000.

D. Ownership of the Copyright and Licenses to Produce the Show

It also appears that on April 30, 2003, when the Receiver was appointed, the Partnership's right to produce the Show was in jeopardy, due to disputes with Caffey over royalties. The SAC alleges that Caffey granted the Partnership the exclusive right to produce the Show on June 20, 2002, presumably pursuant to the Caffey License. SAC ¶ 10. There is evidence that as of May 2003, Caffey had notified the Partnership that it had breached the Caffey License for non-payment of royalties, and Caffey had threatened termination. Dixon Aff, Exs R & S, Doc 119. In his affidavit submitted on his motion for discharge, the Receiver averred in an affidavit that, shortly after he was appointed (April 30, 2003), the Partnership had to "re-establish a relationship with Caffey," who had purported to terminate his assignment of rights to the Partnership "due to non-payment of Royalties." Affidavit of Albert Sontag (Doc 107), ¶21. A copy of Caffey's purported termination is not in the record.

In 2003, Klausner's attorney sought to negotiate three agreements: 1) a transfer of Caffey's rights in the Show to Edgewater; 2) a further transfer to the Partnership of Edgewater's rights in the Show, except the right to litigate claims against Trawick's companies and the Performers; and 3) Caffey's agreement to forbear from terminating its contract with the Partnership and suing the Partnership for breach. *Id.* The record establishes that by the end of April 2003, the Partnership may have lost the right to produce the Show.

On October 24, 2003, Receiver entered into a Deal Memorandum with Caffey, in which Caffey conveyed "all first and second class worldwide live stage production, cast album and

commercial use product rights” in the Show, as well as the “right of first negotiation/matching last refusal for motion picture, television and allied rights.” (Deal Memo), Doc 125. The Deal Memo was effective upon court approval. *Id.* Justice Cahn approved it on December 3, 2003. Doc 126. Pursuant to paragraph twelve of the Deal Memo, the Receiver was required to assign it to WMK. Doc 125. The initial term of the Deal Memo was for one year through December 31, 2004, with additional one-year extensions for the full life of the copyright for the Show. *Id.*, ¶¶ 7 & 16.

As required by the Deal Memo, the Receiver entered into the exclusive WMK License to produce the “Concert”, which was approved by Justice Cahn and became effective on December 3, 2003. Dixon Aff, Ex T & Doc 126. The Concert is defined in the WMK License as “the theatrical concert known as ‘Three Mo’ Tenors,” i.e., the Show. Dixon Aff, Ex T. The WMK License further provided that the assignment did not include:

any rights and/or claims against [the Performers], any person or entity acting on their behalf, or any other party or entity, concerning rights that TMP [the Partnership] possesses. It is a material part of this Agreement that Licensor [Receiver] retain the right, standing and power to enforce any and all claims that TMP [Partnership] has against the foregoing parties through litigation or any other appropriate means.

Id.

The WMK License required WMK to pay the Receiver royalties for performances of the Show in the amount of 2% of the net guaranteed fee for each performance until the Receiver earned \$565,000, or the Partnership was dissolved, whichever occurred first. *Id.* If dissolution occurred first, the balance would be paid as directed by the court. The Receiver further agreed in advance to an assignment of the WMK License to Klausner. *Id.*

As previously noted, it appears that the Partnership was dissolved on February 13, 2003,

prior to the WMK License. However, that interpretation would render the WMK License a nullity, since it would have been terminated before it became effective. There is no evidence as to whether the Receiver received \$565,000 from WMK.

E. Preliminary Injunctive Relief

In May 2004, Justice Cahn issued an interim order on opposing motions of the parties for preliminary injunctions (Interim Order). The Interim Order permitted the Performers, until further order of the court, to refer to themselves as “formerly of the Three Mo’ Tenors” in materials promoting any concert, or in programs, playbills, etc., in print not larger than 60% of the print size used for the Performers’ names (Print Size Limitation). The Interim Order also: 1) prohibited the Performers from advertising or holding themselves out to be the Three Mo’ Tenors; and 2) prohibited the Performers from asserting that any other tenors operating under the aegis of the Partnership were not the Three Mo’ Tenors.

On February 8, 2005, Justice Cahn issued a final order on the motions for preliminary injunctions (PI Order), effective until further order of the court. The PI Order continued the Interim Order, adding that: 1) the Performers could *not* refer to themselves as “formerly of the Three Mo’ Tenors” in advertising or promotional materials for a period of three years, after which the Performers could resume use of “formerly of” in accordance with the Print Size Limitation; 2) the Performers could refer to themselves as “formerly of Three Mo’ Tenors” in biographical or similar material not used to promote or advertise performances; and 3) the restrictions would apply nationwide, as opposed to internationally. Justice Cahn held that the Receiver had shown a *likelihood of success on the merits* of his assertion that Trawick was without authority to enter into

the 2002 Agreement and that the Performers were aware of her lack of authority when they entered into it. PI Order, pp 8 & 13.

