Interactive Graphics Corp. v T-Ink, Inc.
2019 NY Slip Op 33032(U)
October 7, 2019
Supreme Court, New York County
Docket Number: 653695/2015
Judge: Saliann Scarpulla
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SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: HON. SALIANN SCARPULLA PART IAS MOTION 39EFM

Justice

---X

INTERACTIVE GRAPHICS CORPORATION

Plaintiff,

- v -

T-INK, INCORPORATED,

Defendant.

---X

INDEX NO. 653695/2015

MOTION DATE 03/27/2019

MOTION SEQ. NO. 004

DECISION + ORDER ON MOTION

The following e-filed documents, listed by NYSCEF document number (Motion 004) 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159

were read on this motion to/for JUDGMENT - SUMMARY.

Upon the foregoing documents, it is

In this action for breach of contract, defendant T+Ink, Incorporated ("T-Ink") moves for summary judgment dismissing the complaint of plaintiff Interactive Graphics Corporation ("IGC").

Background

T-Ink specializes in the creation and use of conductive inks in the retail sector. Its patent-protected technologies are designed to enable consumer engagement and marketing, product security and authentication. In or about February 2013, IGC approached T-Ink about entering into a business relationship which would permit IGC to license T-Ink's various interactive applications and technologies for use in connection with food and beverage carrying cases and trays.

During the initial discussions, T-Ink drafted a memorandum of understanding ("2013 MOU") setting forth the proposed terms for the proposed business relationship. The 2013 MOU specified that the parties' contemplated that any license granted to IGC would be non-exclusive for forty-eight months.

The 2013 MOU was signed by the parties in or about June 2013. The 2013 MOU required IGC to show proof of sufficient funds to perform within a 90-day timeframe, but IGC was unable to show proof of funds and the parties did not formalize their relationship at that time.

In or about the spring of 2014, IGC again approached T+Ink to enter into a license agreement. The negotiations, which took place largely via email and telephone, were conducted mainly by IGC's CEO, Alex Livak ("Livak"), IGC's President and COO, Jason Sible ("Sible"), and Ed Ickowski ("Ickowski"), T-Ink's Executive VP of Sales.

Over several weeks, the parties exchanged drafts of a proposed letter of intent. On or about July 14, 2014, Ickowski sent Sible and Livak an unsigned version of the letter of intent and indicated that if Sible and Livak agreed to the terms, they should sign it, so that Ickowski could bring it to T-Ink's leadership in the morning.

On July 18, 2014, Ickowski emailed to Sible and Livak a slightly revised version of the letter of intent, which was signed by Andrew Ferber ("Ferber"), T+Ink's then Chairman. Later that day Sible and Livak executed their counterparts of the letter of intent and returned it by email ("July 18, 2014 Agreement").

The July 18, 2014 Agreement included certain field of use and territory restrictions, meaning that IGC's license was limited to the use of T+Ink's technologies on "food and beverage carry cases and folding trays for Stadiums and Arenas, Theatres, Live Events (Fairs, Festivals, Concerts, Campgrounds), QSR, and Retail beverage (craft brewers) in the North America region." Further, pursuant to the July 18, 2014 Agreement, IGC agreed to make a total combined payment against commissions of $250,000 by August 1, 2015, including a payment of $75,000 "within five business days of execution," another $75,000 payment "at six months," and a $100,000 payment "to be paid within five days of [the] year [one] anniversary." IGC was also required to "document $1 million in combined equity, available lines of credit, or accessible cash equivalents."

The executed July 18, 2014 Agreement contained a clause stating that the relationship between the parties was non-exclusive, however, during the course of this litigation IGC has maintained that the parties had an "Exclusive Agency Agreement," commencing on August 1, 2014 for a term of four years (complaint, ¶ 20).

IGC made an initial $75,000 payment shortly after execution of the July 18, 2014 Agreement. Thereafter, employees of IGC were invited to T+Ink's offices on or about August 4, 2014, to participate in a training regarding the capabilities of T+Ink's various interactive technologies. During this training, IGC first learned about T+Ink's interactive Touchcode technology.

On February 1, 2015, when IGC's second payment became due, IGC failed to make the payment. T-Ink made several demands for the payment, but IGC did comply.

