

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

CARSON OPTICAL, INC.

Plaintiff,
-against-

ORDER
CV 12-1169 (GRB)

HAWK IMPORTERS, INC., SHYAM
BAHETI, and RAM BAHETI,
Defendants.

-----X

“At the present moment . . . there is a suit before the court which was commenced nearly twenty years ago, in which from thirty to forty counsel have been known to appear at one time, in which costs have been incurred to the amount of seventy thousand pounds, which is a friendly suit, and which is (I am assured) no nearer to its termination now than when it was begun.”

-Charles Dickens, *Bleak House* (1853)

GARY R. BROWN, United States Magistrate Judge:

Before the Court is an application by defendants Hawk Importers, Inc., Shyam Baheti and Ram Baheti (collectively “defendants” or “Hawk”) to enforce a settlement that would conclude a decade of litigation, entered on the record following approximately seven hours of negotiations supervised by the undersigned on April 5, 2013. The parties have not, as yet, memorialized the agreement in writing. Hawk argues that the settlement entered on the record effectively eliminates certain obligations under a prior “So Ordered” settlement reached in a related action – *Cameron Int’l Trading Co. v. Hawk Importers, Inc.*, No. 03-CV-2496 (E.D.N.Y. filed May 16, 2003) (“*Carson I*”) – specifically, prohibitions against the sale of products described in the prior settlement agreement. Plaintiff Carson Optical, Inc.

(“plaintiff” or “Carson”) opposes the motion, contending that though it agrees that a resolution was reached in this matter, the agreement does not include a release from the prior obligations imposed from the *Carson I* settlement agreement.

As set forth below, there is no evidence establishing that the parties intended to vitiate Hawk’s obligations under the *Carson I* settlement agreement; indeed, the evidence demonstrates that the parties expressly excluded those obligations from the negotiations. Initially, I deny defendants’ motion to strike an affidavit submitted by plaintiff in connection with the motion. Furthermore, while I find that the parties entered a binding, enforceable settlement agreement on the record, that agreement does not include eradication of the prohibited product list from *Carson I*.

BACKGROUND

Summary of *Carson I*

In 2003, Carson (under the name of two corporate predecessors), commenced an action for copyright infringement, trade dress infringement, trademark infringement, false designation of origin, unfair competition and deceptive business practices against defendants. *See generally* Compl., Docket Entry (“DE”) [1], *Carson I*, No. 03-CV-2496 (E.D.N.Y. filed May 16, 2003).¹ The claims arose out of Hawk’s manufacture, distribution and sale of optical devices that allegedly infringed upon Carson’s copyright, trademark and other rights in its products. *See id.*

The parties settled the lawsuit, and entered into a Stipulation of Settlement on

¹ All further citations to the record in this subsection reference *Carson I*, No. 03-CV-2496 (E.D.N.Y. filed May 16, 2003), unless otherwise stated.

September 20, 2004. Declaration of Richard Cameron Ex. 1, DE [27]. On November 15, 2004, the Stipulation of Settlement and Order was “So Ordered” by the Court. DE [24]. The principal provisions of that settlement included the payment by Hawk of \$16,000, destruction of certain packaging and inventory, and, most importantly here, agreement by Hawk not to distribute or sell any magnifier identified in an Exhibit A to the agreement if such magnifier copies molds owned by Carson, or any magnifier that copies “any arbitrary or esthetic or ornamental or incidental feature” of any Carson magnifier, including those listed on Exhibit B to the agreement (hereinafter collectively referred to as the “no-fly list”). Settlement Agreement Exs. A & B, Oct. 13, 2004, DE [23]. Those Exhibits identify more than 100 products. The parties executed a stipulation of dismissal with prejudice, which the Court so ordered on January 6, 2005. Stipulation and Order of Dismissal, Jan. 10, 2005, DE [26].

Unfortunately, and perhaps prophetically, the settlement did not end the dispute between the parties. After sending communications to Hawk alleging violations of the settlement agreement – more specifically, advertising and selling certain items identified in the no-fly list – Carson filed a motion on April 13, 2009 seeking leave to reopen the case and the entry of an order to enforce the terms of the Stipulation. *See* DE [27], [28]. On October 1, 2009 Judge Seybert ordered Hawk to show cause why the case should not be reopened and an order of enforcement entered, and referred the Order to Show Cause to the Honorable William D. Wall. Order, Oct. 30, 2009, DE [36]. Magistrate Judge Wall endeavored to settle the matter, and when those efforts were unsuccessful, he scheduled a hearing. Hawk moved to dismiss the action. *See* Notice of Motion to Dismiss, Mar. 1, 2010, DE [47].

