SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 39

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MADDEN INTERNATIONAL, LTD.,

Plaintiff,

DECISION/ORDER
Index No. 650209/2015

-against-

LEW FOOTWEAR HOLDINGS PTY LTD.

Defendant.

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HON. SALIANN SCARPULLA, J.:

In this action for breach of contract, conversion, tortious interference with business relations, and declaratory and injunctive relief, plaintiff Madden International, Ltd. ("Madden") moves to preliminarily enjoin defendant Lew Footwear Holdings Pty Ltd. ("Lew") from further prosecuting claims against Madden in the Supreme Court of Victoria at Melbourne, Australia (the "Australian Court") in an action entitled *Lew Footwear Holdings Pty Ltd. v. Madden International, Ltd.*, S CI 2013 2769 (the "Australian Proceeding") and from initiating or prosecuting any other action or proceeding arising out of or related to a certain agreement entered into by Madden and Lew in any forum other than a state or federal court in New York, Queens, or Nassau Counties, New York (mot. seq. 001). Madden also moves to restrain Lew from further prosecuting its application in the Australian Proceeding for an anti-suit injunction to prevent Madden from prosecuting this action, including Madden's motion for a

preliminary injunction (mot. seq. 002). Motion sequence numbers 001 and 002 are consolidated for disposition.

Madden, a well-known designer and seller of footwear, handbags and accessories, has its principal offices in Long Island City, New York. In its complaint, Madden alleges that "Madden products are marketed through proprietary retail stores and e-commerce websites, as well as through non-affiliated retailers, mass market merchants and catalog retailers throughout the United States and Canada," and that "Madden also licenses its trademarks for use in connection with the manufacture, marketing and sale of Madden products by licensees in areas outside the United States and Canada."

In 2009, Madden and Lew, one of the largest footwear distributers in Australia, entered into a License and Distribution Agreement and a letter agreement (collectively, the "Agreement") whereby Lew was to be an exclusive licensee of Madden in Australia and New Zealand for "[f]ootwear and accessories."[1] The Agreement stated that the term of the contract ran from "the date hereof" though December 31, 2014 unless the Agreement was terminated according to its terms.

Alan M. Novich, the Senior Vice President, Strategic Planning & Finance for Steve Madden, Ltd., the parent corporation of Madden International, Ltd. avers that it was extremely important to Madden that disputes arising out of the Agreement be resolved in New York and in accordance with New York law. Accordingly, Madden

[1] A section of the License and Distribution Agreement entitled "Product Categories" also notes that "[i]f and when apparel is available, it shall be included as a Product."

bargained for, and Lew agreed, to the following clear, unambiguous, and broad choice of law and jurisdiction provision in their Agreement:

> (e) Governing Law. This Agreement has been executed and delivered in, and shall be governed by and construed in accordance with the laws of the State of New York, applicable to contracts made and performed in such state and without regard to conflict of laws provisions.
>
> (f) Resolution of Disputes. Distributor (i) consents and submits to the jurisdiction of any state or federal court of competent jurisdiction located in the Counties of New York, Queens and Nassau, State of New York, in any action or proceeding arising out of or relating in any manner to this Agreement, (ii) waives any claim that any such state or federal court is an inconvenient forum, and (iii) irrevocably agrees that any and all actions or proceedings arising out of or relating to this Agreement or the transactions contemplated herein shall be exclusively heard only in such state or federal court, provided that nothing herein shall affect Madden's right to bring an action or proceeding against Distributor in the courts of any other jurisdiction where the purpose of such action or proceeding is to seek injunctive relief against Distributor, or collect moneys due and owing from Distributor to Madden.
>
> (g) Equitable Relief: In the event that Distributor violates or threatens to violate any of its covenants contained in this Agreement, Madden will be without an adequate remedy at law and will, therefore, be entitled to enforce such restrictions by preliminary, temporary and/or permanent injunctive or mandatory relief in any court of competent jurisdiction without the necessity of proving damages, without the necessity of posting any bond or other security, and without prejudice to any other rights and remedies which it may have at law or in equity.

