TO BE ARGUED BY:
THOMAS TORTO, ESQ.
TIME REQUESTED: 10 MINUTES

Supreme Court of the State of New York
Appellate Division:Second Department

BILL BIRDS, INC. and WILLIAM PELINSKY,
Plaintiffs-Respondents,

-against-

STEIN LAW FIRM, P.C. and MITCHELL A. STEIN,
Defendants-Appellants.

Appellate Division Docket No. 2016-01939

BRIEF OF PLAINTIFFS-RESPONDENTS

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PRELIMINARY STATEMENT

Plaintiffs-respondents Bill Birds, Inc. and William Pelinsky respectfully submit this brief in opposition to the appeal by defendants-appellants from so much of the Order of the Supreme Court, Queens County (Dufficy, J.), dated March 21, 2013, as denied defendants' motion for summary judgment dismissing plaintiff's claim under Judiciary Law §487.

COUNTER-ISSUE PRESENTED FOR REVIEW

Whether there are factual questions which preclude the summary dismissal of plaintiffs' claim under Judiciary Law § 487?

In its order dated March 21, 2013 (R. 7-8), the Supreme Court concluded that there are triable issues of fact as to whether plaintiff sustained any damage proximately caused either by the defendants' alleged deceit or by an alleged chronic, extreme pattern of legal delinquency.

COUNTER-STATEMENT OF FACTS

Background

Plaintiff Bill Birds, Inc. ("Bill Birds") is a manufacturer of high quality decorative metal automotive parts, including parts for certain General Motors ("GM") automobiles which are no longer manufactured and sold by GM (R. 222). In 1995, Bill Birds entered into a licensing agreement with GM which was "periodically renewed" over the course of approximately eleven years (R. 306-307).

The licensing agreements contained a forum selection clause which provided that "any court proceeding relating to any controversy arising under this AGREEMENT shall be in the state or federal courts of Michigan" (R. 104; 194-195).

The licensing agreements were costly to Bill Birds since it had to pay royalties, carry certain insurance, account for sales, and affix to its products special labels that included GM's Restoration Part trademark(R. 307).

Shortly before the termination of the last licensing agreement on December 31, 2005, plaintiff William Pelinsky, the president of Bill Birds, became concerned that GM "was trying to make [him] license and pay to make and sell the letters "GS" and [he] realized that almost every automobile manufacturer had a

"GS" model" (R. 307).

In 2006, plaintiffs retained defendants to commence an action for money damages and a determination of certain rights, equities and ownership in certain trademarks and copyrights on behalf of plaintiffs against Equity Management, Inc. ("EMI") and GM (R. 11). Plaintiffs paid defendants a retainer of $25,000 (R. 308).

On August 1, 2006, defendants commenced an action on plaintiffs' behalf against EMI and GM in the United States District Court for the Eastern District of New York ("the Federal Action") (R. 41-61). EMI and GM moved to dismiss the complaint upon the grounds of, inter alia, improper venue in that the forum selection clause in the licensing agreement provided that any dispute would be litigated in state or federal court in Michigan (R. 155-179).

In a Memorandum and Order dated March 31, 2008 (R. 280-295), the Eastern District granted EMI and GM's motion dismissing the complaint pursuant to FRCP 12(b)(3) upon the ground that the action was commenced in an improper venue.

The Instant Action

On December 29, 2010, plaintiffs commenced the instant action by filing a summons and complaint (R. 10-15) in which causes of action for legal

malpractice, breach of contract and fraud were alleged. The complaint alleges, inter alia, that defendants "brought the claims in an improper venue" and that defendants "hid" from plaintiffs the dismissal of the Federal Action (R. 12). The third cause of action for fraud alleges that defendants "knew or should have known that defendants would and our could not successfully prosecute plaintiffs' claims" (R. 13); and that "under Judiciary Law Section 487 defendants have forfeited to plaintiffs 'triple damages'" (R. 14).

In their answer (R. 16-23), defendants denied the material allegations of the complaint and raised various affirmative defenses.

Defendants' Motion for Summary Judgment

By notice of motion dated August 13, 2012 (R. 24-25), defendants moved for summary judgment dismissing the complaint. In support of their motion, defendants relied on, inter alia, the affirmation of their attorney (R. 26-36), the affidavit of defendant Mitchell A. Stein (R. 37-39) and the licensing agreements between plaintiffs and GM (R. 62-83; 84-89; 90-123; 180–221).