Following the hearing, Magistrate Judge Wall found that plaintiffs established a breach of

the settlement agreement, and recommended that plaintiffs be awarded the sought-after relief, which included certain injunctive relief, examination of defendants' books and records, attorneys' fees and damages. On November 2, 2010, after objections by the defendants, Judge Seybert largely adopted Judge Wall's Report and Recommendation, though she modified the scope of the remedial order sought by plaintiffs. DE [59]. Judge Seybert limited the terms of provisions prohibiting sale of infringing items by Hawk to a period coextensive with Carson's patents on those items, provided those items do not otherwise infringe upon Carson's intellectual property rights. *Id.* On appeal, the Second Circuit affirmed Judge Seybert's decision, *Cameron Int'l Trading Co. v. Hawk Importers, Inc.*, 501 F. App'x 36 (2d Cir. 2012), noting, among other things, that Hawk had failed to properly preserve its argument that "the injunction entered by the district court is overly broad because its use of the term 'intellectual property' renders it so 'vague that it does not have a reasonably specific meaning.'" *Id.* at 38.

Following the Second Circuit's decision, the matter returned to this Court, where the sole issue remaining for resolution – a determination of attorney's fees to be awarded to Carson – was referred to Magistrate Judge Wall. Order, Nov. 28, 2011, DE [82]; Order Referring Mot., Jan. 9, 2013, DE [90]. In December 2012, Carson filed its motion, seeking \$157,000 in fees. Mot. for Attorney's Fees, Dec. 19, 2012, DE [83]. After much wrangling among the parties, in March 2013, Hawk filed its response, contending that the appropriate figure was approximately \$43,000. Reply in Opp'n, Mar. 4, 2013, DE [97]. While the parties made various contentions about the wording of the judgment effecting the remedial relief for the violations earlier found by Judge Seybert, the amount of attorneys' fees was the only matter of significance pending before Judge Wall at the time of the settlement conference in this case.

Background of the Instant Action

On March 9, 2012, Carson commenced this matter by the filing of a complaint seeking damages and injunctive relief predicated upon alleged patent infringement and unfair competition by Hawk in connection with the sale of certain magnifiers attached to a headband. *See generally* Compl., DE [1], *Carson Optical, Inc. v. Hawk Importers, Inc.*, No. 12-CV-1169.² Hawk moved to change venue to the Central District of California, *see* First Mot. to Change Venue, May 21, 2012, DE [12], filed a notice that it had petitioned for reexamination of Carson's patents, DE [19], and filed counterclaims against Carson seeking declaratory judgment of non-infringement, invalidity and unenforceability. Counterclaim, Dec. 8, 2012, DE [23]. By Memorandum and Order dated February 12, 2012, Judge Seybert rejected Hawk's motion to change venue, finding that almost none of the factors weighed in favor of transfer. Memo. & Order, Feb. 12, 2013, DE [30].

On April 5, 2012, the undersigned held a settlement conference of approximately seven hours' duration with the parties. Attorneys and principals for all parties participated, and portions of the conference were recorded and transcribed. *See* Transcript, Apr. 29, 2013, DE [36] (hereinafter "Settlement Conference Transcript"). At the conclusion of the conference, the parties agreed to a resolution, which included:

- payment by Hawk to Carson of \$130,000, spread out in four payments over the course of a year;
- retention of jurisdiction by the Court to enforce the payment obligation;
- dismissal with prejudice of the claims and counterclaims in this action;
- "disposal of a current matter in [*Carson I*]" which was "currently pending in front of

² All further citations to the record in this subsection reference the instant action, unless otherwise stated.

Judge Wall and Judge Seybert,” Settlement Conf. Tr. 7;

- a release of claims related to purported false advertising regarding the magnification qualities of certain Hawk magnifiers, along with a concomitant correction of advertising copy;
- a sell through of inventory of mismarked Hawk magnifiers;
- a release of claims related to a trademark of the word “Hawk” in connection with magnifiers; and
- provision for informal resolution of future disputes between the parties.

