AVS Techs., Inc. v Sterling Natl. Bank
2020 NY Slip Op 32208(U)
July 7, 2020
Supreme Court, New York County
Docket Number: 100944/2019
Judge: Andrea Masley

SUPREME COURT OF THE STATE OF NEW YORK
NEW YORK COUNTY

PRESENT: HON. ANDREA MASLEY **PART** **IAS MOTION 48EFM**

Justice

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ASV TECHNOLOGIES, INC.,

Plaintiff,

- v -

STERLING NATIONAL BANK, PERSONALLY AND AS SUCCESSOR BY MERGER TO HUDSON VALLEY BANK,

Defendant.

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INDEX NO. 100944/2019

MOTION DATE

MOTION SEQ. NO. 001

DECISION + ORDER ON MOTION

The following e-filed documents, listed by NYSCEF document number (Motion 001) 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 26, 27, 28, 29, 31, 33, 34, 35, 36

were read on this motion to/for DISMISS.

Masley, J.:

In motion sequence number 001, defendant Sterling National Bank (Sterling) moves to dismiss the amended verified complaint, pursuant to CPLR 3211 (a) (1) and (7), on the grounds that: (1) the unsigned 2015 End User License Agreement (2015 EULA), alleged to have been breached, is void and nonbinding in accordance with the Statute of Frauds and the written terms of the 2006 End User License Agreement (2006 EULA); (2) Sterling properly terminated the controlling 2006 EULA; and (3) the documentary evidence submitted in support of this motion refutes possession of plaintiff ASV Technologies, Inc.'s (ASV) proprietary software or hardware.

Background

Unless indicated otherwise, the following facts are taken from the amended verified complaint, and for the purposes of this motion are accepted as true.

ASV is a software technology company which "engineers and markets a product line of proprietary signature verification and check fraud detection software for use in the banking industry" (NYSCEF Doc. [NYSCEF] 13, Amended Complaint ¶ 4). In 2003, ASV

entered into an End User License Agreement (2003 EULA) with Hudson Valley Bank (Hudson), Sterling's predecessor-in-interest (*id.* ¶ 6). The 2003 EULA granted Hudson a three-year license to copy and use ASV's eBank Discovery program, a signature verification and check fraud detection software, which was customized for Hudson's use and included all necessary hardware and software to run the program (*id.*).

Upon termination of the 2003 EULA, the parties entered into the 2006 EULA, which took effect August 31, 2006 (*id.* ¶ 7). The 2006 EULA allowed Hudson to continue to use the eBank Discovery software program for a fee of $2,000 per month (*id.*). The 2006 EULA provided for an initial term of three years with automatic one-year renewals, subject to Hudson's power to terminate upon ninety days written notice (*id.* ¶ 8). ASV alleges the 2006 EULA remained in effect through December 31, 2014 without issue (*id.* ¶ 11).

In January 2015, ASV sent Hudson the 2015 EULA, which ASV intended would "supersede or supplant the 2006 EULA" (*id.* ¶ 13). Under the 2015 EULA, Hudson would continue to pay a monthly license fee of $2,000 and an "additional $833 per month for license use of [ASV's] 310/312 custom module", a new custom add-on module (*id.*). The 2015 EULA provided for an initial term of three years with automatic two-year renewals (*id.* ¶ 14). The 2015 EULA states that "[b]y installing, copying or otherwise using the SOFTWARE PRODUCT, you agree to be bound by the terms of this EULA" (*id.* ¶ 16).

ASV alleges that Hudson manifested its acceptance of the 2015 EULA by continuing its use of ASV's software products, as per a mode of acceptance stated in the contract (*id.* ¶ 18). As a "courtesy," ASV claims to have deferred the $833 per month payments for license use of the 310/312 custom module (*id.* ¶ 19).