Defendants' attorney argued (R. 31-34) that the allegations in the complaint predicated on legal malpractice should be dismissed upon the ground that the underlying Federal Action was "meritless as a matter of law" and that therefore plaintiffs would not have prevailed in the Federal Action regardless of

defendants' alleged negligence in commencing that action in an improper venue. Defendants pointed out that paragraph 5.1 of the licensing agreement contained a "no challenge" clause pursuant to which plaintiffs acknowledged GM's ownership of the trademarks at issue and agreed not to challenge GM's ownership during the term of the agreement (R. 33).

Defendants also contended that the causes of action for breach of contract and fraud should be dismissed as duplicative of the legal malpractice cause of action (R. 35).

Defendants also contended that "to the extent plaintiffs assert any claims under Judiciary Law § 487", such claims should be dismissed upon the grounds that plaintiffs' allegations "fail to establish that [defendant] Stein engaged in a chronic, extreme pattern of legal delinquency" (R. 35) and plaintiffs did not allege that Mitchell Stein made misrepresentations in the context of an ongoing litigation (R. 36).

Plaintiffs' Opposition

In opposition, plaintiffs submitted, inter alia, the affidavit of plaintiff William Pelinsky (R. 306-312), the affirmation of plaintiffs' attorney (R. 302-305) and the affirmation of Harold G. Furlow, Esq. (R. 297-301).

Plaintiff William Pelinsky asserted that Mr. Stein had intentionally

deceived him by informing him that he had researched ownership of the licensed products in the license agreements; that he determined that GM did not have any rights to any of the licensed products; that plaintiffs needed to file a law suit accordingly; that based upon such misrepresentations, Mr. Stein induced plaintiffs to pay defendants a retainer of $25,000 to pursue "a fictitious cause of action" that had no legal merit (R. 311); and that Mr. Stein had to know that the forum selection clauses in the license agreements could not be overcome and deceived him to allow the action to go abandoned after devoting a minimal amount of his personal time (R. 311).

Mr. Pelinsky also asserted that the Federal Action had been dismissed in March 2008 but that defendants did not inform him of the dismissal until late December 2008, approximately nine months later, when the statute of limitations was expiring on December 31, 2008 (R. 306).

Harold G. Furlow, Esq., an attorney specializing in intellectual property law, opined in his affirmation (R. 297-301) that:

> . . . As an intellectual property attorney, the defendants statements leave me in awe in that the defendants did not explain that in fact plaintiffs had no rights to the decorative parts they were manufacturing and that it did not matter whether they were bona fide registered trademarks or parts in the public domain, they were subject to the terms of the License Agreement. I am

further in awe that the defendants encouraged the plaintiffs to undertake litigation when the specific trademark subject matter of the litigation was precluded from being litigated during and after licensing by the License Agreement (See defendants' Exhibit E, paragraph 5.1) and then pursued the litigation in New York when the defendants knew or should have known that the select clauses (See defendants' Exhibit E, paragraph 16.l) are virtually always binding and honored by the courts (R. 299-300).

Mr. Furlow went on to explain that:

It is my opinion based on my reading of Exhibit F and discussions with plaintiffs that the defendants were at least grossly negligent and committed malpractice in the legal advice that was given to the plaintiffs regarding the ownership of the Licensed Parts and the "obligation" to police as a basis for abandonment, especially based upon a search of the "files" of the United States Patent and Trademark Office. That advice, that GM did not own proprietary rights to any of the Licensed Products was beyond reasoned comprehension, it was relied upon by the plaintiffs and encouraged plaintiffs to repudiate the License Agreement which placed plaintiffs at risk for a criminal raid, seizure and arrest. Further, the legal advice provided to the plaintiffs could never have achieved a positive result due to the clauses in the License Agreement that barred litigating the validity of or the Licensor's exclusive rights to the licensed Trademarks (R. 300-301).

Mr. Furlow concluded that:

> I have to state that in my opinion the totality of the acts of the defendants has every appearance to me of a fraudulent scheme in which the plaintiffs were lured into litigation that could never be won because the trademark subject matter at issue in the License Agreement was barred in the License Agreement itself. In this grand scheme and the attorney is then insulated from malpractice because of the current structure of malpractice law (R. 301).