According to Madden, in or about October 17, 2013, Lew Footwear told "Madden that, inter alia, Lew Footwear would 'henceforth be commencing steps to wind down its business operations in respect of the Steve Madden product.'" Madden also claims that by a November 1, 2013 letter, "Madden notified Lew Footwear that the October 17, 2013 letter constituted an anticipatory repudiation of Lew Footwear's obligations under the Agreement."

Thereafter, in direct contravention of its agreement to litigate claims "arising out of or relating in any manner to this Agreement" in New York under New York law, Lew filed a Writ and Statement of Claim in the Australian Proceeding for damages pursuant to the Australian Trade Practices Act of 1974 ("TPA") and/or the Australian Consumer Law ("ACL"); and "[a]n order declaring the License Agreement void, alternatively, an order refusing to enforce the License Agreement under the TPA and/or the ACL."

Additionally, or in the alternative to its damages claim pursuant to the TPA and/or the ACL, Lew sought damages for breach of the Agreement; declarations that Madden repudiated the Agreement and Lew could terminate the Agreement; and costs and interest. Lew served Madden with its May 2013 Writ and Statement of Claim on August 16, 2013. On September 27, 2013 Madden filed a Notice of Conditional Appearance in the Australian Court.

Lew's reason for suing in Australia, rather than in the jurisdiction it contractually agreed to, is clear: New York does not have a statute comparable to the TPA and/or the ACL under which Lew seeks relief in Australia. Moreover, and most importantly, these Australian statutes permit Lew to seek damages that are unavailable to it under the Agreement and New York law. At oral argument on this motion, counsel for Lew candidly admitted "the bigger issue both from [Lew's] perspective and public policy perspective, [is that Lew] *want[s] the bigger damages* of having to make those investments and having to hire those people and their trading losses. *And those are recoverable under the [Australian] statute but not necessarily under contract.*" (Emphasis supplied)

On August 8, 2014, the Australian Court issued an 84-page decision (the "August 2014 Australian Judgment"). At that time, motions from both Lew and Madden were before the Australian Court. In its motion, "Lew Footwear s[ought] orders dispensing with the *Supreme Court (General Civil Procedure) Rules 2005* (Vic) regarding the requirements for serving an originating process out of Australia without order of the court." Additionally, "Lew Footwear s[ought] leave to file and serve an amended writ and an amended statement of claim." The Australian Court noted Madden's Notice of Conditional Appearance and remarked that Madden sought the following forms of alternative relief: to have the writ set aside, to stay the proceeding, or to enter an injunction to prevent Lew from prosecuting the case "subject to further order of the court."

In its August 2014 Australian Judgment, the Australian Court held, in pertinent part, that "Lew Footwear has failed to establish a strongly arguable case in relation to the Representation Claims. In those circumstances, it must follow, based on existing authority, that it cannot satisfy the relevant paragraphs of r7.01(1)." Therefore, the Australian Court stayed the Australian Proceeding. It further granted Lew 14 days to file and serve affidavits on the topic of reliance, and if Lew failed to make those submissions, the Australian Court noted that it would permanently stay the proceedings and order the plaintiff to pay the defendant's costs.

In the August 2014 Australian Judgment, the Court found that if the requirements of a particular Australian Supreme Court Rule, Rule 7.01, had been met, then "[it] would not have considered this court to be a clearly inappropriate forum." The Court stated,

> [s]peaking generally, it has been accepted that if a plaintiff makes a claim based on misleading or deceptive conduct in trade or commerce pursuant to the *Trade Practices Act* or the Australian Consumer Law, then that *may* give rise to public policy considerations which may override an otherwise binding exclusive foreign jurisdiction clause.

It reasoned that "[i]f it were otherwise, foreign corporations could place themselves outside the protection provided by this fundamental and important legislation which governs commercial interaction throughout Australia."