The PI Order refused to restrain defendants: 1) in perpetuity from performing “in any show whose repertoire in the aggregate is substantially similar to the Show”; 2) from performing with any one tenor, or two or more tenors from the Show for three and five years respectively. PI Order, pp 16-18. Justice Cahn explicitly refused to enforce the Employment Agreements to the extent that they were in conflict with the PI Order. In a December 6, 2005 order, Justice Cahn ordered that internet website advertisements could not contain links to materials that violated the PI Order. On September 8, 2008, Justice Cahn declined to extend the preliminary injunction beyond February 2008, or internationally, and reiterated that going forward the Performers could use “formerly of” in promotional and advertising material in accordance with the Print Size Limitation.

F. The Copyright Action

On the same day as this action was filed, January 15, 2004, the Performers filed a federal copyright infringement action against Caffey and WMK.⁵ Doc 133. On May 14, 2004, WMK filed a joint answer with Caffey, who filed a “third-party claim” against the Performers for copying the Show without authorization in performances and recordings. Doc 134. Caffey sought damages and injunctive relief. *Id.* WMK asserted an affirmative defense that it was authorized to use the name TMT. *Id.* The Performers’ discontinued the main action when the defendants filed a Rule 11 motion, and the Copyright Action proceeded to trial on Caffey’s claim.

⁵*Marion J. Caffey and Willette Klausner v Victor Trent Cook, Rodrick Dixon and Thomas Young*, US Distr. Ct., SDNY, 04 Civ 313 (RJH)(Copyright Action). The court takes judicial notice of the docket entries in the Copyright Action.

The SAC alleges that the Performers created a bogus partnership called TMT to serve as the named plaintiff in the Copyright Action, falsely alleged in the Copyright Action complaint that they owned the mark TMT and claimed that promoters, acting in concert with WMK and Caffey, should be enjoined from using the mark. SAC, ¶¶ 46-47. The Performers' attorney allegedly used the existence of the Copyright Action to intimidate presenters negotiating with WMK to produce the Show. SAC, ¶¶ 46-47.

The trial in the Copyright Action began on June 14, 2005 and ended on July 15, 2005. Doc110, p 1. In January 2006, the federal court (Hon. Richard J. Howell, J.) ruled that the Performers had infringed the copyright for the Show by engaging in the following performances (Infringing Performances), all of which took place after the bookings pursuant to the Settlements:

Naples, Florida	December 2, 2003
Chicago, Illinois	December 5, 2003
Phoenix, Arizona	March 31, 2004
Philadelphia, Pennsylvania	May 9, 2004
Napierville, Illinois	September 25, 2004
Memphis, Tennessee	October 2, 2004

Doc 110 (Copyright Decision). In his decision, Judge Howell found as a fact that Caffey had obtained a copyright for the Show on June 19, 2002, and assigned it to Klausner on June 14, 2005, the day the trial began. *Id.*, pp 2 & 10. Judge Howell awarded compensatory damages based upon the Performers' disgorgement of net profits, which was the measure of damages elected by Klausner and Caffey. *Id.*, pp 32-35. Judge Howell rejected the claims by Caffey and Klausner for damages for six private performances that took place between June 24, 2004 and October 4, 2004,

ruling that they were not substantially similar to the Show (Non-Infringing Performances).⁶

The court found that the copyright was for a compilation composed of the selection and order of songs created by others with connecting dialogue. *Id.*, p 22. In addition, Judge Howell found that the Performers “essentially performed the Show in terms of song selection, ordering and dialogue” during the Infringing Performances. *Id.*, p 30. The decision directed entry of judgment in the amount of \$33,899.90 in favor of Klausner and Caffey.⁷

As previously noted, on December 3, 2003, Justice Cahn approved the Deal Memo, by which Caffey granted the Receiver the right to exploit the copyrighted Show in world-wide performances and the further assignment by the Receiver to WMK, pursuant to the License. Ergo, as of June 14, 2005, when the Copyright Action trial began, Klausner owned the copyright, and WMK, an entity that Klausner wholly-owned, had the right to present the Show. What is unclear is whether the Partnership had the right to produce the Show between April 30, 2002 and December 3, 2003.

G. Alleged Unfair Competition & Tortious Interference with WMK License

The SAC alleges that commencing December 1, 2003, the Performers began producing the Show and obtained bookings in the United States, without the Receiver’s knowledge and consent,

⁶The Non-Infringing Performances were a 10/4/04 concert in New Orleans, and the following private performances: 6/10/04 Arlington, VA (NAACP Armed Services & Veterans Affairs Award Dinner); 6/26/04 Atlanta, GA (Expo Mega Fest’s Phenomenal Woman Awards Gala Ceremony); 6/27/04 Chicago (Rainbow PUSH Coalition Annual Conference); 7/6/04 Los Angeles (Zeta Phi Beta Sorority); 7/24/04 Chicago (Millennium Park Inaugural); and 9/24/04 Detroit (Perfecting Church Gala) .