The Supreme Court's Order

In its order dated March 21, 2013 (R. 5-8), the Supreme Court granted defendants' motion to the extent of dismissing plaintiffs' causes of action for legal malpractice, breach of contract and fraud, and denied so much of the motion as sought to dismiss plaintiffs' claim under Judiciary Law §487.

As to the Judiciary Law §487 claim, the Court concluded that the Furlow affirmation (R. 297-301) and the William Pelinsky affidavit (R. 306-312) raise issues of fact which preclude summary judgment. The Court explained in pertinent part as follows:

> . . .Attorney Furlow, who avers that he is a specialist in the field of intellectual property, opines that defendants knew or should have known that the plaintiff had no case against General Motors, that they knew or should have known that the forum selection clause requiring any action to be brought in Michigan would be upheld by the

courts, that they sought to induce plaintiff into litigation under false pretenses. . . and that the 'totality of the acts of the defendants has ever appearance to me of a fraudulent scheme'. This evidence raises a triable issue of fact as to whether plaintiff sustained any damage proximately caused either by the defendants' alleged deceit or by an alleged chronic, extreme pattern of legal delinquency by the defendant . . . In addition, the plaintiff's allegations in his affidavit, inter alia, that he wasn't told that the case was dismissed on March 31, 2008, until the statute had nearly run in December of that year, that counsel made up an excuse that 'the Judge held the decision in chambers and didn't release it'. . .all of which caused him to lose, at minimum, his $25,000.00 payment to the defendants, raise issues of fact that can only be resolved after a trial [citations omitted](R. 7-8).

ARGUMENT

THERE ARE FACTUAL QUESTIONS WHICH PRECLUDE SUMMARY JUDGMENT DISMISSING PLAINTIFFS' JUDICIARY LAW § 487 CLAIM

Judiciary Law § 487 provides in pertinent part that "[a]n attorney or counselor who [i]s guilty of any deceit or collusion, or consents to any deceit or collusion, with intent to deceive the court or any party; or [w]ilfully delays his client's suit with a view to his own gain . . . forfeits to the party injured treble damages, to be recovered in a civil action".

The essential element of a cause of action under Judiciary Law § 487 is an injury caused by the deceitful conduct of the defendant attorney. See, Gumarova v. Law Offices of Paul A. Boronow, P.C., 12 N.Y.S.3d 187, 188, 129 A.D.3d 911, 911 (2d Dep't 2015)(explaining that "an injury to the plaintiff resulting from the alleged deceitful conduct of the defendant attorney is an essential element of a cause of action based on a violation of that statute"); Rozen v. Russ & Russ, P.C., 76 A.D.3d 965, 968, 908 N.Y.S.2d 217, 220 (2d Dep't 2010)(pointing out that "[s]ince Judiciary Law § 487 authorizes an award of damages only to "the party injured," an injury to the plaintiff resulting from the alleged deceitful conduct of the defendant attorney is an essential element of a

cause of action based on a violation of that statute"); Rock City Sound, Inc. v. Bashian & Farber, LLP, 74 A.D.3d 1168, 1172, 903 N.Y.S.2d 517, 521 (2d Dep't 2010)("A violation of Judiciary Law § 487(1) may be established . . . by the defendant's alleged deceit . . .").

Proof that the defendant attorney committed "either a deceit that reaches the level of egregious conduct or a chronic and extreme pattern of behavior" states a cognizable claim under Judiciary Law § 487. See, Savitt v. Greenberg Traurig, LLP, 5 N.Y.S.3d 415, 416, 126 A.D.3d 506, 507 (1st Dep't 2015)(Judiciary Law § 487 claims must "show either a deceit that reaches the level of egregious conduct or a chronic and extreme pattern of behavior on the part of" the defendant attorneys"); Kurman v. Schnapp, 73 A.D.3d 435, 901 N.Y.S.2d 17 (1st Dep't 2010)(sustaining a cause of action under Judiciary Law § 487(1) based on the plaintiff's allegation that the defendant attorney deceived or attempted to deceive the court, in only one instance, with a "fictitious letter" addressed to him by the former licensing director of the City's Taxi and Limousine Commission); Melcher v. Greenberg Traurig LLP, 135 A.D.3d 547, 24 N.Y.S.3d 249 (1st Dep't 2016) (attorney lying about the existence of a phony contract); Mazel 315 W. 35th LLC v. 315 W. 35th Associates LLC, 120 A.D.3d 1106, 992 N.Y.S.2d 402 (1st Dep't 2014) (presenting a false assignment to the City Register).