Settlement Conf. Tr. 4-12.

The parties were afforded one month in which to file the stipulation of discontinuance in this action. Minute Entry, Apr. 5, 2013, DE [35]. Upon joint applications by the parties, *see* DE [40], [41], that deadline was twice extended, Electronic Scheduling Order, May 6, 2013; Electronic Order, June 3, 2013, for a total of six additional weeks. As the June 17 deadline approached, defendants unilaterally filed a draft agreement purportedly memorializing the terms of the settlement, and asked that it be entered as the order of the Court, without plaintiff’s consent. Letter Mot. for Settlement, June 13, 2012, DE [42]. After a telephone conference, the Court provided the parties an additional month to file a stipulation of discontinuance, extending the deadline to July 17, 2013. Minute Order, June 17, 2013, DE [44].

Hawk brought the instant motion on July 3, 2013 to “enforce the April 5th settlement that was placed on the record regarding two cases: 12-CV-01169 and 03-CV-02946.” Letter Mot. 1, July 3, 2013, DE [45]. As part of that motion, Hawk argues that the settlement entered at the April 5 conference binds on the parties, and contends that the settlement “terminated all past obligations between Hawk and Carson.” *Id.* at 2. Carson, in its response, agrees that the stipulations at the April 5 conference constituted a settlement of both actions, but argues that the

agreement does not “magically erase [Hawk’s] preexisting obligations.” Response in Opp’n 1-2, July 17, 2013, DE [47].

On this motion, defendants submitted both the transcript of the settlement proceeding as well as a draft settlement agreement provided to defendants by plaintiffs. In response, Robert deBrauwere, Esq., counsel for plaintiff, submitted an affidavit which provides, in relevant part, as follows:

Very late in the afternoon, towards the end of the Settlement Mediation, and after seven hours of seemingly unproductive settlement discussions, Mr. Cameron [a principal of the plaintiff] and I, and Mr. Baheti [a principal of Hawk] and Mr. Edmondson, continued to discuss settlement in the jury room outside of Magistrate Brown's presence. Mr. Baheti asked Mr. Edmondson: "What about the earlier settlement agreement?", referring to the Prior Settlement Agreement. Mr. Cameron and I immediately objected to the Prior Settlement Agreement being limited in any way, and Mr. Edmondson "hushed" his client. There were no discussions about or mention of the Prior Settlement Agreement, either between the parties alone or on the record before Magistrate Brown. That short exchange was the only instance in which the Prior Settlement Agreement was even mentioned to Plaintiff or Plaintiff’s counsel at the Settlement Mediation.³

Affidavit in Opp’n ¶ 9, Aug. 16, 2013 DE [51] (“deBrauwere Aff.”). Though specifically afforded the opportunity to do so, *see* Transcript 13, 33, Sept. 18, 2013, DE [55] (“Oral Arguments Transcript”), defendants have not provided any evidence to controvert this account. When asked by the Court whether or not the conversation happened, counsel for Hawk represented that he had “no recollection.” *Id.* at 23.

³ While Hawk’s counsel moved to strike this affidavit based upon, *inter alia*, the claim that the affidavit later submitted to the Court differed from the one shown to Hawk’s counsel at oral argument, this paragraph – the only paragraph that matters for these purposes – is identical. Moreover, despite filing a motion to strike this affidavit accompanied by a dozen exhibits, Hawk has not submitted any evidence attempting to controvert the factual material contained in this paragraph.

DISCUSSION

The law strongly encourages settlement of disputes. “Compromises of disputed claims are favored by the courts.” *Williams v. First Nat. Bank*, 216 U.S. 582, 595, 30 S. Ct. 441, 445, 54 L. Ed. 625 (1910) (citing *Hennessy v. Bacon*, 137 U.S. 78, 85, 11 S. Ct. 17, 19, 34 L. Ed. 605 (1890) (“the compromise of a disputed claim . . . ought not to be overthrown”)); *cf. Provident Tradesmens Bank & Trust Co. v. Patterson*, 390 U.S. 102, 111, 88 S. Ct. 733, 739, 19 L. Ed. 2d 936 (1968) (citing “the interest of the courts and the public in complete, consistent, and efficient settlement of controversies”); *Rates Tech. Inc. v. Speakeasy, Inc.*, 685 F.3d 163, 172 (2d Cir. 2012) (discussing “the important policy interests favoring the settlement of litigation” and “the great costs that can be associated with patent litigation”), *cert. denied*, 133 S. Ct. 932, 184 L. Ed. 2d 724 (2013). Such resolution is consistent with the dictates of Rule 1 of the Federal Rules of Civil Procedure, which directs courts “to secure the just, speedy, and inexpensive determination of every action and proceeding.” Fed. R. Civ. P. 1. Thus, in considering the instant dispute, I am mindful of the strong public interest in averting litigation through agreement.