⁷Although the judgment is not in the record, the court takes judicial notice (based upon electronic docket entries, that it was entered on January 20, 2006 (Copyright Judgment) and the Performers’ appeal therefrom was dismissed on January 8, 2007.

while at the same time WMK auditioned a new cast to offer to presenters, on January 9, 2004, at a conference of the Association of Performing Arts Presenters (Association), a major trade organization. SAC, ¶¶ 38-39 & 42. The Performers allegedly placed an advertisement promoting themselves as “Formerly the Three Mo’ Tenors” in the November/December 2003 issue of *Inside Arts*, a magazine mailed to Association members. SAC, ¶40. The Performers allegedly objected to the Receiver’s attempt to have the publisher print a correction. SAC, ¶41. The Performers’ attorney allegedly sent a letter, dated January 8, 2004, to a number of third parties, including the Association’s attorney, claiming that the Performers were the only TMTs, to create doubt concerning WMK’s right to produce the Show, and sent a similar, threatening January 27, 2004 e-mail to more than fifty presenters (2004 Letters). SAC, ¶¶ 41-43 & 47.

The unfair competition claim alleges that the Performers performed the Show after April 1, 2003, in concerts not covered by “Interim Agreements”, defined as including performances during May 14 through November 30, 2003. SAC, ¶¶ 29 & 63. In addition, the unfair competition claim alleges that the Performers exploited the “mark” without authorization, performed in concerts substantially similar or identical to the Show, and misappropriated promotional materials and other items owned by the Partnership, including photographs and art work. SAC, ¶¶ 38-51 & 63. The SAC claims that these acts, coupled with the allegations relating to the Copyright Action, caused, will continue to cause, and were intended by the defendants to cause, confusion and deception among members of the public, the theatre-world, and presenters, who will believe that the Performers are authorized to use the name TMT, or are connected to the Partnership. SAC, ¶¶ 51 & 63. The relief sought is damages and an accounting of profits. SAC, ¶¶ 64-65.

The tortious interference claim alleges that defendants were aware of the WMK License prior to January 1, 2004, and interfered with it by committing the acts alleged. SAC, ¶68. This includes the allegations relating to the *Inside Arts* ad, the 2004 Letters, the Copyright Action, exploiting the TMT mark, and misappropriation of property.

H. Disqualification of Mandelker

By decision and order dated May 31, 2012, this court disqualified Mandelker from representing WMK in this action. Nevertheless, on this motion, Mandelker submitted an affirmation in support of the motion, in which he makes legal arguments. The affirmation speaks to many legal issues, including law of the case, collateral estoppel, failure to state a claim, lack of particularity, and the legal effect of judicial approval of the Receiver's account. To the extent that legal issues are raised by Mandelker in his affirmation, they will be disregarded. However, the court has considered his factual averments and the memorandum of law submitted by his law firm in support of WMK's motion, the SAC verified by Mandelker, as well as the legal arguments in opposition to the cross-motion made in the reply affirmation of Matthew Kesten, a member of Mandelker's firm.

II. Discussion

A. Plaintiff's Motions

1. WMK's Motion for a Default Judgment against LTM and CDY Ltd.

WMK's motion for a default judgment against the two corporate defendants, LTM and CDY Ltd, is denied with leave to renew at trial. To succeed on a motion for a default judgment, the plaintiff must submit an affidavit attesting to the default and the facts constituting the claim. CPLR

3215(a); Siegel, *Practice Commentaries*, West © 2005, McKinney's Cons Laws of NY, Book 7B, CPLR C3215:16, p. 502. Here, there is only a conclusory statement that LTM and CDY Ltd "failed to participate at all in the defense of the litigation." Further, the moving affirmation admits that WMK's claim against LTM may have been discharged in bankruptcy. Moving Aff, p 3, fn 1.

2. *WMK's Motion for Partial Summary Judgment*

The second cause of action alleges that defendants breached the Non-Compete Clause in the Employment Agreements. The third cause of action alleges that defendants engaged in unfair competition because they intended to, and did, confuse, mislead and/or deceive members of the public and presenters, and misappropriated tangible personal property in promotional materials, including photographs and art work, as well as the mark Three Mo' Tenors.

On this motion, WMK contends that it is entitled to partial summary judgment on the second and third causes of action because: 1) the PI Order is law of the case that the 2002 Agreement is unenforceable; and 2) based upon the Copyright Judgment, the Performers are *collaterally estopped* from denying that the Infringing Performances breached the Non-Compete Clause in the Employment Agreements. WMK seeks to recover additional damages for the Infringing Performances, above the \$33,889.80 awarded to Klausner in the Copyright Action.⁸

Breach of the Employment Agreements -Second Cause of Action

WMK's motion for partial summary judgment for additional damages for the Infringing Performances is denied based upon federal preemption. Copyright protection for literary, musical,

⁸ The damages calculation made in the Copyright Decision deducted taxes and apportioned the damages based upon the relative contributions of Caffey and the Performers' to the success of the Infringing Performances. WMK seeks these additional amounts by way of this motion.

