

APPELLATE DIVISION OF THE SUPREME COURT OF THE STATE OF NEW YORK, FIRST DEPARTMENT

Conopco, Inc. v. Wathne Ltd.

190 A.D.2d 587 (N.Y. App. Div. 1st Dep't 1993) · Decided February 18, 1993

SUMMARY

The New York Appellate Division modified an order denying summary judgment in a dispute concerning a February 12, 1988 Letter Agreement. The court held that the letter was a binding agreement that could not be terminated by an amendment and dismissed the plaintiff’s first and second causes of action. Issues of fact remained regarding alleged breaches involving inferior goods, documentation of first cost, confidentiality, and trademark restrictions.

CASE DETAILS

COURT	Appellate Division of the Supreme Court of the State of New York, First Department
WRITING FOR THE COURT	Murphy, P.J.; Milonas, J.; Rosenberger, J.; Kassal, J.; Rubin, J.
JURISDICTION	New York
DECIDED	February 18, 1993
DISPOSITION	other
PROCEDURAL POSTURE	Appeal from an order denying defendant's motion and plaintiff's cross-motion for summary judgment.
STANDARD OF REVIEW	The order was reviewed on the law in the context of summary judgment; summary judgment was proper on issues for which no material factual dispute existed, but factual disputes required denial as to the third cause of action and related counterclaims.
PRECEDENTIAL VALUE	Published New York Appellate Division opinion; precedential within the applicable New York appellate hierarchy.

TOPICS

- contract formation
- contract interpretation
- breach of contract
- appellate procedure
- commercial litigation

PRACTICE AREAS

- contract law
- commercial litigation
- appellate procedure

QUESTIONS PRESENTED

1. Whether the February 12, 1988 letter constituted a binding agreement despite the parties' intention to negotiate a fuller agreement.
2. Whether the letter agreement terminated when the related License Agreement was amended.
3. Whether factual issues precluded summary judgment on plaintiff's claim that defendant breached the letter agreement and on defendant's counterclaims.

HOLDINGS

1. The February 12, 1988 letter is a binding agreement because its language and terms manifested the parties' objective intent to be bound and contained all essential contractual terms.
2. The letter agreement did not terminate upon amendment of the License Agreement.
3. Summary judgment was not warranted on the third cause of action or the counterclaims because material factual issues existed concerning alleged inferior goods, documentation of first cost, confidentiality and trademark restrictions, and the counterclaims.

KEY QUOTATIONS

“The parties’ intention to be bound by the letter dated February 12, 1988 is evidenced by its language and terms, and it is such manifestation of the parties’ intention, rather than actual or real intention, which controls” (588)

“A contract does not necessarily lack all effect merely because it expresses the idea that something is left to future agreement” (588)

“A party has no right to induce another to contract with him on the supposition that his words mean one thing while he hopes that a court will adopt a construction by which the same words will mean another, more to his advantage.” (588)

FACTUAL BACKGROUND

The parties executed a letter dated February 12, 1988 concerning their contractual relationship, while contemplating negotiation of a fuller agreement. The letter incorporated confidentiality and trademark restrictions from a license agreement and addressed the production and sale of goods. Plaintiff contended that the letter was not binding or had terminated when the license agreement was amended, while defendant asserted that plaintiff breached the letter agreement by, among other things, shipping inferior goods and failing to document the goods' first cost.

PROCEDURAL HISTORY

Supreme Court, New York County, denied defendant Wathne Limited's motion for summary judgment and plaintiff Conopco, Inc.'s cross-motion for summary judgment. The Appellate Division modified the order to grant defendant partial summary judgment, declare the February 12, 1988 letter a binding agreement that could not be terminated by amendment, dismiss the first and second causes of action, and otherwise affirmed the order.

DISPOSITION

other

REMAND INSTRUCTIONS

The order was modified to grant defendant partial summary judgment, declare the February 12, 1988 letter binding and not terminable by amendment, and dismiss the first and second causes of action; it was otherwise affirmed.

CASES CITED

- Four Seasons Hotels v. Vinnik, 127 A.D.2d 310, 317
- Lowe v. Feldman, 11 Misc. 2d 8, 11-12, aff'd, 6 A.D.2d 684

OPINION

PER CURIAM.

Order, Supreme Court, New York County (Beatrice Shainswit, J.), entered June 25, 1992, which, inter alia, denied the motion of defendant Wathne Limited ("defendant") and the cross-motion of plaintiff Conopco, Inc. ("plaintiff") for summary judgment, is unanimously modified, on the law, so as to grant defendant's motion for summary judgment to the extent of *588 declaring that the letter dated February 12, 1988 is a binding agreement that could not be terminated by "amendment", and to dismiss the first and second causes of action in plaintiff's amended complaint, and otherwise affirmed, without costs.

The parties' intention to be bound by the letter dated February 12, 1988 is evidenced by its language and terms, and it is such manifestation of the parties' intention, rather than actual or real intention, which controls (Four Seasons Hotels v Vinnik, 127 AD2d 310, 317; 21 NY Jur 2d, Contracts, § 29).

Thus, the deposition testimony of Robin Burns regarding her subjective understanding as to the legal effect of a Letter Agreement is insufficient to raise an issue of fact with respect to whether or not there was a contract. "A contract does not necessarily lack all effect merely because it expresses the idea that something is left to future agreement" (supra, at 317).

The Letter Agreement contains all of the essential terms of the contract, and the fact that the parties intended to negotiate a "fuller agreement" does not negate its legal effect. Thus, the declaration plaintiff seeks in the first cause of action is unwarranted. Nor do we find, with respect to the second cause of action, that the Letter Agreement terminated upon amendment of the License Agreement between Calvin Klein Industries, Inc., and Calvin Klein Cosmetics Corporation.

Such a reading, which allows plaintiff to evade its obligations to defendant by "amending" the Letter Agreement out of existence, is impermissible: "A party has no right to induce another to contract with him on the supposition that his words mean one thing while he hopes that a court will adopt a construction by which the same words will mean another, more to his advantage." (Lowe v Feldman, 11 Misc 2d 8, 11-12, affd 6 AD2d 684.)

Issues of fact do exist with respect to the third cause of action alleging that defendant breached the Letter Agreement by, among other things, shipping inferior goods, failing to document its "first cost" of the goods produced, and breaching the confidentiality and trademark restrictions incorporated by reference from the License Agreement.

In this light, issues of fact are further raised by defendant's counterclaims. Concur— Murphy, P. J., Milonas, Rosenberger, Kassal and Rubin, JJ.