Thus, the Australian Court stated that, "[o]rdinarily," if a foreign corporation engaged in misleading or deceptive conduct or behavior "likely to mislead or deceive in trade or commerce," and the plaintiff was able to establish that the aforementioned "conduct was committed within Victoria or caused damage suffered wholly or partly in Victoria, then it would be expected that an exclusive foreign jurisdiction clause would not be a proper basis for staying the proceeding." (Footnote omitted) An exception to this rule could occur where a foreign locale had a law "which substantially reflected the Australian or Victorian law which might otherwise be excluded." The Australian Court stated,

> [b]ased on the evidence, it is plain there is a "real risk" that if the claims of Lew Footwear were heard in the State of New York, the Representations Claims for damages or other relief under the *Trade Practices Act* or the Australian Consumer Law may be shut out without a determination on the merits. Both experts agree there is no equivalent law in New York State to the laws upon which Lew Footwear relies in this proceeding, created by the *Trade Practices Act*, and continued in the Australian Consumer Law.

(Footnotes omitted)

Following the August 2014 Australian Judgment, Lew submitted affidavits related to the topic of reliance and amended its Proposed Statement of Claim. On October 30,

2014, the Supreme Court of Victoria at Melbourne issued a further judgment ("October 2014 Australian Judgment"). In the October 2014 Australian Judgment, the Court denied Madden's request to set aside the writ or stay the proceeding, found that particular subparts of r. 7.01(1) were satisfied, and held that "Lew Footwear [wa]s entitled to proceed with its contractual claims and the Representation Claims." On November 20, 2014, Lew filed a Further Amended Statement of Claim in accordance with a November 14, 2014 Australian Court Order ("November 2014 Australian Court Order").

On December 12, 2014, Madden filed an Application for Leave to Appeal the November 2014 Australian Court Order and submitted its Written Case of the Applicant to the Court of Appeal, asserting that "[t]he judge erred in finding that there was a strongly arguable case." (Emphasis removed)

On May 1, 2015, the Australian Appeals Court denied Madden's application for leave to appeal, and it issued its reasons for denying leave to appeal on May 8, 2015.

According to an affirmation submitted by Daniel Hargraves in support of motion sequence number 002, "[o]n May 1, 2015, Lew Footwear wrote the Australian Court advising of its intent to file an application for an anti-suit injunction against Madden, unless Madden agreed, by 9:00 p.m. EST on Sunday, May 3, to withdraw its motion for a preliminary injunction and discontinue this action." On May 4, 2015, Lew filed its application in the Australian Court for an anti-suit injunction.

Madden filed its summons and complaint in this Court on January 22, 2015, and on January 23, 2015, it moved in motion sequence number 001, brought by an *ex parte* order to show cause with a temporary restraining order, to preliminarily enjoin Lew from

further prosecuting the Australian Action and to prevent Lew from initiating or prosecuting any other action or proceeding arising out of or related to the Agreement in any forum other than a state or federal court in New York, Queens, or Nassau counties, New York.[2]

In support of its request for relief in motion sequence number 001, Madden argues that it has demonstrated a probability of success on the merits; a threat of irreparable harm; and that the balance of the equities tips in its favor. Madden argues that it is likely to succeed in its request for a declaration that the claims Lew advances in the Australian Proceeding fall within the Agreement's forum selection clause, and, accordingly must be brought only in an appropriate state or federal court in New York, Queens, or Nassau counties. It additionally argues that the forum selection clause is *prima facie* valid, enforceable, and mandatory.

Madden further argues that pursuant to New York law, a litigant faces irreparable harm when that party is subject to a mandatory forum selection clause and must address legal claims that fall within the ambit of the clause in a different forum. Additionally, it highlights that within the Agreement itself, Lew agreed that Madden would have no adequate remedy at law if Lew violated any covenant within the Agreement and Madden could "enforce such restrictions by preliminary, temporary and/or permanent injunctive or mandatory relief."