The Parties Reached a Binding Agreement

The first question here is whether a binding agreement was reached. Although the parties agree that an enforceable agreement was set forth on the record, there is dispute as to the scope of that agreement. “An agreement to end a lawsuit is construed according to contract principles.” *Acot v. N.Y. Med. College*, 99 F. App’x 317, 318 (2d Cir. 2004) (citing *United States v. Sforza*, 326 F.3d 107, 115 (2d Cir. 2003)). “The fundamental objective of contract interpretation is to give effect to the expressed intentions of the parties.” *Klos v. Polskie Linie Lotnicze*, 133 F.3d 164, 168 (2d Cir. 1997) (citing *Hunt Ltd. v Lifschultz Fast Freight, Inc.*, 889

F.2d 1274, 1277 (2d Cir. 1989)). Thus, the Court must determine whether the parties' disagreements concerning the language of the written memorialization demonstrates that the parties did not intend to be bound by the settlement on the record.

The parties to litigation may settle a matter orally, in open court, and a failure to reduce those terms to a written settlement agreement does not undermine an otherwise binding settlement. As the Second Circuit has held:

Parties may enter into a binding contract orally, and the intention to commit an agreement to writing, standing alone, will not prevent contract formation. Consequently, a voluntary, clear, explicit, and unqualified stipulation of dismissal entered into by the parties in court and on the record is enforceable even if the agreement is never reduced to writing, signed, or filed. The settlement remains binding even if a party has a change of heart between the time he agreed to the settlement and the time those terms are reduced to writing.

Powell v. Omnicom, 497 F.3d 124, 129 (2d Cir. 2007) (citations and internal alterations omitted).

The Court of Appeals has "held that even 'minor' or 'technical' changes arising from negotiations over the written language of an agreement can weigh against a conclusion that the parties intended to be bound absent a formal writing," but only where such changes "show that there were points remaining to be negotiated such that the parties would not wish to be bound until they synthesized a writing 'satisfactory to both sides in every respect.'" *Powell*, 497 F.3d at 130 (quoting *Winston v. Mediafare Entm't Corp.*, 777 F.2d 78 (2d Cir. 1985)). Ultimately, whether the parties reached agreement to settle a matter turns on:

(1) whether there has been an express reservation of the right not to be bound in the absence of a writing; (2) whether there has been partial performance of the contract; (3) whether all of the terms of the alleged contract have been agreed upon; and (4) whether the agreement at issue is the type of contract that is usually committed to writing.

Id. at 129.

As to the first element, the parties to this matter expressly *agreed* to be bound by the agreement in absence of a writing, and continue to maintain that position. After the parties worked out a detailed agreement on the record, each attorney, on behalf of and in the presence of his clients, stated unequivocally that they “underst[ood] the terms and conditions of the settlement and [] agree[d] to that settlement.” Settlement Conf. Tr. 12. They further assented to the statement that “this means the end of the litigation . . . We’re finished, complete, no more suing, no more fees, we’re done.” *Id.* The motion papers reflect this same stance.

As to whether all of the principal terms have been agreed upon, the transcript reveals that the parties entered a detailed agreement, far beyond mere broad outlines of a settlement. The parties attended to such minute details as the precise amount of quarterly installment payments, Settlement Conf. Tr. 5; mechanisms to enforce the settlement payment through retention of jurisdiction, *id.* at 6; dismissal of specific claims and counterclaims, *id.* at 6-7; the time period to correct false advertising, *id.* at 8; identification of a template for the written memorialization, *id.* at 10; and provision for alternatives to future litigation, *id.* at 11.