Sterling succeeded Hudson by reason of a merger in May 2015 and assumed Hudson's contractual rights and obligations to ASV (*id.* ¶ 20). By letter dated May 8, 2016,

Sterling sent ASV a notice of termination of the 2006 EULA, effective August 30, 2016 (*id.* ¶ 22; NYSCEF 10, Letter of Termination). ASV alleges that this termination was "ineffective and void" and the 2015 EULA did not expire until October 1, 2017 (*id.* ¶ 23). Subsequently, ASV billed Sterling "for the work performed at [Sterling's] specific request (3rd Quarter Invoice, including all deferred charges accrued)" and served Sterling with a written demand to cease use of ASV's software and return all proprietary hardware, software, and support manuals (*id.* ¶¶ 24, 25).

ASV commenced this action for breach of contract, alleging that Sterling breached the 2015 EULA by (1) failing to make required payments for the 310/312 custom module for the period of June 1, 2015 to October 30, 2017 and (2) refusing to return ASV's proprietary hardware, software, and support manuals despite revocation of the license (*id.* ¶ 30).

Discussion

On a motion to dismiss pursuant to CPLR 3211 (a) (7), the court must "accept the facts as alleged in the complaint as true, accord plaintiffs the benefit of every possible favorable inference, and determine only whether the facts as alleged fit within any cognizable legal theory" (*Leon v Martinez*, 84 NY2d 83, 87-88 [1994]). "[B]are legal conclusions, as well as factual claims which are either inherently incredible or flatly contradicted by documentary evidence" cannot survive a motion to dismiss (*Summit Solomon & Feldesman v Lacher*, 212 AD2d 487, 487 [1st Dept 1995] [citation omitted]).

To prevail on a CPLR 3211 (a) (1) motion to dismiss, the movant has the "burden of showing that the relied upon documentary evidence 'resolves all factual issues as a matter of law, and conclusively disposes of the plaintiff's claim'" (*Fortis Fin. Servs. v Filmat Futures USA*, 290 AD2d 383, 383 [1st Dept 2002] [citation omitted]). "A cause of action may be dismissed under CPLR 3211 (a) (1) 'only where the documentary evidence utterly refutes

[the] plaintiff's factual allegations, conclusively establishing a defense as a matter of law'" (*Art and Fashion Group Corp. v Cyclops Prod., Inc.*, 120 AD3d 436, 438 [1st Dept 2014] [citation omitted]). "The documents submitted must be explicit and unambiguous" (*Dixon v 105 West 75th St. LLC*, 148 AD3d 623, 626 [1st Dept 2017] [citation omitted]), and their content "essentially undeniable'" (*VXI Lux Holdco S.A.R.L. v SIC Holdings, LLC*, 171 AD3d 189, 193 [1st Dept 2019] [citation omitted]). Correspondence through letters and emails may be properly considered by this court as documentary evidence under CPLR 3211 (a) (1) (*See Tozzi v Mack*, 169 AD3d 547, 548 [1st Dept 2019] [holding that an option agreement, a correction rider, and emails constitute documentary evidence that "utterly refutes the plaintiffs' factual allegations and conclusively establishes a defense as a matter of law"] [citations omitted]; *Art and Fashion Group Corp.*, 120 AD3d at 438 ["Email correspondence can, in a proper case, suffice as documentary evidence for purposes of CPLR 3211 (a) (1)"] [citations omitted]).

The elements of a breach of contract claim are "the existence of a contract, the plaintiff's performance thereunder, the defendant's breach thereof, and resulting damages" (*Harris v Seward Park Hous. Corp.*, 79 AD3d 425, 426 [1st Dept 2010] [citation omitted]). Here, ASV fails to state a claim for breach of contract because Sterling provides documentary evidence which "utterly refutes" ASV's allegations that the parties entered into a valid and binding agreement in 2015 (*Art and Fashion Group Corp.*, 120 AD3d at 438).

Sterling argues that it could not have breached the 2015 EULA because the 2015 EULA violates the Statute of Frauds, and thus, the 2006 EULA controls the parties' relationship. Sterling submits documentary evidence showing: (1) the terms of the 2015 EULA fall within the Statute of Frauds (NYSCEF 16, 2015 EULA ¶ 10); and (2) the 2015 EULA is unsigned, a violation of the Statute of Frauds (*id.* at 1).