In May 2015, IGC was in discussions with potential outside investors to sell T-Ink's Touchcode technology. Potential investor(s) asked to see the operative agreement between T-Ink and IGC. T+Ink argues that, at this time, Livak altered the July 18, 2014 Agreement to change the parties' arrangement from non-exclusive to exclusive to attract more investors.

Specifically, T-Ink claims that, on May 12, 2015, Livak asked Sible to email a copy of the July 18, 2014 Agreement to Livak's personal Gmail account. Sible sent Livak a version of the July 18, 2014 Agreement which bore Ferber's signature, but which had not yet been executed by Sible and Livak. Livak allegedly altered this version of the July 18, 2014 Agreement in two ways. First, the word "non-exclusive" was changed to read "exclusive." In addition, instead of bearing the signatures of Ferber, Sible and Livak, the July 18, 2014 Agreement now contained only the signatures of Ferber and Livak, and the date next to Livak's signature was now "7/31/14," instead of "7/18/14." According to T+Ink, within two hours of receiving the email from Sible, Livak sent a copy of the altered the July 18, 2014 Agreement (the "exclusive license agency agreement") to potential investors.

The metadata associated with the PDF of the exclusive license agency agreement indicates a date of creation of May 12, 2015. T+Ink argues that Livak is unable to explain how he obtained a copy of the exclusive license agency agreement to send to potential investors. T-Ink posits that Livak did not show the exclusive license agency agreement to anyone at T-Ink.

In or about May 2015, Livak advised T-Ink that IGC wanted to re-negotiate the terms of the July 18, 2014 Agreement to include a specific reference to Touchcode. On or about July 15, 2015, T+Ink sent a proposed revised agreement to Livak. Livak rejected it and in a July 16, 2015 email, stated:

> this new contract is a non-starter. I am attaching our agreement from last year so we can see the original agreement. All we are asking for is that these words be incorporated into clause #1, which discusses food and beverage carry cases and trays . . . . Nothing else is to be modified. If this cannot be done, we will continue to work off the original agreement.

Livak attached the July 18, 2014 Agreement, which contained the non-exclusive language, to this email.

In its complaint IGC alleged that T-Ink contracted for IGC to be the exclusive North America licensing agent of Touchcode. In exchange, IGC was promised royalties for its sales of Touchcode licenses. IGC alleged that it was "created as an 'advertorial' company using interactive technology such as Touchcode to enhance purchasing experiences, customer service functions and product security (complaint, ¶ 16). IGC further alleged that T+Ink and IGC entered into the exclusive license agency agreement in or about July 2014, and that this exclusive license agency agreement superseded a prior non-exclusive license agency agreement executed in or about June 2013) (*id.*, ¶ 18).

IGC alleged that T-Ink breached this exclusive license agency agreement, for which IGC engaged in persistent and aggressive business development activities to

market Touchcode licensing agreements with Licensees for T+Ink. According to the complaint, in or about July or August 2015, "T+Ink attempted to force IGC to change the terms of the exclusive license agency agreement and agree to accept drastically reduced royalties. IGC refused T+Ink's overtures to amend the terms of the exclusive license agency agreement (*id.*, ¶ 41).

IGC's complaint pleads seven causes of action, including breach of contract, tortious interference with prospective economic relations, tortious interference with prospective business/economic advantage, breach of implied covenant of good faith and fair dealing, unjust enrichment, and quantum meruit.

The parties completed discovery and now T+Ink moves for summary judgment dismissing the complaint. T+Ink first argues that, because IGC has committed a fraud upon the court, dismissal of the complaint is warranted. T+Ink also argues that I should grant it summary judgment dismissing the complaint because IGC cannot make out any of its claims. With respect to the contract claim, T+Ink argues that it was ICG, not T+Ink that breached the July 18, 2014 Agreement. With respect to the quasi-contractual claims, T-Ink argues that these claims are duplicative of the contract claim. Finally, T-Ink argues that ICG cannot show facts sufficient to support its tort claims. ICG opposes summary judgment, arguing that it has raised sufficient issues of fact to warrant a trial.

Discussion

Dismissal For Fraud on the Court

T+Ink argues that IGC relies upon a "forged" document, the exclusive license agency agreement, which purports to provide IGC exclusive rights to license T+Ink's technology. According to T-Ink, although IGC was confronted with overwhelming evidence demonstrating that the exclusive license agency agreement is not authentic, IGC refused to concede or address the issue, compelling the parties to litigate this matter for nearly three years.