Here, in assuming as true plaintiffs' pleadings and proof submitted in opposition to defendants' motion, and giving plaintiffs the benefit of every favorable inference which can be reasonably drawn from the facts, see, e.g., Doize v. Holiday Inn Ronkonkoma, 6 A.D.3d 573, 574, 774 N.Y.S.2d 792 (2d Dep't 2004)("in determining a motion for summary judgment, facts alleged by the nonmoving party and inferences which may be drawn from them must be accepted as true"); Byrnes v. Scott, 175 A.D.2d 786, 573 N.Y.S.2d 679, 680 (1st Dep't 1991)(explaining that "on a defendant's motion for summary judgment, opposed by plaintiff, we are required to accept the plaintiff's pleadings, as true, and our decision must be made on the version of the facts most favorable to plaintiff"), it follows that the Supreme Court properly concluded (R. 8) that there are questions of fact which preclude the drastic relief of summary judgment dismissing the Judiciary Law § 487 claim which would deprive plaintiffs of their day in court. See, Andre v. Pomeroy, 35 N.Y.2d 361, 364, 362 N.Y.S.2d 131, 133 (1974)(Since summary judgment "deprives the litigant of his day in court it is considered a drastic remedy which should only be employed when there is no doubt as to the absence of triable issues"); accord: Ugarriza v. Schmieder, 46 N.Y.2d 471, 474, 414 N.Y.S.2d 304, 305 (1979)("Summary judgment has been termed a drastic measure . . . since it deprives a party of his day in court"); Kolivas v. Kirchoff, 14

A.D.3d 493, 493, 787 N.Y.S.2d 392, 392–93 (2d Dep't 2005)("The function of the court on a motion for summary judgment is not to resolve issues of fact or determine matters of credibility, but merely to determine whether such issues exist").

The Court properly concluded that the showing in the Furlow affirmation – that defendants knew or should have known that plaintiffs had no case against General Motors; that they knew or should have known that the forum selection clause requiring any action to be brought in Michigan would be upheld by the courts; that defendants sought to induce plaintiff into litigation under false pretenses; and that the "totality of the acts of the defendants" appeared to be a "fraudulent scheme" – raises issues of fact which preclude summary dismissal of the Judiciary Law §487 claim. See, Laing v. Cantor, 280 A.D.2d 519, 720 N.Y.S.2d 394 (2d Dep't 2001) (denying dismissal of Judiciary Law §487 cause of action) app. dism 'd 4 NY3d 731 (2004); Schindler v. Issler & Schrage, P.C., 262 A.D.2d 226, 692 N.Y.S.2d 361 (1st Dep't 1999) (finding violation of Judiciary Law §487 where the conduct of defendant law firm clearly falls within the proscription of the statute in that it "knowingly withheld crucial information from the declaratory judgment court"); Sarasota, Inc. v. Kurzman & Eisenberg, LLP, 28 A.D.3d 237 (1st Dep't 2006) (issue of fact as to whether the alleged deceit meets

the requirements of Judiciary Law §487).

The Court also properly concluded that the allegations in the William Pelinsky affidavit – that defendants did not inform him that the Federal Action had been dismissed on March 31, 2008 until late December 2008 when the statute of limitations had nearly run; that defendant Stein made up an excuse that "the Judge held the decision in chambers and didn't release it"; and that plaintiffs lost, at minimum, their $25,000.00 retainer paid to defendants – raise issues of fact.

Defendants' contention (Appellants' Br., at 16-17) that plaintiffs did not plead a claim under Judiciary Law §487 is belied by the complaint, which specifically alleges that defendants "knew or should have known that defendants would and our could not successfully prosecute plaintiffs' claims" (R. 13), and that "under Judiciary Law Section 487 defendants have forfeited to plaintiffs 'triple damages'". (R. 14). While the cause of action may not be artfully pled, the allegations regarding the Judiciary Law §487 claim provided defendants with sufficient notice of the cause of action. See, Guggenheimer v. Ginzburg, 43 N.Y.2d 268, 275, 401 N.Y.S.2d 182 (1977) (explaining that whether from the complaint's four corners factual allegations are discerned which taken together manifest any cause of action cognizable at law).