Defendants claim that the “settlement on the record serve[d] to release Hawk and Carson from any of the ‘obligations’ regarding the parties 2005 Settlement Agreement in 03-CV-02946.” Reply 1. Whatever defendants’ private assumptions – and the sincerity of defendants’ misinterpretations may be questioned, as explored below – neither defendants’ principal nor their attorney brought up rescission of the no-fly list as a condition of the settlement in this action. “What matters are the parties’ expressed intentions, the words and deeds which constitute objective signs in a given set of circumstances.” *R.G. Group, Inc. v.*

Horn & Hardart Co., 751 F.2d 69, 74 (2d Cir. 1984). “The secret or subjective intent of the parties is irrelevant.” *Klos*, 133 F.3d at 168 (citing *Swaminathan*, 962 F.2d at 389; E. Allan Farnsworth, *Contracts* § 7.9). Accordingly, under the circumstances presented here, rescission of an existing agreement, when not expressed during the settlement on the record, cannot be considered a ‘principal term’ requiring later negotiation.

As to the third factor – partial performance – one court has held that cessation of litigation activities following a settlement on the record satisfies this element. *Lopez v. City of New York*, 242 F. Supp. 2d 392, 393-394 (S.D.N.Y. 2003) (“there was partial performance of the settlement ‘in the sense that both sides, relying on apparent settlement, did not resume active litigation of the case’”) (quoting *Alvarez v. City of New York*, 146 F. Supp.2d 327, 336 (S.D.N.Y. 2001)). Given that the parties took no further steps in the litigation – other than to quarrel over the implementation of the settlement – there is a least arguable satisfaction of this element.

Finally, as to the fourth element, this Circuit has long observed that settlement agreements are the type of contract appropriately set forth in open court. *See, e.g., Powell*, 497 F.3d at 131; *Acot*, 99 F. App’x at 318 (“The fact that parties to an oral agreement contemplate memorializing their agreement in a subsequently executed document will not prevent them from being bound by the oral agreement.”) (citing *V’Soske v. Barwick*, 404 F.2d 495, 499 (2d Cir. 1968)). As the Court of Appeals explained in *Powell*:

The significance of announcing the terms of an agreement on the record in open court is to ensure that there are at least some formal entries to memorialize the critical litigation events, and to perform a “cautionary function” whereby the parties’ acceptance is considered and deliberate.

Powell, 497 F.3d at 131. Thus, the settlement here is not of the type that must be committed to

writing before agreement takes place.

Accordingly, at least three of the four factors identified in *Powell* weigh in favor of finding a binding agreement. I find that the parties entered a binding agreement on the record, which should be enforced even absent a signed writing; the remaining question for the Court is the scope of that agreement.

The Court May Consider Evidence from the deBrauwere Affidavit

In support of the instant motion, counsel has submitted a number of items, in particular, various unsigned iterations of a draft memorialization that were exchanged after the settlement conference. The undersigned simply does not find that these unsigned drafts offer the insight each party would read into them.

Rather, the single helpful piece of evidence is the above-referenced portion of the deBrauwere Affidavit. Defendants have moved to strike that affidavit and raised several other objections to it. Therefore, the threshold issue is whether the information contained in the deBrauwere Affidavit is properly considered.

In the motion to strike, counsel for defendants insist that the deBrauwere Affidavit varies from another affidavit produced at the hearing for their inspection, and that the Court “should not consider those portions of the affidavit that vary with what was handed to Attorney Edmondson at the hearing.” Mot. to Strike ¶ 1, Aug. 29, 2013, DE [52] (“Motion to Strike”). A comparison of the deBrauwere Affidavit and the variant attached as Exhibit A to defendants’ motion reveals that the above-quoted portion – to wit: paragraph 9 – is identical in both documents. *Compare id.* Ex. A ¶ 5 *with* deBrauwere Aff. ¶ 9. Defendants’ remaining objections are aimed at (1) the relevance of paragraphs 4-6; (2) a statement contained in paragraph 12 and (3) legal arguments

contained in paragraph 13. Hence, the motion to strike does not affect paragraph 9, and none of the other materials submitted with the motion to strike bear on the decision here. Paragraph 9 is the only portion that the Court is considering for the instant motion, which renders the objections inapplicable.