In support of its argument T-Ink' submits documents showing that the parties' relationship is governed by the July 18, 2014 Agreement, which provides that IGC can "license T-Ink for interactive applications . . . ." Under item 2 in the July 18, 2014 Agreement, the license is identified as "non-exclusive." July 18, 2014 Agreement was signed by Ferber for T+Ink, and by Sible and Livak on behalf of IGC.

T+Ink argues that: (1) IGC's claim that there was an additional agreement in July 2014, the exclusive license agency agreement, amending the July 18, 2014 Agreement to make the license exclusive is false because no such agreement exists; (2) Livak lied about the existence of the exclusive agency licensing agreement; (3) Livak lied about receiving an exclusive license agency agreement in an email from T+Ink; and (4) the two copies of the exclusive license agency agreement that Livak has produced in this litigation are forgeries.

T+Ink relies on, among other things, the following to establish that Livak's statements on behalf of IGC are false. First, T-Ink notes that there are no exclusive license agency agreement referenced in any email between the parties; all emails and draft agreements between the parties reference a non-exclusive relationship. Throughout discovery, and during Livak's deposition, T+Ink requested any email from T+Ink identifying an exclusive license agency agreement, but none has surfaced.

Second, T+Ink states that, prior to the execution of the July 18, 2014 Agreement, IGC sought concessions from T+Ink explicitly because the operative agreement was to be non-exclusive. For this proposition, T+Ink relies on the July 8, 2014 email from Sible, at IGC, to Ickowski, at T+Ink. This email states, in relevant part: "Since the agreement is non-exclusive, I am not sure why there should be any term other than a 'no harm' clause."

Third, T+Ink states that Livak, in opposition to T-Ink's motion to dismiss, averred in an affidavit in support that "The Exclusive Agency Agreement was executed in July 2014 . . . . It was signed in counterparts on behalf of IGC by me in Florida, and by Jason Sible, the former President & Chief Operating Office of IGC, in Philadelphia, Pennsylvania" (Livak aff in opposition to T+Ink motion to dismiss, Dkt # 24, ¶ 5). The only agreement in the record is that is signed by all three of these individuals is the non-exclusive July 18, 2014 Agreement.

Additionally, in an affidavit, Sible avers that the operative agreement between the parties was non-exclusive; that between T+Ink and IGC he "led the negotiations to

memorialize in writing the parties' understanding;" and that "IGC's dealings with T+Ink were governed by, and conducted consistent with," the non-exclusive agreement that he signed, on or about July 18, 2014 (Sible aff, ¶¶ 2-4). Sible further avers that he never saw any alleged exclusive agency licensing agreement before February 16, 2016, and states that it was "not the operative document by which [he] was guided in [his] dealings with T+Ink while at IGC" (*id.*, ¶ 8).

Finally, T+Ink notes that the first version of the alleged exclusive license agency agreement is attached to a May 12, 2015 email sent by Livak to non-party potential investors. The corresponding metadata for the attachment sent by Livak indicated that the agreement attached was created on May 12, 2015, in contrast to Livak's testimony that the exclusive license agency agreement was created and signed in July 2014.

In opposition, IGC claims that the exclusive license agency agreement was emailed to Livak by T+Ink employee Laverne Marri-Perez in or about July 2014, and that Livak signed it. Livak states that, as the CEO of IGC, his signature was the only one needed on the agreement, and this is the reason Sible did not sign the exclusive license agency agreement.

IGC also submits the affirmation of its attorney, Kessler, who states that Marri-Perez spoke to Kessler while participating in a phone call on July 22, 2016, and at that time "she recalled that the parties' agreement was a multi-year contract that provided IGC with the exclusive right to market and promote Touchcode interactive technology . . ." (Kessler aff., ¶¶ 29-30). IGC points out that during her deposition, Marri-Perez

testified that she did not remember whether she told Kessler there was no exclusivity when asked about the nature of the relationship between IGC and T+Ink.

IGC offers both Livak's testimony and two copies of the exclusive license agency agreement. According to Livak's sworn deposition testimony, T+Ink agreed to amend the contract to be exclusive and directed Livak to bring a signed copy of the agreement to T-Ink's offices in "late July/early August 2014 (Kessler aff., exh. 2 at 71-82).