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[2] As articulated during oral argument on May 5, 2015, when Madden initially moved in January 2015 in motion sequence 001 for a preliminary injunction and TRO, I declined to enter the TRO because I understood that a decision was on appeal in Australia. I ordered that the parties return before me after the Australian Court of Appeal ruled.

Finally, Madden argues that in bringing its claims in Australia, not only has Lew sought to avoid the forum selection clause on which the parties agreed, but also "[i]t . . . seeks to avoid the application of New York law altogether or ensure, at the very least, that New York law will be applied by an Australian court, unfamiliar with its nuances, rather than by a New York court, as the parties agreed."

In opposition to Madden's motion to enjoin Lew from prosecuting the Australian Proceeding, Lew argues that Madden has not met its burden in establishing irreparable harm because it delayed almost two years in seeking relief from a New York court. It also argues that Madden has no likelihood of success on the merits due to the principle of international comity. It additionally argues that Madden cannot make the necessary showing for injunctive relief against a foreign proceeding. Moreover, Lew argues that the balance of the equities tips in its favor because it initiated the Australian Proceeding years ago, and it has spent considerable resources in litigating in Australia.

Additionally, Lew argues that the forum selection clause should not be enforced because it would violate public policy. It further argues that the clause is unenforceable because it was fraudulently obtained. Finally, it argues that Madden waived the forum selection clause by unconditionally appearing in the Australian Proceeding as of November 14, 2014.

In motion sequence number 002, filed by Order to Show Cause on May 4, 2015, Madden moves to restrain Lew from further prosecution of its application for an anti-suit injunction in the Australian Court. Madden also argues that Lew's application in the Australian Court violates a stipulation signed by the parties, stating that "Madden could

proceed with a hearing on the pending Order to Show Cause . . . after the earlier of May 1, 2015 or the Australian Court of Appeals disposition of Madden's application for leave to file an interlocutory appeal, upon 15 days' notice in writing."

In opposition to Madden's motion sequence number 002, Lew argues, *inter alia*, that Madden is again seeking a TRO that I rejected in motion sequence number 001. It also argues that it was free to seek an anti-suit injunction in the Australian Court because I scheduled oral argument on Madden's motion for a preliminary injunction for February 2015 and later rescheduled that hearing for May 12, 2015 "without any order being entered barring Lew Footwear from further prosecuting the Australian Action." In the affirmation of David A. Fleissig, Lew also argues that "[t]he purpose of the Stipulation [between the parties] was to adjourn any hearing on Madden's Order to Show Cause until after the Australian Appeals Court ruled on Madden's application for leave to appeal."

Discussion

This action presents the thorny issue of whether I permit Lew, who has contractually agreed to conduct its business with a New York based corporation[3] under principles of New York law, to flaunt that agreement and assert claims in a foreign forum that are unavailable to it in New York. The issue is particularly thorny because the Australian court has declared that its own public policy of enforcing its home statutes

[3] While Madden is organized under Hong Kong law, it maintains its principal place of business in Long Island City, New York.

trumps any agreement between the Madden and Lew (an Australian corporation) to apply New York law.

I start with the well-established three pronged inquiry on a motion for a preliminary injunction: "[t]he party seeking a preliminary injunction must demonstrate a probability of success on the merits, danger of irreparable injury in the absence of an injunction and a balance of equities in its favor." *Nobu Next Door, LLC v. Fine Arts Hous., Inc.*, 4 N.Y.3d 839, 840 (2005).

"Because a showing of probable irreparable harm is 'the single most important prerequisite for the issuance of a preliminary injunction,' the moving party must first demonstrate that such injury is likely before the other requirements for the issuance of an injunction will be considered." *Reuters Ltd. v. United Press Int'l, Inc.*, 903 F.2d 904, 907 (2d Cir. 1990) (internal citations and quotation marks omitted). In making this showing, the movant must demonstrate that irreparable harm is "imminent, not remote or speculative, and the alleged injury must be one incapable of being fully remedied by monetary damages." *Id.* (citations omitted).

