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

Beach v. Touradji Capital Management L.P.

85 A.D.3d 674, 927 N.Y.S.2d 41 (1st Dep't 2011) · Decided June 30, 2011

SUMMARY

The New York Appellate Division, First Department modified an order dismissing claims for unpaid compensation, unjust enrichment, and quantum meruit. The court held that plaintiffs could plead contract and quasi-contract claims in the alternative and that, at the pleading stage, the alleged compensation could qualify as wages under New York Labor Law § 190(1), while affirming dismissal of the constructive trust claim for lack of a confidential or fiduciary duty.

CASE DETAILS

COURT	Supreme Court of the State of New York, Appellate Division, First Department
WRITING FOR THE COURT	Gonzalez, P.J.; Catterson, J.; Richter, J.; Abdus-Salaam, J.; Román, J.
JURISDICTION	New York
DECIDED	June 30, 2011
DISPOSITION	modified
PROCEDURAL POSTURE	Plaintiffs appealed from an order granting defendants' motion to dismiss several causes of action.
STANDARD OF REVIEW	Whether the complaint stated legally sufficient causes of action at the pleading stage and whether dismissal was proper as a matter of law.
PRECEDENTIAL VALUE	Published Appellate Division decision
PARTIES	Beach v. Touradji Capital Management L.P.

TOPICS

wage and hour · unjust enrichment · quantum meruit · contracts · equitable relief

PRACTICE AREAS

employment law · contracts · remedies · commercial litigation

QUESTIONS PRESENTED

1. Whether plaintiffs could plead express contract and quasi-contract claims in the alternative.
2. Whether the allegations stated an unjust enrichment claim based on defendants' withholding and reinvestment of plaintiffs' compensation.
3. Whether the alleged compensation could constitute wages under New York Labor Law § 190(1) at the pleading stage.
4. Whether plaintiffs established the confidential or fiduciary relationship required for a constructive trust.

HOLDINGS

1. Plaintiffs should have been permitted to plead contract and quasi-contract claims in the alternative.
2. The unjust enrichment claim should not have been dismissed because plaintiffs alleged that defendants were unjustly enriched by withholding and reinvesting plaintiffs' 2005 compensation without permission, and no contract governing those actions existed.
3. Dismissal of the Labor Law claim was premature because plaintiffs alleged that their compensation was not entirely discretionary and was based on their own personal productivity rather than solely on defendants' overall financial success.
4. Dismissal of the constructive trust claim was proper because plaintiffs failed to establish a confidential or fiduciary duty.

KEY QUOTATIONS

> *""A 'quasi contract' only applies in the absence of an express agreement ... in order to prevent a party's unjust enrichment""* (675)

FACTUAL BACKGROUND

Plaintiffs alleged that defendants withheld plaintiffs' 2005 compensation and reinvested it without plaintiffs' permission. Plaintiffs alleged that the compensation was based on their personal productivity and was not entirely discretionary or solely dependent on defendants' overall financial success. No contract governing the withholding and reinvestment of that compensation was alleged. Plaintiffs also sought imposition of a constructive trust but did not establish a confidential or fiduciary relationship with defendants.

PROCEDURAL HISTORY

Supreme Court, New York County, dismissed plaintiffs' claims for violation of article 6 of the New York Labor Law, unjust enrichment, quantum meruit, and imposition of a constructive trust. The Appellate Division modified the order, reinstating the Labor Law, unjust enrichment, and quantum meruit claims, while affirming dismissal of the constructive trust claim.

DISPOSITION

modified

REMAND INSTRUCTIONS

Reinstate the second cause of action for violation of article 6 of the New York Labor Law, the third cause of action for unjust enrichment, and the fourth cause of action for quantum meruit; dismissal of the sixth cause of action for a constructive trust remains affirmed.

CASES CITED

- Clark-Fitzpatrick, Inc. v. Long Island Rail Road Co., 70 N.Y.2d 382, 388 (1987)
- Winick Realty Group LLC v. Austin & Associates, 51 A.D.3d 408 (2008)
- Truelove v. Northeast Capital & Advisory, Inc., 95 N.Y.2d 220, 224 (2000)
- Mirvish v. Mott, 75 A.D.3d 269, 275 n. (2010), leave granted, 16 N.Y.3d 705 (2011)
- Wachovia Securities, LLC v. Joseph, 56 A.D.3d 269, 271 (2008)

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