dramatic, and choreographic works extends to the right to publicly perform the copyrighted work. 17 USCS § 106(4). A breach of contract claim is preempted by federal copyright law to the extent that it asserts rights that are identical to the right protected by copyright. 17 USC 301;⁹ *Briarpatch Ltd. v Phoenix Pictures*, 373 F3d 296, 305 (2d Cir. 2004); (copyright law preempts state claim that seeks to enforce right "equivalent to any of the exclusive rights within the general scope of copyright" including "reproduction, adaptation, performance, distribution or display" where state claim does not assert any "extra elements" qualitatively different from copyright infringement); 1-1 Nimmer on Copyright § 1.01; *see generally, Dun & Bradstreet Software Servs. v Grace Consulting, Inc.*, 307 F3d 197, 217 (3d Cir NJ 2002), *cert den.*, 538 US 1032 (2003)(if stated cause of action requires extra element, beyond mere copying, preparation of derivative works, performance, distribution or display, then state cause of action is qualitatively different from, and not subsumed within, copyright infringement claim and federal law will not preempt state action); *Mortg. Mkt. Guide, LLC v Freedman Report, LLC*, 2008 U.S. Dist. LEXIS 56871, 119-120 (D. NJ July 28, 2008)(contract claim available to enforce specific rights outside scope of copyright law)(nor). The federal courts have exclusive jurisdiction of statutory copyright infringement claims. 3-12 Nimmer on Copyright § 12.01.

Here, the Copyright Judgment awarded damages for the Infringing Performances, i.e.,

⁹Section 301(a) & (b) of the Copyright Act provide that "all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright ... are governed exclusively by this title;" after Jan. 1, 1978, "no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State;" and "[n]othing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to ... subject matter that does not come within the subject matter of copyright ... and ... activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright...."

productions of the Show, or a substantially similar performance, defined as the concert series and related projects entitled “Three Mo’ Tenors”. The Receiver’s purported retention of the right to sue the Performers does not override federal preemption. To the extent, that WMK’s contract claim seeks damages because the Infringing Performances were productions of the Show, or its substantial equivalent, it is pre-empted because no “extra element” supports that aspect of WMK’s state breach of contract claim.

Further, contrary to WMK’s contention, the PI Order was not law of the case on the issue of whether the Non-Compete Clause is enforceable. Justice Cahn had before him a motion for a preliminary injunction and ruled only that the plaintiff (at that time Albert Sontag as Receiver of the Partnership) had shown *a likelihood of success on the merits* of that claim.¹⁰ Doc 109, p 8. An interlocutory order granting temporary relief is not law of the case. *Bannon v Bannon*, 270 NY 484, 492-493 (1936)(on application for temporary relief pending final judgment, court could not make conclusive adjudication of issues raised by action); *Haber v Haber*, 20 AD2d 858 (1st Dept 1964)(temporary relief awarded not binding at trial); David D. Siegel, *NY Practice*, 4th ed., §448, ©2005 Thomson/West. The court abrogates its *dicta* in the disqualification opinion, which said that Justice Cahn found that the September 2002 Agreement was *ultra vires* and the Employment Agreements were controlling. Doc 94, p 12, fn 6.

In addition, under principles of *res judicata*, the Copyright Judgment bars WMK’s contract claim for the Infringing Performances. *Res judicata* bars actions on claims that were raised or

¹⁰The court abrogates its *dicta* in the disqualification opinion, which said that Justice Cahn found the September 2002 Agreement to be *ultra vires*, and the Employment Agreements were controlling. Doc 94, p 12, fn 6.

could have been raised by the parties, those in privity with them, successors to a property interest, those who control an action although not formal parties to it, and those whose interests are represented by a party to the action. *Thomas v City of New York*, 239 AD2d 180 (1st Dept 1997); *Watts v Swiss Bank Corp.*, 27 NY2d 270, 277 (1970), citing Restatement, Judgments, §§ 81-90. Here, Caffey and WMK were parties to the Copyright Action, Klausner controlled WMK and represented its interests in the Copyright Action, Caffey was in privity with the Partnership pursuant to the Deal Memo, and WMK is a successor to the rights granted by Caffey to the Partnership pursuant to the WMK License. Thus, WMK is bound by the damage award in the Copyright Action for the Infringing Performances. WMK's motion for partial summary judgment on the second cause of action for breach of contract is denied.

Unfair Competition - Third Cause of Action

WMK's motion for partial summary judgment on its unfair competition claim also is denied due to preemption and *res judicata*. Although there may be extra elements in its unfair competition claim that are not the same as the rights protected by copyright, the fact that Infringing Performances took place has no extra element and is preempted. Unfair competition claims "grounded solely in the copying of a plaintiff's protected expression" are preempted by section 301 of the Copyright Act because they contain no extra element. *Kregos v Assoc. Press*, 3 F3d 656, 666 (2d Cir 1993), *cert den.*, 510 US 1112 (1994).