1. Statute of Frauds

"Every agreement, promise or undertaking is void, unless it or some note or memorandum thereof be in writing, and subscribed by the party to be charged therewith . . . if such agreement, promise, or undertaking by its terms is not to be performed within one year of the making thereof. . . ." (General Obligations Law [GOL] § 5-701 [a] [1]). A contract that is unsigned, and by its own terms, "terminable within one year only upon a breach by one of the parties" is void under the Statute of Frauds (*D & N Boening, Inc. v Kirsch Beverages, Inc.*, 63 NY2d 449, 456 [1984]).

The 2015 EULA states that the contract will remain in effect for a minimum of three years, at which point Sterling can terminate by providing ASV with ninety days written notice (NYSCEF 16, 2015 EULA ¶ 10). ASV concedes, by its own statements, and the premise of this action, that Sterling had no option to terminate the 2015 EULA as a matter of right prior to October 1, 2017 (NYSCEF 13, Amended Complaint ¶ 23 ["Notwithstanding Defendant, Sterling National Bank's ineffective and void termination, the 2015 EULA expired on October 1, 2017]; *see also* NYSCEF 27, Counsel for ASV aff ¶ 11 ["The 2015 EULA does not provide for early termination by Hudson Valley"]). Thus, Sterling had no ability to perform the 2015 EULA within a year of its creation. Further, "[a] breach can in no way be equated with an option to discontinue or cancel, the exercise of which would constitute alternative performance of the agreement" (*D & N Boening, Inc.*, 63 NY2d at 456). Therefore, its terms, the 2015 EULA falls under the Statute of Frauds (GOL § 5-701).

The 2015 EULA must be in writing and subscribed to by Sterling to validly bind Sterling to the Agreement's terms (*id.*). The written copy of the 2015 EULA is not signed by either party (NYSCEF 16, 2015 EULA). ASV does not deny that the parties never signed the 2015 EULA, rather, it contends that Hudson manifested its acceptance of the 2015

EULA by acknowledging receipt of the 2015 EULA and through its subsequent performance by continuing to use the ASV software (NYSCEF 13, Amended Complaint ¶ 18; *see* NYSCEF 16, 2015 EULA at 2 ["By installing, copying or otherwise using the SOFTWARE PRODUCT, you agree to be bound by the terms of this EULA"]). However, this alleged mode of acceptance is insufficient to remove the 2015 EULA from the Statute of Frauds, unless "there is a note, memorandum or other writing sufficient to indicate that a contract has been made, signed by the party against whom enforcement is sought . . . ." (GOL § 5-701 [b] [3] [d]) or the parties' partial performance is "unequivocally referable" to the 2015 EULA (*Anostario v Vicinanzo*, 59 NY2d 662, 664 [1983]).

A. Insufficient Written Evidence of a Contract

In opposition to this motion, ASV submits a few emails exchanged between the parties, which it asserts evidences that Hudson (Sterling's predecessor) acknowledged its acceptance of the 2015 EULA. In an email sent to ASV dated December 9, 2014, Mary Perkolaj, a Hudson employee, praised the 310/312 custom module's effectiveness and asked a question about the system (NYSCEF 28, Email Chain at 30). However, this email was sent prior to any alleged acceptance of the 2015 EULA, which ASV alleges occurred in January 2015 (NYSCEF 13, Amended Complaint ¶ 13). In a January 6, 2015 email sent to ASV, Perkolaj asks ASV to "update" the 2006 EULA to reflect the "additional 10k annually" increased cost for the 310/312 custom module (NYSCEF 28, Email Chain at 34). ASV responded by sending the 2015 EULA as an email attachment and, in the body of the message, instructed Perkolaj to "have a look" (*id.*). The email correspondence ends on January 7, 2015, with Perkolaj replying, "[t]hank you. I'm giving my boss the copy" (*id.*)

"The memorandum necessary to satisfy the statute of frauds may be pieced together out of separate writings, connected with one another either expressly or by the internal

evidence of subject matter and occasion. In the event that one of the writings is unsigned, it may be read together with the signed writings, provided that they clearly refer to the same subject matter or transaction" (*Kelly v P & G Ventures 1, LLC*, 148 AD3d 1002, 1003 [2d Dept 2017] [citations omitted]). However, these emails simply do not convey Hudson's clear agreement or acquiescence to the 2015 EULA. Perkolaj did not accept the 2015 EULA in the above emails, she merely communicated that she was giving a copy to her boss (NYSCEF 28, Email Chain at 34).