Here, the irreparable injury to Madden if it is forced to litigate in Australia, for claims asserted under Australian statutes, is obvious. Madden is based in New York, but conducts its business internationally. Madden presumably negotiated a New York choice of law clause and New York forum selection clause in the Agreement so that it could fully understand and plan for its potential liability in a business dispute with Lew. To force Madden to litigate under Australian law, and subject it to potential damages unavailable under New York law, would eviscerate this essential contractual right. If I

permit Lew to disregard the New York forum and choice of law provisions under which Lew *agreed to be bound*, I am opening up Madden to potentially unforeseen liability under a foreign statute to which it *did not agree to be bound.*

In contrast, Lew does not claim that it will be unable to obtain relief on all of its potential claims *except* for the unique claims under the TPA and/or the ACL. Moreover, in regard to the TPA and/or the ACL, it appears that the only potential injury to Lew is an inability to claim certain consequential damages in New York that it may be able to claim in Australia under those statutes.

For these same reasons, a balancing of the equities tips in favor of Madden. Lew, a sophisticated business entity, freely agreed to be bound by New York law in its dealings with Madden, and to resolve any differences in the New York courts. Rather than stand by this contractual commitment, Lew has purposefully flouted it, and sued in a foreign jurisdiction for damages not recoverable in New York.

As to likelihood of success on the merits, neither party has made a clear showing on this issue, thus I find that it does not tip the balance either way. However, given Madden's showing as to irreparable harm and balancing of the equities, I find that Madden has made a *prima facie* showing of entitlement to a preliminary injunction.

Lew makes two main arguments in opposition to the preliminary injunction. First, Lew argues that Madden has waited too long in seeking a preliminary injunction here in New York and that it has therefore waived its right to seek this relief. "Preliminary injunctions are generally granted under the theory that there is an urgent need for speedy action to protect the plaintiffs' rights. Delay in seeking enforcement of those rights,

however, tends to indicate at least a reduced need for such drastic, speedy action." *Citibank, N.A. v. Citytrust*, 756 F.2d 273, 276 (2d Cir. 1985); *In re Accounting by Carl Stix*, No. 312197/S, 42 Misc.3d 1236(A), 2014 WL 1013854, at *2 (Sur Ct, Nassau County Mar. 7, 2014) (citing *Mercury Serv. Sys., Inc. v. Schmidt*, 50 A.D.2d 533 [1st Dep't 1975]) ("an inordinate delay in seeking injunctive relief is itself antithetical to irreparable harm in the absence of a preliminary injunction").

Lew commenced the Australian Proceeding on May 31, 2013, but did not serve Madden until August 2013. Then, for the next year Madden was attempting to dismiss the Australian Proceedings. The Australian Court rendered a decision on Madden's motion to dismiss on October 30, 2014, and Lew served its Further Amended Statement of Claim on November 20, 2014. On December 12, 2014, Madden sought leave to appeal. On May 1, 2015, the Australian Appeals Court denied Madden's application for leave to appeal [4]

Madden has never objectively evidenced any waiver of its right to have this business dispute heard in New York and resolved under New York law. Instead, Madden has diligently sought to assert and defend the contractual forum selection and choice of law provisions in Australia. Under these circumstances, and particularly because it was Lew, not Madden, who deliberately ignored its contractual obligation and commenced

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[4] When Madden first sought a temporary restraining order before me, I mistakenly assumed that the Australian Court would eventually uphold the forum selection clause, thus I postponed hearing the preliminary injunction motion. However, in the end the Australian court declined to enforce the parties' contractually agreed upon choice of law and forum selection.

suit in Australian, I find that Madden has not unduly delayed in seeking a preliminary injunction before this court. *Cf. Lischinskaya v. Carnival Corp.*, 56 A.D.3d 116, 119 (2d Dep't 2008) (internal citations omitted) ("Contrary to the plaintiff's argument, Carnival's participation in this litigation did not waive the defense afforded by the forum selection clause. Having raised the defense in its answer, Carnival was entitled to rely on it later in the litigation and was not under any obligation to move on it more quickly than it did.").