B. Performers' Cross-Motion & WMK's Motion to Dismiss Affirmative Defenses

The crux of the Performers' motion is that they performed the Show: 1) with the knowledge, at the request, and/or with the permission of the Receiver and/or Klausner; or 2) pursuant to

“interim agreements” or the September 2002 Agreement. In the former category, Performers say that they are owed money for various performances of the Show held from April 2, 2003 through May 17, 2003, which are identified by specific dates and venues. Dixon Aff, ¶¶ 124-128. In the latter category are performances from January 18, 2002 through June 2003. Dixon Aff, ¶¶ 38-39. The Performers allege that the latter performances, identified by venue without specific dates, were authorized either by “interim agreements” with Klausner, Mandelker, WMK and/or the Partnership to perform the Show between January and September 1, 2002 (Interim Concerts), or the 2002 Agreement for Concerts that took place from September 1, 2002 through June 2003, which overlaps the first category (2002 Agreement Concerts, collectively with Interim Concerts, Disputed Concerts). Dixon Aff, ¶¶ 33-42.¹¹

The Performers assert, and Mr. Mandelker admitted in deposition testimony, that there were concerts booked by the Partnership for 2003, which if not performed, would have subjected the Partnership, not the Performers, to liability. Dixon Aff, Ex K. The Performers claim that they agreed to cooperate and performed the Show, going back to 2002. Although various agreements were discussed and drafts were exchanged in January 2002 through May 2002, as previously noted, there is no evidence of a final meeting of the minds as to terms, although performances of the Show

¹¹The overlapping concerts appear to be: Albuquerque, NM 4/2/03; Denver CO 4/5/03; Tulsa, OK 4/11&12/03; Jackson, MI 4/22/03; Birmingham, AL 4/25/03; Providence, RI 5/2/03; Charleston, WV 5/7/03; Norfolk, VA 5/9/03; Emporia, WV 5/10/03; Chicago, IL 5/14,16,&17/03. The *5/9/03 Emporia, WV*, concert is mentioned in some exhibits as having been scheduled in *Emporia, VA on 5/10/03*. Kirkendall Aff, Ex F, Doc 23-6. In addition, there is evidence referencing an appearance in either Norfolk or Portsmouth, VA on 5/9/03. *Cf., id.* & Dixon Aff, ¶¶ 39 & 128. Ms. Kirkendall also submitted documents and an affidavit pertaining to concerts booked by Trawick Management, Inc., in March, April and May 2003. Kirkendall Aff, ¶¶ 8, 15 & 16, Exs C, F & G, Docs 23-3, 23-6, 23-7 and 23-16.

ensued and agreements to pay the Performers, including the Settlements, were made for specific performances.

The Performers further assert that they are entitled to refer to themselves as the “Three Mo’ Tenors,” as “Cook, Dixon and Young Formerly of the Three Mo’ Tenors,” and as “Originally the Three Mo’ Tenors.” Moreover, they claim \$800,000 in damages for WMK’s tortious interference with their contracts with PBS and SONY/BMG; \$2,000,000 for intentional harassment, both of which are grounded on allegations of bad faith interference with their careers and bookings by the Receiver, Klausner and Mr. Mandelker, and the institution of frivolous lawsuits against them

Another ground for the cross-motion is the Performers’ contention that WMK suffered no damages and owes the Performers money for the Disputed Concerts. Specific calculations are not presented. The Performers rely on the first amended complaint’s admission that the Performers paid all royalties due to the Partnership and Caffey with respect to performances arranged by the Receiver. The Dixon Aff alleges: the Performers paid various expenses, such as their own airfare; the Partnership owed the Performers \$63,075 by December 4, 2002; the Partnership “dissipated deposits paid by the presenters”; the Partnership failed to pay the Performers; and the Partnership owes the Performers royalties for a cast album and DVD of the Three Mo’ Tenors. In addition, the Performers claim that they are entitled to \$350,000 in legal fees, an accounting of royalties, and punitive damages.

1. Performers Request For Sanctions Against Mandelker

The Performers’ cross-motion for sanctions is granted solely to the extent of the court disregarding legal arguments in Mandelker’s affirmation

2. *Validity of September 2002 Agreement - 1st Cause of Action*

Although WMK's motion does not involve the first cause of action for a declaratory judgment declaring the September 2002 Agreement *ultra vires* and unenforceable, the Performers rely on it as authorization for their performances of some of the 2002 Agreement Concerts, move to dismiss it for failure to state a claim, and rely on it as documentary evidence in support of their motion for summary judgment. As previously noted [II(A)(2), *supra*], Justice Cahn's decision on the motion for a preliminary injunction is not law of the case as to the validity of the 2002 Agreement. *Haber*, 20 AD2d 858; *Bannon*, 270 NY 492-3.