As to the metadata that, according to T+Ink, shows that the document was created in May 2015, IGC argues that "[a] visual inspection of this document reveals that it contains handmade redactions, which were then attached to an email sent on May 12, 2015. Thus, it is not surprising that this document contains metadata indicating that the attachment, with handmade redactions, was created on or about May 12, 2015." (IGC's memorandum in opposition at 7). IGC concludes that it has a good faith basis for proceeding with its breach of contract cause of action based on the exclusive license agency agreement.

"Fraud on the court involves willful conduct that is deceitful and obstructionistic, which injects misrepresentations and false information into the judicial process 'so serious that it undermines . . . the integrity of the proceeding'" (*CDR Creances S.A.S. v Cohen*, 23 NY3d 307, 318 [2014]). "Characteristic of federal cases finding such fraud is a systematic and pervasive scheme, designed to undermine the judicial process and thwart the nonoffending party's efforts to assert a claim or defense by the offending party's repeated perjury or falsification of evidence. Fraud on the court warrants heavy

sanctions, including striking of an offending party's pleadings and dismissal of the action" (*id.* at 319); *see also McMunn v Memorial Sloan-Kettering Cancer Center*, (191 F Supp2d 440, [SDNY 2002]).

In *CDR Creances S.A.S. v Cohen*, 23 NY3d 307 [2014], the Court of Appeals stated that the nonoffending party must establish by clear and convincing evidence that the offending "'party has acted knowingly in an attempt to hinder the fact finder's fair adjudication of the case and his adversary's defense of the action'" (*id.* at 320 [internal citations omitted]). "A court must be persuaded that the fraudulent conduct, which may include proof of fabrication of evidence, perjury, and falsification of documents concerns 'issues that are central to the truth-finding process'" (*id.* at 320-321 [internal citations omitted]).

Here, IGC's alleged misconduct is plainly central to the allegations in the complaint, as IGC alleges that T+Ink breached an exclusive license agency agreement that entitled to IGC to 93% of the license royalties. And while T+Ink has met its *prima facie* burden on its motion of showing that IGC has relied on a fraudulent exclusive license agency agreement, IGC has submitted sufficient evidence, including Livak's deposition testimony, and two copies of an exclusive license agency agreement, which creates an issue of fact as to whether the exclusive license agency agreement is a forgery and whether IGC committed a fraud upon the court by relying upon that document and submitting testimony in support of its authenticity.

Under these circumstances, I deny T+Ink's motion for summary judgment dismissing the complaint for IGC's perpetrating a fraud on the court.

Failure to State A Claim

Breach of Contract Cause of Action

T+Ink argues that the plain language of the July 18, 2014 Agreement required IGC to make a total combined payment of $250,000 by August 1, 2015, as follows: "for year one, within five business days of signature, $75,000 advance against royalties must be paid at six months, and the remaining $100,000 to be paid within five days of year 1 anniversary." Additionally, under the July 18, 2014 Agreement, IGC was required to "document $1 million in combined equity, available lines of credit, or accessible cash equivalents."

T+Ink states that, although IGC did make the initial $75,000 payment, it did not make the subsequent two required payments. Following IGC's failure to make the second payment, T+Ink made multiple written and oral demands for payment, but IGC failed to make the payments. Thus, T+Ink concludes, IGC had already breached the July 18, 2014 Agreement prior to the events supporting the breach of contract allegations in IGC's complaint.

IGC admits that it did not make the second two payments but states that there was a verbal understanding between the parties regarding IGC's ongoing ability to make these payments. Further, IGC contends that its breach of contract claim is not undermined by its failure to make these payments, because a plain reading of the July 18, 2014 Agreement shows that its failure to make these payments was not a "breach," but simply "an impediment preventing the extension of the agreement for an additional 48-month

term." This contention is based on the language of paragraph "3" of the July 18, 2014 Agreement, which states:

> "A total combined payment (advance plus quarterly royalty payments) of $250,000 in royalties is required by August 1, 2015 to extend the contract for an additional year (making it another 48 months). Years 2 and beyond, a minimum of $250,000 must be paid within five business days of the anniversary date, which is August 1st"

The consequence of IGC's failure to make the payments timely is not clear from the language of clauses 3 and 7 of the July 18, 2014 Agreement. Where, as here, a contract is ambiguous and subject to more than one reasonable interpretation, summary judgment is inappropriate. I therefore deny T+Ink's motion for summary judgment dismissing the first cause of action for breach of contract.

