UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Inspired Capital LLC v. Condé Nast

No. 19-2057-cv (2d Cir. Feb. 12, 2020) (summary order) · No. 19-2057-cv · Decided February 12, 2020

SUMMARY

The United States Court of Appeals for the Second Circuit affirmed judgments dismissing plaintiffs' claims against Condé Nast and FremantleMedia North America, Inc. and denying leave to amend. The court held that the complaint and proposed amended complaint failed to plausibly allege aiding and abetting breach of fiduciary duty, misappropriation of trade secrets, aiding and abetting fraud, or conspiracy to commit fraud. The court also affirmed dismissal of the fraudulent concealment claim on the district court's stated grounds.

CASE DETAILS

COURT	United States Court of Appeals for the Second Circuit
WRITING FOR THE COURT	Dennis Jacobs; Guido Calabresi; Denny Chin
JURISDICTION	Federal
DECIDED	February 12, 2020
DOCKET	19-2057-cv
DISPOSITION	affirmed
PROCEDURAL POSTURE	Plaintiffs appealed the district court's dismissal of their complaint under Federal Rule of Civil Procedure 12(b)(6) and denial of their motion for leave to amend on futility grounds.
STANDARD OF REVIEW	De novo review applies to both dismissal under Federal Rule of Civil Procedure 12(b)(6) and denial of leave to amend based on futility. The court accepts factual allegations as true and draws reasonable inferences in plaintiffs' favor, but need not credit conclusory allegations or legal conclusions couched as factual allegations.
PRECEDENTIAL VALUE	nonprecedential
PARTIES	Inspired Capital, LLC, Erica Gary, derivatively on behalf of Inspired Food Solutions, LLC v. Condé Nast, an unincorporated division of Advance Magazine Publishers, Inc., FremantleMedia North America, Inc.

TOPICS

appellate procedure | motions to dismiss | motion to amend | misappropriation of trade secrets | civil procedure

PRACTICE AREAS

civil procedure | appellate procedure | commercial litigation | intellectual property | contracts

QUESTIONS PRESENTED

1. Whether the complaint and proposed amended complaint plausibly alleged aiding and abetting a breach of fiduciary duty under New York law.
2. Whether the complaint stated a claim for misappropriation of trade secrets.
3. Whether the complaint and proposed amended complaint pleaded the alleged fraud with the particularity required by Federal Rule of Civil Procedure 9(b), sufficient to support aiding and abetting fraud and conspiracy to commit fraud.
4. Whether the district court properly denied leave to amend on the ground that amendment would be futile.

HOLDINGS

1. The complaint and proposed amended complaint failed to plausibly allege that defendants had actual knowledge of, or knowingly participated in, any breach of fiduciary duty by Harris. Dismissal was therefore proper even though the district court had relied on an alternative statute-of-limitations ground.
2. Dismissal of the misappropriation claim was proper because plaintiffs did not allege that defendants used IFS's intellectual property or trade secrets.
3. The fraud-based claims were properly dismissed because the complaint and proposed amended complaint failed to plead an underlying fraud with the particularity required by Federal Rule of Civil Procedure 9(b).
4. The district court properly denied plaintiffs leave to amend because the proposed amendment would have been futile.

KEY QUOTATIONS

> *“we accept as true all factual allegations and draw from them all reasonable inferences; but we are not required to credit conclusory allegations or legal conclusions couched as factual . . . allegations.”* (4)

> *“Allegations of fraud under Rule 9(b), therefore, must be pled with particularity and "specify the time, place, speaker, and content of the alleged misrepresentations."”* (7-8)

FACTUAL BACKGROUND

Inspired Food Solutions, LLC was a Florida corporation in which plaintiffs held minority interests; Chef Calvin Harris was its majority shareholder and chief executive officer. Defendants licensed their intellectual property to IFS for development and marketing of health food products, but after IFS became unable to pay its debts, Harris formed Benevida Foods, LLC with a new investor, defendants terminated the IFS license, and defendants entered a new license agreement with Benevida. Plaintiffs alleged that defendants aided Harris's fiduciary breaches, misappropriated IFS trade secrets, and participated in fraud.

PROCEDURAL HISTORY

Plaintiffs sued defendants in the Southern District of New York after a Florida court dismissed claims against defendants based on a New York forum-selection clause. The district court dismissed the complaint for failure to state a claim and denied plaintiffs' motion for leave to amend because amendment would be futile. The Second Circuit affirmed both judgments.

DISPOSITION

affirmed

CASES CITED

- Edwards v. Sequoia Fund, Inc., 938 F.3d 8, 12 (2d Cir. 2019)
- Yamashita v. Scholastic Inc., 936 F.3d 98, 107-08 (2d Cir. 2019) (per curiam)
- Nielsen v. Rabin, 746 F.3d 58, 62 (2d Cir. 2014)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Inspired Capital, LLC v. Condé Nast, No. 18 CIV. 0712 (JFK), 2018 WL 6173712, at *5 (S.D.N.Y. Nov. 26, 2018)
- Dettelis v. Sharbaugh, 919 F.3d 161, 163 (2d Cir. 2019) (per curiam)
- In re Sharp Int'l Corp., 403 F.3d 43, 49-50 (2d Cir. 2005)
- Lerner v. Fleet Bank, N.A., 459 F.3d 273, 294 (2d Cir. 2006)
- Webb v. Goord, 340 F.3d 105, 111 (2d Cir. 2003)
- Integrated Cash Mgmt. Servs., Inc. v. Digital Transactions, Inc., 920 F.2d 171, 173 (2d Cir. 1990)
- ATSI Commc'ns, Inc. v. Shaar Fund, Ltd., 493 F.3d 87, 99 (2d Cir. 2007)
- Caputo v. Pfizer, Inc., 267 F.3d 181, 191 (2d Cir. 2001)
- Jeffrey Hecht v. Commerce Clearing House, Inc., William Miller, Louis Ceccoli, and Stanley Stephens, Hecht v. Commerce Clearing House, Inc., 897 F.2d 21, 26 n.4 (2d Cir. 1990)