In searching the record, the court grants summary judgment to WMK on the first cause of action for a declaration that the 2002 Agreement is unenforceable, and denies the Performers' motions to dismiss and for summary judgment insofar as they are posited on the 2002 Agreement. CPLR 3212(b). Partnership Law §20 provides that any partner may bind a partnership on a matter relating to the partnership business, unless the partner acting "has in fact no authority to act for the partnership in the particular matter, and the person with whom he is dealing has knowledge of the fact." Here, the documentary evidence is conclusive that Trawick, who individually signed the 2002 Agreement, was not a partner. BT was a partner. A non-partner cannot bind a partnership.

Moreover, to the extent that the Performers seek damages for performances of the Show that took place on or after April 16, 2003 based upon the 2002 Agreement, they gave up the right to recover future damages by canceling the 2002 Agreement. As previously noted, the Performers admit that they terminated the 2002 Agreement as of April 16, 2003 because of the Partnership's breach. *Dixon Aff*, ¶126. "When a party materially breaches the contract, the non-breaching party

must choose between two remedies: it can elect to terminate the contract or continue it.”

Awards.com v Kinko's, Inc., 42 AD3d 178, 188 (1st Dept 2007). The other party's breach is a ground to cancel a contract. 13-67 Corbin on Contracts § 67.2 (cancellation occurs when either party puts end to contract for breach by other). Cancellation of an agreement *extinguishes future obligations* of both parties to the agreement, but does not affect the right of the party cancelling to damages for performance already rendered. *Id.*

3. *Res Judicata & Collateral Estoppel*

The Performers' motion is granted insofar as it seeks dismissal and summary judgment, based upon *res judicata*, of WMK's claims for lost profits for performances of the Show, or a concert substantially similar to the Show, on or before July 15, 2005. WMK, Caffey or Klausner could have raised such claims in the Copyright Action trial, which ended on July 15, 2005. The Performers' motion based upon *res judicata* is granted based upon documentary evidence, i.e. the Copyright Decision and pleadings. WMK's motion to dismiss the Performers' affirmative defense of *res judicata* is denied. The motion to dismiss based upon *collateral estoppel* is moot, as *res judicata* bars the same issues and facts.

4. *Breach of Contract & Injunction Enforcing Non-Compete Clause - 2d & 5th Causes of Action*

Enforceability of the Non-Compete Clause in the Employment Agreements

A contractual provision restricting post-employment competition by an employee is subject to a strict reasonableness standard -- it is enforceable to the extent that it is reasonable in time, place and area, necessary to protect the employer's legitimate interests, not harmful to the general public, and not unreasonably burdensome to the employee. *BDO Seidman v Hirshberg*, 93 NY2d 382

(1999); *Reed Roberts Assoc., Inc. v Strauman*, 40 NY2d 303 (1976). Injunctive relief enforcing a restrictive covenant may be granted, as prayed for in the fifth cause of action. *BDO Seidman, supra*. Strong public policy militates against post-employment restrictions that deprive an employee of the right to earn a living, or use to his or her advantage skills and knowledge acquired by overall experience or previous employment. *Id.* However, contractual provisions legitimately intended to avoid consumer confusion over the use of a name are permissible. *Glenn Miller Productions, Inc. v De Rosa*, 167 AD2d 281, 282 (1st Dept 1990).

Here, WMK has stated a claim for breach of the Non-Compete Clause because the SAC alleges that the Performers caused confusion concerning the name TMT, which it is clear from the Copyright Decision, did not belong to the Performers. The Partnership had a legitimate interest in protecting the right to the name TMT, so long as it had the right to produce the Show. However, when and whether the Partnership had that right is a question of fact, as are the amount of damages caused by the alleged confusion, none of which are established by the record. With respect to performances before the WMK License on December 3, 2003, there is an issue of fact as to whether the Partnership and/or the Receiver had a right to produce the Show, due to the dispute over the Caffey License. If they had no right to produce the Show, then they were not damaged by the alleged confusion.

In addition, it is an issue of fact as to whether the Performers created confusion by referring to themselves as “formerly of” the TMT. As previously noted, Justice Cahn authorized the Performers to use the “formerly of” designation in accordance with the Print Size Limitation from the May 4, 2004 Interim Order until February 8, 2005, and beginning again on February 8, 2008,

pending further order of the court. A further order of the court will be made at trial and will depend on whether the prohibition on the use of “formerly of” in advertising and promotional materials, or biographical materials, protects a legitimate business interest of the Partnership, because it is, or was, confusing to the public and presenters. It follows that the Performers are not entitled to a summary declaratory judgment that they may refer to themselves as “the Original Three Mo’ Tenors” and “Formerly of the Three Mo’ Tenors.”

Overcharging for Performances September 1, 2002 to May 1, 2003

In light of the ruling that the 2002 Agreement is not enforceable, this portion of WMK’s breach of contract claim cannot be dismissed. The Performers claim that they were entitled to be paid partly based upon the terms of the 2002 Agreement. Although the 2002 Agreement is not enforceable for performances of the Show during this period (or a substantially similar concert) that were performed with knowledge of the Partnership and/or the Receiver, the Performers were entitled to be paid on an implied contract theory. A contract to pay compensation may be implied from the rendition and acceptance of the services, based upon a presumption that no one is expected to labor without hire. *Fox v Arctic Placer Min. & Mill. Co.*, 229 NY 124, 128 (1920); *see also*, *Miller v Schloss*, 218 NY 400, 406-407 (1916) (contract may be implied from parties’ conduct where the defendant’s assent can be fairly inferred). If the Performers were paid pursuant to the terms of the 2002 Agreement and the reasonable value of their services was less than that amount, then WMK can recover the difference.

