UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF NEW YORK

Engler v. Cendant Corp.

434 F. Supp. 2d 119 (E.D.N.Y. 2006) · No. 04-CV-05215(ADS)(MLO) · Decided May 23, 2006

SUMMARY

The United States District Court for the Eastern District of New York considers defendants' motion to dismiss an amended complaint concerning severance and medical benefits allegedly owed under an ERISA plan. The court denies dismissal of the ERISA claim against IBM, dismisses the ERISA claim against Cendant, and holds that the asserted New York fraud, negligent misrepresentation, and breach-of-contract claims are not preempted by ERISA as pleaded.

CASE DETAILS

COURT	United States District Court for the Eastern District of New York
WRITING FOR THE COURT	Arthur D. Spatt
JURISDICTION	New York
DECIDED	May 23, 2006
DOCKET	04-CV-05215(ADS)(MLO)
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss the amended complaint alleging ERISA violations and New York claims for fraud, negligent misrepresentation, and breach of contract.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true, draws reasonable inferences in the plaintiff's favor, and dismisses only when it appears beyond doubt that the plaintiff can prove no set of facts entitling him to relief. Standing challenges based on the pleadings are evaluated under the same favorable-pleading approach. A denial of ERISA benefits that fails to comply with the plan's procedures may be subject to de novo review.
PRECEDENTIAL VALUE	Published federal district court memorandum decision; persuasive authority within the Second Circuit and the Eastern District of New York.

TOPICS

erisa · employee benefits · motions to dismiss · pleadings · contracts

PRACTICE AREAS

ERISA · employee benefits · employment law · civil procedure · contracts · torts

QUESTIONS PRESENTED

1. Whether Engler had standing to pursue an ERISA benefits claim despite IBM's contention that he had not executed a required release.
2. Whether Engler was required to exhaust administrative remedies before asserting his ERISA claims against IBM.
3. Whether the absence of a written denial and appeal information rendered administrative exhaustion futile.
4. Whether Cendant could be held liable under ERISA as a fiduciary for representations made before the ISRA plan existed.
5. Whether Engler's New York claims for fraud, negligent misrepresentation, and breach of contract were preempted by ERISA.
6. Whether the amended complaint adequately pleaded fraud under Federal Rule of Civil Procedure 9(b).
7. Whether the amended complaint adequately pleaded negligent misrepresentation and breach of contract.

HOLDINGS

1. The court declined to dismiss the ERISA claim against IBM on the ground that Engler lacked a colorable claim to benefits because he allegedly failed to sign a release. The issue could not be resolved from the amended complaint and attached exhibits because they did not establish whether Engler had signed the release.
2. The motion to dismiss IBM was denied because exhaustion was not a basis for dismissal at this stage. The complaint alleged statutory ERISA violations rather than a claim solely based on interpreting plan rights, and it also alleged a clear and positive showing that exhaustion would have been futile.
3. The ERISA claim against Cendant was dismissed because Engler did not allege that Cendant acted as a fiduciary of a qualified plan or exercised fiduciary discretion.
4. The state-law claims against Cendant were not preempted by ERISA and could proceed.
5. The amended complaint adequately pleaded fraud with particularity and the motion to dismiss the fraud claim was denied.
6. The amended complaint adequately stated a negligent misrepresentation claim, and the motion to dismiss that claim was denied.
7. The amended complaint adequately stated a breach-of-contract claim, and the motion to dismiss that claim was denied.

KEY QUOTATIONS

> *“The failure to provide a written notice of benefits violates ERISA and the express requirements under the ISRA Plan.”* (129)

> *“ERISA permits employers to wear `two hats,' and . . . they assume fiduciary status `only when and to the extent' that they function in their capacity as plan administrators, not when they conduct business that is not regulated by ERISA.”* (130)

> *“any state-law cause of action that duplicates, supplements, or supplants the ERISA civil enforcement remedy conflicts with the clear congressional intent to make the ERISA remedy exclusive and is therefore pre-empted.”* (131)

FACTUAL BACKGROUND

Engler worked for Cendant and its predecessor Avis for more than twenty-five years before accepting an offer to work for IBM on the Cendant account. Cendant and IBM allegedly represented that IBM would recognize Engler's Cendant service credit for purposes including eligibility and vesting, and Cendant later conditioned additional benefits on Engler's execution of a general release. After IBM terminated Engler approximately two years later, IBM calculated severance and medical benefits without crediting his Cendant service. Engler alleged that IBM denied his request orally and provided no written denial, reasons, or appeal instructions.

PROCEDURAL HISTORY

Engler initially filed state-law claims in New York Supreme Court, Nassau County. Cendant removed the action to federal court under 28 U.S.C. § 1441. The court previously dismissed the original complaint, finding that the claims were preempted and that no claim was properly alleged against IBM, but granted leave to amend. On the amended complaint, the court denied IBM's motion to dismiss, granted Cendant's motion as to the ERISA claim, and denied Cendant's motion as to the state-law claims.