Further, the emails do not satisfy the requirements of the Statute of Frauds. "(A)n email will satisfy the statute of frauds so long as its contents and subscription meet all the requirements of the governing statute" (*Naldi v Grunberg*, 80 AD3d 1, 3 [1st Dept 2010]). "[A]t least one writing, the one establishing a contractual relationship between the parties, must bear the signature of the party to be charged ... ." (*Scheck v Francis*, 26 NY2d 466, 471 [1970]). Even if the court found that Perkolaj accepted the contract, which she did not, the only "signature" in these writings is what appears to be an automated signature block from Perkolaj in her January 6, 2015 email to ASV (NYSCEF 28, ex G at 34). This "signature" does not appear to have been made "with intent to authenticate the information therein" (*Scheck* 26 NY2d at 471; *see Parma Tile Mosaic & Marble Co. v Estate of Short* 87 NY2d 524, 526-28 [1996] [automatic imprinting of the sender's name on documents sent by a fax machine does not constitute a signature for purposes of the Statute of Frauds because it does not show intent to authenticate the information]).

Additionally, the signature must be made by an agent with the authority to sign such a document (*see Morris Cohon & Co. v Russell*, 23 NY2d 569, 573 [1968]). There is no allegation that Perkolaj had the authority to bind Hudson to the 2015 EULA. Nevertheless, she does not accept the contract; rather she merely states that she is giving it to her boss.

Thus, ASV cannot piece together the few emails exchanged between the parties to show Sterling's clear intent to be bound by the terms of the 2015 EULA.

B. No Unequivocal Partial Performance

ASV argues that an agreement, although unsigned, may be enforceable when the parties' conduct or performance demonstrates objective evidence that the parties reached a binding agreement (*Flores v Lower E. Side Serv. Ctr.*, 4 NY3d 363, 365-66 [2005] [written but unsigned agreement is enforceable where general contractor has performed work and received payment in accordance with alleged agreement]; *Brown Bros. Elec. Contractors, Inc. v Beam Constr. Corp.*, 41 NY2d 397, 398-99 [1977] [parties' "course of conduct" established the existence of a binding agreement]). ASV asserts that Hudson, and then Sterling, accepted the 2015 EULA through their subsequent performance, and that the parties have conducted themselves in a manner that amounts to unequivocal performance under the 2015 EULA.

Under the Statute of Frauds, "[t]he doctrine of part performance may be invoked only if plaintiff's actions can be characterized as unequivocally referable to the agreement alleged" (*Anostario*, 59 NY2d at 664). "[T]he actions alone must be 'unintelligible or at least extraordinary,' explainable only with reference to the oral agreement" (*Id.* [citations omitted]). This court finds that neither parties' alleged performance is unequivocally referable to the 2015 EULA because it can be alternatively explained through continued adherence to the terms of the 2006 EULA.

ASV claims that engineering and installing the 310/312 custom module to Sterling's existing signature verification and check fraud software is clear evidence of its performance under the 2015 EULA. However, the 2006 EULA obligated ASV to provide Sterling with "updates and modifications to the Software" and offered "full product upgrades and support

assuring ASV customers will always have the best available technology" (NYSCEF 9, 2006 EULA ¶ 7 and ex B). Further, "[a]ny customization or modification of the Software and any other services not specifically provided for in this Agreement . . . shall be deemed consulting services for which Licensee agrees to pay Licensor in accordance with Licensor's then current hourly rates" (*id.* ¶ 7). Therefore, ASV's installation of the 310/312 custom module is not "explainable only with reference to the [2015 EULA]" because the performance can logically be referenced to the 2006 EULA (*Anostario*, 59 NY2d at 664).