The Performers’ affirmative defense of estoppel based upon the first amended complaint’s allegation that all royalties were paid to Caffey and the Partnership pursuant to agreements with the

Receiver, does not cover this period because the Receiver was appointed April 30, 2003.

Monies Allegedly Owed Performers

The Performers have not conclusively established with documentary evidence that they are owed money or how much. Therefore, they are not entitled to summary judgment on their claim that they performed pursuant to agreements or contracts. To assert a viable contract claim, the plaintiff must allege the formation of a contract between itself and the defendant, performance by the plaintiff, the defendant's failure to perform, and resulting damages. *Furia v Furia*, 116 AD2d 694, 695 (2d Dept 1986). Here, damages have not been proven.

Nor are the Performers entitled to summary judgment directing WMK to account for the royalties it claims. The Performers did not make a claim for an accounting, discovery is complete and the note of issue was filed. WMK will have to prove its entitlement to royalties at trial, and the Performers can present evidence as to any monies, including royalties, that they believe WMK owes them.

5. *Unfair Competition & Injunctive Relief - 3d & 5th Causes of Action*

WMK has stated claims for unfair competition and injunctive relief to restrain it. Unfair competition requires a showing that the public is likely to confuse the defendant's product or service with that of the plaintiff. *Allied Maintenance Corp. v Allied Mechanical Trades, Inc.*, 42 NY2d 538 (1977). Injunctive relief is an available remedy. *Id.*

WMK alleges that beginning in 2004, the Performers: falsely claimed that they owned the mark TMT, that they were the TMTs, brought the Copyright Action which contained false allegations that they were partners in a partnership named TMT, tried to intimidate presenters

negotiating with WMK by using the complaint they filed in the Copyright Action and letters from their attorney, and placed an advertisement in a trade magazine calling themselves “formally” the TMTs and interfered with efforts by WMK to print a retraction. These allegations are sufficient to state a claim that the Performers engaged in conduct likely to confuse the public that their services were the services of the TMT, when in fact the record establishes that TMT was a copyrighted name owned by Caffey, and then Klausner, and licensed to WMK by Caffey as of December 3, 2003. Hence, beginning in 2004, when unfair competition is alleged in the SAC, WMK had the right to produce the Show. Summary judgment in the Performers’ favor on the unfair competition claim, or on their own claim for alleged interference with their bookings, is not supported by documentary evidence.

6. *Tortious Interference with Contract (the WMK License) - 4th Cause of Action*

The Performers’ cross-motion for summary judgment dismissing WMK’s tortious interference with contract claim is granted, and WMK’s motion to dismiss the affirmative defense of failure to state a claim is denied. Where there is an existing, enforceable contract and a defendant’s deliberate interference results in a breach of that contract, a plaintiff may recover damages for tortious interference with contractual relations, even if the defendant was engaged in lawful behavior. *Carvel Corp. v Noonan*, 3 NY3d 182, 189-190 (2004). The elements of a claim for tortious interference with an existing contract are: 1) the existence of a valid contract with a third party, 2) defendant’s knowledge of that contract, 3) defendant’s intentional and improper procuring of a breach, and 4) damages. *White Plains Coat & Apron Co., Inc. v Cintas Corp.*, 8 NY3d 422, 426 (2007). Where a suit is based on interference with a non-binding economic

relationship, the plaintiff must show that defendant's conduct was not "lawful" but "more culpable," such as a crime, an independent tort, or conduct intended to inflict harm on the plaintiff. *Carvel*, at 190. Other wrongful means that would support the claim are physical violence, fraud, misrepresentation, civil suits, criminal prosecutions and economic pressure on potential customers of the plaintiff. *Id.* at 191-192. Then too, the plaintiff must prove that the defendants knew of the proposed contract, intentionally interfered with it and that it would have been entered into but for the interference. *See Vigoda v DCA Prods. Plus Inc.*, 293 AD2d 265, 266-267 (1st Dept 2002) (claim for interference with prospective economic relations requires allegation that plaintiff would have entered into contract but/for defendant's interference) ; 2 *Pattern Jury Instructions, Civil*, 2d Ed. © 2009, 3:57.

Here, the SAC fails to state a claim for tortious interference with the WMK License. The SAC alleges that the Performers were aware of the WMK License and tried to interfere with it by engaging in the same acts allegedly constituting the unfair competition claim. There is no allegation that the Performers procured a breach of the WMK License, and nothing in the record supports that element of the claim. Further, the SAC does not allege that any specific contract would have been entered into but/for the Performers' conduct, so there is no claim for interference with prospective economic relations (which in any event was not pleaded). Therefore, the Performers are entitled to summary judgment dismissing the WMK's claim for tortious interference with the WMK License and WMK's motion to dismiss the affirmative defense of failure to state claim is denied.