Though not included in their motion to strike, at a hearing on this motion, counsel raised the issue of whether the conversation between the parties at the settlement hearing should be excluded under Fed. R. Civ. P. 408. See Oral Arg. Tr. 23.⁴ Rule 408 provides in relevant part that evidence of “furnishing...or accepting...a valuable consideration in compromising or attempting to compromise [a] claim” or of “conduct or a statement made during compromise negotiations” is not admissible “either to prove or disprove the validity or amount of a disputed claim.” Fed. R. Evid. 408. The Second Circuit has observed that:

evidence of a settlement agreement and its surrounding circumstances though otherwise barred by Rule 408, can fall outside the Rule if it is offered for another purpose, *i.e.*, for a purpose other than to prove or disprove the validity of the claims that the agreement was meant to settle. The trial judge has broad discretion as to whether to admit evidence of settlement ... offered for ‘another purpose.’ In applying the ‘another purpose’ exception to Rule 408, the trial judge should weigh the need for such evidence against the potentiality of discouraging future settlement negotiations.

Starter Corp. v. Converse, Inc., 170 F.3d 286, 293 (2d Cir. 1999) (upholding admission of settlement negotiation evidence to prove claims of estoppel) (citations and alterations omitted).

Here, the evidence concerning the settlement negotiations is relevant for determining the intent of the parties as to the scope of the subject settlement – which has not yet been reduced to

⁴ Counsel also suggested that reliance on a conversation that occurred during settlement discussions in the determination of this motion might also run afoul of this Court’s representations during the conference. Oral Arg. Tr. 23. However, the undersigned advised the parties at the conference that the “rules of evidence provide that what we say at . . . a settlement conference *cannot be used as evidence at the trial.*” *Id.* at 4 (emphasis added).

writing and is therefore not subject to the parol evidence rule. Yet that rule proves instructive by analogy. Even in the face of a written settlement agreement that proves ambiguous, “parol evidence is admissible to help explain the ambiguity.” *Hanley v. Lark Deli Corp.*, 2 F. Supp. 2d 534, 537 (S.D.N.Y. 1998), *aff’d sub nom. Hanley v. Deluxe Caterers of Shelter Rock, Inc.*, 175 F.3d 1007 (2d Cir. 1999) (considering parol evidence to help interpret ambiguity in settlement agreement). Moreover, while consideration of such evidence in other contexts may discourage compromise, here it furthers these interests. Rather than a substantive admission of liability, the subject affidavit is offered to shed light on the scope of the settlement reached. Categorical exclusion of such evidence in considering the scope of a settlement would invariably lead to unfair results. Thus, where, as here, the parties have entered a settlement on the record that has not yet been reduced to a written settlement agreement, evidence of statements made during settlement negotiations may be considered to determine the scope of that agreement. *See Starter Corp. v. Converse, Inc.*, No. 95-CIV-3678, 1996 WL 706837 (S.D.N.Y. Dec. 3, 1996) (where “written settlement agreement is not an integrated contract, extrinsic evidence concerning the existence *vel non* of an oral agreement can appropriately be considered”).

Thus, I find that paragraph 9 of the deBrauwere Affidavit is properly considered on this motion.

The Settlement in this Action Does Not Vitate Hawk’s Obligations from *Carson I*

In deciding this question, it is helpful to recap the litigious relationship between the parties. Plaintiff agreed to dismiss *Carson I* in 2004, after its filing the year before, in exchange for the relatively modest sum of \$16,000, plus Hawk’s agreement to forbear from dealing in the long list of items contained on the no-fly list. Objectively, the commitment to comply with the

no-fly list appears to be an important element of that settlement.

Five years later, in 2009, Carson moved to enforce the prohibitions of the no-fly list, alleging violations of those terms by Hawk. Hawk vigorously contested Carson's effort. The battle raged for more than five years before a magistrate judge, a district judge and the Court of Appeals. Carson ultimately upheld its right – with certain limitations – to enforce the no-fly list, prevailing before the district court and on appeal. At the time of the settlement here, the sole issue under review in *Carson I* was the amount of attorneys' fees to be paid by Hawk to Carson – an amount somewhere between defendants' estimate of \$43,000 and Carson's claim of \$157,000.