Furthermore, the amended complaint and ASV's own counsel contradict the argument that Hudson unequivocally accepted the 2015 EULA "[b]y installing, copying or otherwise using the SOFTWARE PRODUCT ... ." (NYSCEF 13, Amended Complaint ¶ 18; NYSCEF 16, 2015 EULA at 2). Sterling, and its predecessor, Hudson, had been using ASV's proprietary signature verification and check fraud software continuously from 2003 to 2016 (id. ¶¶ 6, 7, 11, 21, 22). Moreover, Sterling and Hudson installed and began using the 310/312 custom module in October 2014, months before the alleged formation of the 2015 EULA in January 2015 (NYSCEF 27, Counsel for ASV aff ¶ 12). Sterling cannot bind itself to a new contract under the Statute of Frauds merely by continuing performance that its predecessor had previously undertaken for a decade under the 2006 EULA.

Similarly, Sterling's alleged payments made under the 2015 EULA cannot be said to unequivocally refer to the 2015 EULA because both Hudson and Sterling paid the identical monthly amount as required by the 2006 EULA. ASV argues that Sterling received invoices explicitly referencing the 2015 EULA and new 310/312 custom module and paid it without complaint. However, ASV fails to allege this in its amended complaint, and fails to submit invoices to support its argument. Additionally, because ASV claims to have deferred the $833 monthly payments for the license use of the 310/312 custom module, Sterling

continued to pay $2,000 per month, the same invoice amount as the 2006 EULA (NYSCEF 13, Amended Complaint ¶ 19). Summarily, neither Sterling nor Hudson did not unequivocally partially perform under the 2015 EULA.

2. Explicit Intent to be Bound Only by a Written and Signed Document

This court also finds that any oral agreement surrounding the 2015 EULA would also be void due to Sterling's explicit and expressed intent to not be bound to any agreement absent a written and signed document. The 2006 EULA states that the document comprises the "entire agreement" and can only be "amended by a writing executed by both Licensee and Licensor" (NYSCEF 9, 2006 EULA ¶ 17). This written provision is documentary evidence of Sterling's clear intent not to be bound by the terms of any unsigned agreement. "It is well settled that, if the parties to an agreement do not intend it to be binding upon them until it is reduced to writing and signed by both of them, they are not bound and may not be held liable until it has been written out and signed" (*Scheck*, 26 NY2d at 469-70). Courts should give "considerable weight" to explicit statements that a party does not intend or desire to be bound by oral agreements (*R.G. Group, Inc. v Horn & Hardart Co.*, 751 F2d 69, 75 [2d Cir 1984]).

Under these circumstances, courts should be "reluctant to discount such a clear signal" of intent to not be bound to an oral agreement (*see R.G. Group, Inc.*, 751 F2d at 75).

3. Termination of the 2006 EULA

Sterling's 2016 Notice of Termination Letter was in accordance with the terms of the 2006 EULA. The 2006 EULA provided for an "initial three-year term with automatic one-year renewals" (NYSCEF 13, Amended Complaint ¶ 8; NYSCEF 9, 2006 EULA ¶ 3). Sterling could properly terminate the agreement after the initial contract term upon ninety

days prior written notice to ASV (NYSCEF 9, 2006 EULA ¶ 4 [b]). In a letter, dated May 9, 2016, Sterling sent ASV a clear ninety-day Notice of Termination (NYSCEF 10, Notice of Termination at 1). ASV acknowledges its receipt of the termination letter (NYSCEF 13, Amended Complaint ¶ 22).

Therefore, Sterling's Notice of Termination is valid and effective because the 2006 EULA was the controlling agreement at the time of termination.

4. Breach of Contract- Withholding Proprietary Software and Hardware

ASV claims that Sterling has violated the 2015 EULA by continuing to withhold possession of ASV's signature verification and check fraud detection software, operating software and hardware, and other property (NYSCEF 13, Amended Complaint ¶ 36). However, as the 2015 EULA is unenforceable, this claim too is denied.

Accordingly, it is

ORDERED that defendant Sterling National Bank's motion to dismiss is granted and the amended verified complaint is dismissed with costs and disbursements to defendant as taxed by the Clerk of the Court.

J.S.C.

7/7/2020
DATE

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