7. *Dismissal Based Upon Unclean Hands*

The Performers' motion for dismissal on this ground is denied. It is unclear to the court what this prong of the motion means, as it is alleged in conclusory fashion. Insofar as it relates to alleged misconduct by the Receiver or Mandelker, dismissal of WMK's claims, or summary judgment, is not warranted on this record.

8. *Legal Fees*

The Performers are not entitled to summary judgment for legal fees. "Attorney's fees are incidents of litigation and a prevailing party may not collect them from the loser unless an award is authorized by agreement between the parties, statute or court rule." *Hooper Assoc., Ltd. v AGS Computers, Inc.*, 74 NY2d 487, 491 (1989). Here, there is no contract, statute or court rule that authorizes the Performers to recover attorneys' fees.

9. *Remaining Affirmative Defenses & Counterclaims*

The Performers' affirmative defenses claiming 1) inequitable conduct, breach of fiduciary duty and abuse of the Receiver's position; 2) that the Receiver was not the real party in interest; and 3) that the Receiver brought the action against the Performers in bad faith, with malice and ill will, are dismissed. The Performers have not supported them by evidence or argument. The Receiver was appointed by court order to wind up the Partnership and had a right to bring this action on its behalf. Most of the claims brought by the Receiver have survived this cross-motion to dismiss and cannot be said to have been brought in bad faith. The Receiver accounted and was discharged by court order. There is nothing in the record to support a claim that the Receiver had a fiduciary duty to the Performers.

The affirmative defenses and counterclaims that the Receiver diverted money to himself or

those acting in concert with him, or collected money that should have gone to the Receivership estate, part of which should have been paid to the Performers, are construed by the court as claims that the Performers did not receive all monies that they should have from the Partnership. A court should afford a liberal and broad interpretation of papers submitted by a *pro se* litigant.

Matter of Stephen W. v Christina X., 80 AD3d 1083, 1084 (3d Dept 2011), lv den. 16 NY3d 712 (2011). These claims survive as counterclaims against plaintiff for breach of contract or implied contract. As so reformed by the court, the motion to dismiss them is denied.

The court rejects WMK's contention that the Performers cannot assert counterclaims for monies they were owed by the Partnership against WMK. WMK contends that when the Receiver assigned the Partnership's claims in this action to WMK, it did not assume the Partnership's liabilities. However, nothing in the order discharging the Receiver, which authorized him to assign the Partnership's rights in this action to WMK, extinguished the Performers' counterclaims against the Partnership. "It is elementary law that an assignee never stands in any better position than his assignor. He is subject to all the equities and burdens which attach to the property assigned."

International Ribbon Mills, Ltd. v Arjan Ribbons, Inc., 36 NY2d 121, 126 (1975). WMK took the assignment of the Partnership's claims in this action subject to the Performers' counterclaims.

Accordingly, it is

ORDERED that WMK's motion for partial summary judgment, for a default judgment, and to dismiss affirmative defenses is granted solely to the extent of dismissing the affirmative defenses and counterclaims of direct estoppel, collateral estoppel (dismissed as moot), real party in interest, bad faith, malice and ill will in bringing this action; breach of fiduciary duty, inequitable conduct by

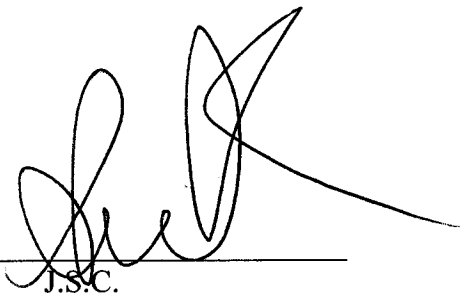
the Receiver, and abuse of the Receiver's position; the motion for a default judgment is denied with leave to renew at trial; and in all other respects, WMK's motion is denied; and it is further

ORDERED that the cross-motion by the Performers (Rodrick E. Dixon, Thomas J. Young, Victor Cook) to dismiss the SAC, for summary judgment and for sanctions is granted solely to the extent of: 1) granting summary judgment of dismissal based upon *res judicata* of all claims by WMK for damages for performances of the Show, or a concert substantially similar to it, by the Performers on or before July 15, 2005; 2) granting summary judgment dismissing the fourth cause of action for tortious interference with contract for failure to state a claim; and 3) granting the motion for sanctions to the extent of ignoring the legal arguments in Mandelker's moving affirmation; and in all other respects the cross-motion is denied; and it is further

ORDERED that, in searching the record, the court grants summary judgment on the first cause of action in favor of WMK, declaring unenforceable and *ultra vires* the purported Agreement dated as of September 1, 2002 between said Performers and Barbara Trawick, as duly authorized partner of the Three Mo' Partnership.

Dated: June 21, 2013

ENTER:



J.S.C.