Quasi-Contractual Causes of Action

IGC's complaint contains four quasi-contractual claims: (1) breach of implied covenant of good faith and fair dealing; (2) unjust enrichment; (3) promissory estoppel; and (4) quantum meruit. T+Ink argues that because there is a written agreement between the parties, these claims must be dismissed. In its motion papers, T+Ink states: "[h]ere, it is undisputed that the relationship between the parties was defined by an extensively-negotiated written agreement fully detailing all applicable terms and conditions governing the parties' relationship. . . . Having [chosen to sue under the operative agreement to recover damages], IGC is now limited to recovery of damages on the operative agreement" (T+Ink's memorandum in support at 23).

However, in its own papers, T+Ink disputes the existence of a binding agreement. In its statement of material facts in support of its motion, T+Ink stated that the agreement between the parties, the July 18, 2014 Agreement, "set [] forth general terms for proceeding to an agreement" between T+Ink and IGC . . . . The Non-Exclusive Agreement was subject to, and dependent upon, 'the timely fulfillment of IGC in meeting certain conditions,'" including certain payments, that IGC failed to make (T+Ink's statement of material facts, ¶¶ 26, 29 and 39).

Additionally, in an October 19, 2015 letter to IGC, an attorney for T+Ink states: "[w]e recognize that the parties had hoped to enter an agreement based on the Letter of Understanding signed on July 18, 2014 ("LOU"), but without a formal subsequent agreement, no formal relationship ever existed" (Kessler aff., exh. 8 at 1).[1]

"Although '[t]he existence of a valid and enforceable contract governing a particular subject matter ordinarily precludes recovery in quasi contract for events arising out of the same subject matter, 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'" (*Sabre Intl. Sec., Ltd. v Vulcan Capital Mgt., Inc.*, 95 AD3d 434, 438 [1st Dept 2012]).

[1] In fact, T+Ink states in its memorandum in support of its motion for summary judgment that the July 18, 2014 Agreement was merely "a letter of intent" (T+Ink Memorandum in support at 18).

Because T-Ink has not conceded that the parties had a binding contractual relationship, I decline to dismiss IGC's quasi-contractual causes of action.

Tortious Interference Causes of Action

In its complaint, IGC alleges two causes of action for tortious interference: (1) tortious interference with prospective economic relations; and (2) tortious interference with prospective business/economic advantage.

T+Ink argues that IGC cannot provide factual support for its allegations that it had prospective business relations with a number of companies and that T+Ink interfered with these business relations by refusing to provide essential support, and by contacting licensees to provide false information. T+Ink posits that IGC's contacts with prospective licensees was exclusively through mass marketing emails, and that IGC has no evidence that T+Ink reached out to one of these companies to discuss IGC.

In its opposition papers, IGC does not address T+Ink's arguments regarding IGC's lack of factual support for its causes of action for tortious interference. IGC does not oppose or dispute T+Ink's arguments concerning a lack of evidentiary basis for the tortious interference claims. I therefore dismiss these two causes of action.

In accordance with the foregoing, it is

ORDERED that defendant T+Ink, Incorporated's motion for summary judgment (motion sequence #004) is granted only to the extent of dismissing the second and third causes of action for tortious interference, and is otherwise denied; and it is further

ORDERED that the parties appear for a pretrial conference on October 30, 2019 at 2:15 p.m. at 60 Centre Street, Room 208.

This constitutes the decision and order of the Court.

10/7/2019
DATE

CHECK ONE:	[ ]	CASE DISPOSED		[X]	NON-FINAL DISPOSITION	
	[ ]	GRANTED	[ ] DENIED	[X]	GRANTED IN PART	[ ] OTHER
APPLICATION:	[ ]	SETTLE ORDER		[ ]	SUBMIT ORDER	
CHECK IF APPROPRIATE:	[ ]	INCLUDES TRANSFER/REASSIGN		[ ]	FIDUCIARY APPOINTMENT	[ ] REFERENCE