DISPOSITION

other

CASES CITED

- Conley v. Gibson, 355 U.S. 41, 45-46 (1957)
- Curto v. Edmundson, 392 F.3d 502, 503 (2d Cir. 2004)
- King v. Simpson, 189 F.3d 284, 286 (2d Cir. 1999)
- Bernheim v. Litt, 79 F.3d 318, 321 (2d Cir. 1996)
- Koppel v. 4987 Corp., 167 F.3d 125, 127 (2d Cir. 1999)
- Jaghory v. N.Y. State Dep't of Educ., 131 F.3d 326, 329 (2d Cir. 1997)
- Villager Pond, Inc. v. Town of Darien, 56 F.3d 375, 378 (2d Cir. 1995)
- Leonard F. v. Israel Disc. Bank of N.Y., 199 F.3d 99, 107 (2d Cir. 1999)
- Hayden v. County of Nassau, 180 F.3d 42, 54 (2d Cir. 1999)

- Geller v. County Line Auto Sales, Inc., 86 F.3d 18, 22 (2d Cir. 1996)
- Strom v. Goldman, Sachs & Co., 202 F.3d 138, 142 (2d Cir. 2000)
- Clair v. Harris Trust & Sav. Bank, 190 F.3d 495, 497 (7th Cir. 1999)
- Dunnigan v. Metro. Life Ins. Co., 277 F.3d 223, 231 (2d Cir. 2002)
- Schonholz v. Long Island Jewish Medical Center, 87 F.3d 72 (2d Cir. 1996)
- Young v. Standard Oil, 849 F.2d 1039, 1045 (7th Cir. 1988)
- Jackson v. E.J. Brach Corp., 176 F.3d 971, 978 (7th Cir. 1999)
- Firestone Tire & Rubber Co. v. Bruch, 489 U.S. 101, 115, 117-18 (1989)
- Mullins v. Pfizer, Inc., 23 F.3d 663, 667 (2d Cir. 1994)
- Burrey v. Pacific Gas & Electric Co., 159 F.3d 388, 396 (9th Cir. 1998)
- Panaras v. Liquid Carbonic Industries Corp., 74 F.3d 786, 788 (7th Cir. 1996)
- Nechis v. Oxford Health Plans, Inc., 421 F.3d 96, 102 (2d Cir. 2005)
- Davenport v. Abrams, Inc., 249 F.3d 130, 133-34 (2d Cir. 2001)
- De Pace v. Matsushita Elec. Corp. of Am., 257 F. Supp. 2d 543, 557-60 (E.D.N.Y. 2003)
- Spann v. AOL Time Warner, Inc., 219 F.R.D. 307, 316-17 (S.D.N.Y. 2003)
- Selby v. Principal Mutual Life Insurance Co., 197 F.R.D. 48, 56 n.10 (S.D.N.Y. 2000)
- Kennedy v. Empire Blue Cross & Blue Shield, 989 F.2d 588, 594 (2d Cir. 1993)
- Barnett v. IBM Corp., 885 F. Supp. 581, 588 (S.D.N.Y. 1995)
- Camarda v. Pan American World Airways, Inc., 956 F. Supp. 299, 312 (E.D.N.Y. 1997)
- Nichols v. Prudential Ins. Co. of America, 406 F.3d 98, 101 (2d Cir. 2005)
- Belade v. ITT Corp., 909 F.2d 736, 738 (2d Cir. 1990)
- Amato v. Western Union Int'l, 596 F. Supp. 963, 968 (S.D.N.Y. 1984)
- Aetna Health Inc. v. Davila, 542 U.S. 200, 209, 211-12 (2004)
- Ingersoll-Rand Co. v. McClendon, 498 U.S. 133, 143-45 (1990)
- Devlin v. Transportation Communications Int'l Union, 173 F.3d 94, 101 (2d Cir. 1999)
- Cicio v. John Does 1-8, 385 F.3d 156, 158 (2d Cir. 2004)
- Smith v. Dunham-Bush, Inc., 959 F.2d 6, 9 (2d Cir. 1992)
- Suez Equity Investors, L.P. v. Toronto-Dominion Bank, 250 F.3d 87, 104 (2d Cir. 2001)
- IUE AFL-CIO Pension Fund v. Herrmann, 9 F.3d 1049, 1057 (2d Cir. 1993)
- Ross v. Bolton, 904 F.2d 819, 823 (2d Cir. 1990)
- Acito v. IMCERA Group, Inc., 47 F.3d 47, 51 (2d Cir. 1995)
- Mills v. Polar Molecular Corp., 12 F.3d 1170, 1175 (2d Cir. 1993)
- Leibowitz v. Cornell University, 445 F.3d 586 (2d Cir. 2006)
- Hishon v. King & Spalding, 467 U.S. 69, 76 (1984)
- Parrott v. Coopers & Lybrand, L.L.P., 95 N.Y.2d 479, 484 (2000)
- In re LILCO Securities Litigation, 625 F. Supp. 1500, 1504 (E.D.N.Y. 1986)
- First Investors Corp. v. Liberty Mut. Ins. Co., 152 F.3d 162, 169 (2d Cir. 1998)

- Kaplan v. Aspen Knolls Corp., 290 F. Supp. 2d 335, 337 (E.D.N.Y. 2003)
- Posner v. Minnesota Mining & Mfg. Co., 713 F. Supp. 562, 563 (E.D.N.Y. 1989)

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