Hawk's desperation to overturn the prior settlement agreement may stem not from any defect in the contract language, but rather from defendants' dim view of the agreement's implications for their business prospects. As Hawk's counsel described at a conference before this Court, "It's a one-sided agreement. I wasn't counsel at the time [the agreement was formed]. It is certainly not something I would have ever had – any lawyer in their right mind would have agreed to." Telephone Conf. Hr'g 4:24:10-4:24:25, June 17, 2013.

Given this history, freeing Hawk from the obligations of the no-fly list and related prohibitions would represent a sea change in the relationship between these parties. Those prohibitions represent relief upon which the parties agreed, the Court ordered and the Second Circuit affirmed. Given the gravity of the proposed change, Hawk was required to raise this as an express condition of settlement, and not quietly assume that all parties thought that all previous bets were off. *See Lopez v. City of New York*, 242 F. Supp. 2d 392, 394 (S.D.N.Y. 2003) (declining to include non-boilerplate terms that were not raised on the record). Moreover, one would expect to see some concession from Hawk that would represent consideration for the

release from this burden. The amount of the settlement in this case – \$130,000 spread over four payments – falls squarely within the range of attorneys’ fees defined by the parties in *Carson I* (and less than the amount of fees sought by Carson), and also includes a release by Carson of the patent claims in the instant case. Thus, there is nothing about the amount or nature of the settlement that suggests that this agreement included the dramatic relief being sought by Hawk.

On balance, because the lifting of the no-fly prohibitions represented a change in the *status quo*, I find it was incumbent upon Hawk’s counsel to expressly reference this change if it were part of the agreement reached on the record.

Of course, the distinct possibility exists that the failure of Hawk’s counsel to raise the prior injunctive relief was a tactical attempt to shoehorn this concession into the settlement even though it was not part of the parties’ understanding. And there is some evidence to support this view. As noted, the conversation related in the deBrauwere Affidavit – which remains uncontroverted by defendants – reveals that the issue of the no-fly list arose during negotiations and was expressly rejected by plaintiff. This uncontested evidence clearly confirms, if there was any doubt otherwise, that the no-fly list was not part of the parties’ agreement.

A procedural oddity further buttresses the notion that counsel for Hawk may have been acting with a lack of transparency in failing to mention the no-fly list. Following the settlement conference, the Court directed that a stipulation of discontinuance be filed by May 5. DE [35]. As described above, the parties twice *jointly* applied to extend this deadline, which applications were granted by the Court. Then, on June 13, counsel for Hawk submitted a letter and a proposed settlement agreement he prepared and provided to counsel on April 30 (which, of course, contained general releases and no carve-out for the no-fly provisions), requesting as

follows:

As there is a deadline for this matter on [June 16], Defendants' counsel respectfully requests that the Court adopt the proposed settlement (Ex. A) as an order of the Court and enter a final judgment of dismissal with prejudice on these two cases.

Letter Mot. for Settlement, June 13, 2013, DE [42]. This extraordinary request – to endorse one side's version of a settlement agreement as a Court order without input from the other party – came from Hawk's counsel in lieu of a simple application to extend the deadline. Given that the undersigned had granted two such applications previously, it raises a question as to whether Hawk's unusual request may have been calculated to quietly effect a repudiation of the earlier injunctive relief. The request was refused and the Court extended the deadline to file the stipulation of discontinuance. *See* Minute Order, June 17, 2013.

In any event, I find that the parties have entered an enforceable agreement on the record that does not alter the injunctive relief to which they mutually agreed in *Carson I*.

CONCLUSION

Based on the foregoing, the defendants' motion to strike the deBrauwere Affidavit is denied, and the motion to enforce the settlement is granted in part and denied in part, consistent with the directives set forth herein.

“Due regard for the proper use of judicial resources requires that a ... judge proceed with entry of a settlement judgment after affording the parties an opportunity to be heard as to the precise content and wording of the judgment...” *Janus Films, Inc. v. Miller*, 801 F.2d 578, 583 (2d Cir. 1986). The parties have been afforded an opportunity here that has been more than adequate. The parties have until October 20 to file a stipulation of discontinuance, whether or

not they are able to agree on the terms of a written memorialization of the settlement terms.

Dated: Central Islip, New York.
October 10, 2013

/s/ Gary R. Brown
GARY R. BROWN
United States Magistrate Judge