Lew's final argument is that, under principles of international comity, I must permit the parties to litigate in Australia, because the Australian court has determined that it may void the contractually-agreed upon forum selection and choice of law provisions in the Agreement. "International comity is 'the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens, or of other persons who are under the protection of its laws.'" *Barclays Bank PLC v. Kemsley*, 44 Misc.3d 773, 779 (Sup Ct, NY County 2014) (*quoting Hilton v. Guyot*, 159 U.S. 113, 164 (1895)). "While the doctrine can be stated clearly in the abstract, in practice [the Second Circuit] ha[s] described its boundaries as 'amorphous' and 'fuzzy.'" *Royal & Sun Alliance Ins. Co. of Canada v. Century Int'l Arms, Inc.*, 466 F.3d 88, 92 (2d Cir. 2006) (citations omitted). "Whatever its precise contours, international comity is clearly concerned with maintaining amicable working relationships between nations, a 'shorthand for good neighbourliness, common courtesy and mutual respect between those who labour in adjoining judicial vineyards.'" *JP*

Morgan Chase Bank v. Altos Hornos de Mexico, S.A. de C.V., 412 F.3d 418, 423 (2d Cir. 2005) (citation omitted).

"Whether to apply the doctrine [of comity] lies in the sound discretion of the court," *Morgenthau v. Avion Res. Ltd.*, 11 N.Y.3d 383, 390 (2008), and "the doctrine is not an imperative obligation of courts but rather is a discretionary rule of practice, convenience, and expediency." *JP Morgan Chase Bank*, 412 F.3d at 423 (citations and internal quotation marks omitted). New York courts have a particularly strong public policy commitment to protecting New York based corporations' New York contractual forum selection and New York choice of law provisions. That is particularly true where, a here, the parties are two sophisticated business entities who freely executed forum selection and choice of law provisions in an arm's length transaction. Given New York's strong public policy and Lew's purposeful disregard of its contractual obligations in favor of an unsanctioned suit in its home country of Australia, I decline to extend comity here.[5]

In accordance with the foregoing, it is hereby

ORDERED that the motion by Plaintiff Madden International, Ltd. for a preliminary injunction to enjoin Lew Footwear Holdings Pty Ltd. from further

[5] Lew argues that Madden must show that Lew commenced the Australian Proceeding "in bad faith, or motivated by fraud or an intent to harass the party seeking the injunction, or [that] its purpose was to evade the law of the domicile of the parties," *Sarepa, S.A. v. PepsiCo, Inc.*, 225 A.D.2d 604, 604 (2d Dep't 1996). Even if that is true, which is not at all clear, I am satisfied that Lew's commencement of the Australian proceeding to receive the benefit of a potential damages award under the foreign statute that is unavailable to it under New York law sufficiently evidences its bad faith. *See IRB-Brasil Resseguros S.A. v. Portobello Int'l Ltd.*, 59 A.D.3d 366, 367 (1st Dep't 2009) ("[Defendants'] motivation in [the foreign] action was to avoid the application of New York law, which is yet another indication of bad faith.").

prosecution against Madden in *Lew Footwear Holdings Pty Ltd. v. Madden International, Ltd.*, S CI 20132769 in the Supreme Court of Victoria at Melbourne, Australia, including further prosecution of its application for an anti-suit injunction to prevent Madden International, Ltd. from prosecuting this action, and from instituting or prosecuting another action or proceeding arising out of or related to the License and Distribution Agreement between the parties, dated November 30, 2009, in any forum other than a state or federal court in New York, Queens, or Nassau Counties, New York, is granted; and it is further

ORDERED that the parties are ordered to appear for a conference on February 3, 2015 at 9:30 a.m.

This constitutes the decision and order of the Court.

DATE : 1/15/15

SALIANN SCARPULLA, JSC

650209/2015