Defendants' assertion (Appellants' Br., at 17) that plaintiff's counsel

admitted (R. 304) that plaintiffs did not have a cause of action under Judiciary Law §487 is incorrect. Plaintiffs' counsel did not state anywhere in his affirmation in opposition (R. 302-305) that plaintiffs do not have a Judiciary Law § 487 cause of action.

Even if the cause of action under Judiciary Law §487 was not sufficiently pled in the complaint, plaintiffs may still successfully oppose defendants' motion for summary judgment by relying on an unpleaded cause of action under Judiciary Law § 487, since it is supported by the plaintiff's submissions and defendants were not taken by surprise and did not suffer prejudice thereby. See, Seaboard Sur. Co. v. Nigro Bros., Inc., 222 A.D.2d 574, 574, 635 N.Y.S.2d 296, 296 -297 (2nd Dep't 1995)("Summary judgment may be defeated with an unpleaded defense as long as the opposing party is not taken by surprise and does not suffer prejudice thereby"); Kapchan v. 31 Mt. Hope, LLC, 975 N.Y.S.2d 44, 45 (1st Dep't 2013)("The court 'in examining the pleadings on a motion for summary judgment, may take into account an unpleaded defense'"); Gold Connection Discount Jewelers v. American Dist. Tel. Co., 212 A.D.2d 577, 578, 622 N.Y.S.2d 740, 741 (2d Dep't 1995)("A court may properly look beyond the allegations in the complaint and deny summary judgment where a party's papers in opposition to the motion raise triable issues of fact"); Ayala v. V & O

Press Co., 126 A.D.2d 229, 234, 512 N.Y.S.2d 704, 707 (2d Dep't 1987) ("a court should not grant judgment summarily against a plaintiff simply because the theory of liability pleaded in the complaint is shown to be meritless. Instead, the court must scrutinize the plaintiff's submissions in order to determine whether any viable cause of action has been alleged and supported by admissible evidence therein, in which case, leave to amend the complaint should be granted and summary judgment denied"). Indeed, defendants knew of the Judiciary Law § 487 claim since they initially moved to dismiss it (R. 35-36).

Defendants' contention (Appellants' Br., at 18-19) that the Judiciary Law §487 claim should have been dismissed since the court dismissed the fraud cause of action, is without merit. Although the Judiciary Law §487 claim is alleged within the fraud cause of action, the causes of action for fraud and violation of Judiciary Law §487 are separate and distinct and do not rise and fall together.

Contrary to defendants' argument (Appellants' Br., at 26-31) that their misconduct did not proximately cause plaintiffs any damages, plaintiffs sustained damages in the sum of at least $25,000 for the retainer that they paid defendants. Based on fraud and deceit, defendants took a substantial fee to file a lawsuit that they knew had no merit.

Defendants' contention that plaintiffs' Judiciary Law § 487 claim does not lie because plaintiffs do not claim that defendants' committed an act of deception during the pendency of the underlying Federal Action, should be rejected. As shown by defendants' letter dated December 15, 2009 (R. 365-369), plaintiffs paid an initial retainer of $7,500 and thereafter $10,000 and another $7,500, for a total of $25,000. As demonstrated in the William Pelinsky affidavit (R. 308-312), defendants' initial deception induced plaintiffs to pay the retainer of $25,000 to file a lawsuit that they knew had no procedural or substantive merit, and they relied on their deception to maintain the underlying Federal Action in which plaintiffs were parties. Indeed, during his deposition, defendant Stein testified that he recommended that an action be filed against EMI and GM (R. 404-405; 406-407; 408).

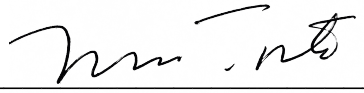
Accordingly, the order appealed from should be affirmed.

CONCLUSION

FOR THE FOREGOING REASONS, THE ORDER, TO THE EXTENT APPEALED FROM BY DEFENDANTS, SHOULD BE AFFIRMED

Dated: New York, New York
November 16, 2016

Respectfully Submitted,



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CERTIFICATE OF COMPLIANCE

I hereby certify pursuant to 22 NYCRR § 670.10.3 that the foregoing respondents' brief was prepared on a computer.

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Dated: New York, New York
November 16, 2016

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