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Commercial division update: Unjust enrichment claims require a sufficiently close relationship

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The quasi-contract claim for unjust enrichment requires a direct connection between the plaintiff and defendant to prevent equitable injustice. Whether the relationship is close enough to satisfy this requirement is a fact-specific inquiry. This column reviews Commercial Division authority that considered whether plaintiffs sufficiently alleged the requisite relationship to survive a motion to dismiss.

Governing framework

New York courts have long held that privity is not required to plead a claim for unjust enrichment; instead, a plaintiff must plead a "connection between the parties" beyond one that "is too attenuated." *Mandarin Trading Ltd. v. Wildenstein*, 16 N.Y.3d 173, 182 (2011).

Critically, the relationship must be one that "could have caused reliance or inducement." *Mandarin*, 16 N.Y.3d at 182; see also N.Y. Pattern Jury Instruction 4:2 ("To establish an unjust enrichment claim, plaintiff must establish that there was a relationship between the parties that could have caused reliance or inducement"). A plaintiff's allegations of the defendant's mere "awareness" of that party fails to meet this standard without additional allegations evidencing a relationship causing reliance or inducement. *Georgia Malone & Co., Inc. v. Rieder,* 19 N.Y.3d 511, 517 (2012).

In *Georgia Malone*, the central question before the New York Court of Appeals was whether the relationship between rival real estate firms was sufficient to sustain an unjust enrichment claim. In that case, a real brokerage firm prepared for a developer firm due diligence reports in furtherance of the developer's potential purchase of properties, but the developer provided them to another real estate company that subsequently received commission on the sale of those properties.

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In rejecting the unjust enrichment claim, the Court of Appeals affirmed the First Department's determination that the relationship between the two brokerage firms was "too attenuated." Taking a practical approach, the Court of Appeals noted that to hold otherwise "would require parties to probe the underlying relationships between the businesses with whom they contract and other entities tangentially involved but with whom they have no direct connection."

Commercial Division application

Although the requirement of a sufficiently close relationship is firmly established, in practice the fact-specific nature of the analysis may yield varying outcomes.

Most recently, Justice Robert Reed of the New York County Commercial Division dismissed a claim for unjust enrichment in part because the plaintiffs, which included a cooperative housing corporation, "fail[ed] to indicate a relationship between them and [defendant]" and "[t]he pleadings fail to indicate a relationship between the parties that could have caused reliance or inducement." *269 W. 87th St. Apartment Corp. v. QSB 267 Prop. Co, LLC*, 2026 N.Y. Slip Op. 50450(U) (N.Y. Co. April 1, 2026).

The complaint alleged that the sponsor of the cooperative's alleged fraudulent offering plan had transferred the proceeds of a loan, secured by the unsold apartments in the cooperative and other collateral, to the defendant with no value or consideration returned to plaintiffs. The court found that the "pleadings fail to indicate a relationship between the parties that could have caused reliance or inducement," and further that "the record is devoid of any benefit that the plaintiffs have conferred on" the defendant.

In *Quinn v. GCB Cap., LLC*, 2023 N.Y. Slip Op. 50674(U) (N.Y. Co. July 7, 2023), Reed similarly dismissed a claim for unjust enrichment against a party that allegedly had wrongfully obtained shares that allegedly should have been issued to plaintiff.

As part of an earlier settlement agreement, defendant MHI was obligated to issue shares of stock to defendant GCB and 5.4 million shares to plaintiff. Plaintiff alleged that, instead, MHI issued an excessive number of shares to GCB with the understanding that GCB would convey 5.4 million of those shares to plaintiff, which it never did.

Notwithstanding defendants' failure to answer the complaint and failure to oppose the motion for a default judgment, the court held that "[t]he mere fact that plaintiffs and [defendant] were parties to the same settlement agreement is insufficient to establish a sufficiently close connection or relationship between them that could have caused or induced reliance on plaintiffs' part."

The court again affirmed that the relationship required to survive dismissal must be one "of reliance or inducement." Emails between the parties' counsel failed to support the theory that such a relationship existed.

Matthews v. Symbion Power LLC, 2020 N.Y. Slip Op. 20189 (N.Y. Co. July 30, 2020), illustrates that a relationship sufficient to support an unjust enrichment claim pled in the alternative to a breach of contract claim may generally be more straightforward to establish.

There, the plaintiff entered into an employment contract with Symbion Europe, but allegedly provided services to its affiliate Symbion Power. Justice Barry Ostrager of the New York County Commercial Division dismissed the breach of contract claim against Symbion Power as it was not a party to the employment agreement, but refused to dismiss the unjust enrichment claim against it.

The court found that the claim for unjust enrichment was an "alternative[] to plaintiff's breach of contract claims," based on allegations that plaintiff provided services to Symbion Power "and that Symbion Power was enriched to plaintiff's detriment." Further, "[t]here [was] no real dispute that plaintiff's work was directed and controlled by Symbion Power."

Where there are multiple parties involved, courts analyze each relationship between them separately. In *Duran v. Bautista*, 2015 N.Y. Slip Op. 50507(U) (N.Y. Co. April 7, 2015), a class of judgment creditors of Imelda Marcos sought to enforce their judgment against $32 million in proceeds from the alleged unauthorized sale of a 1899 painting by Claude Monet, which Imelda had owned.

Because, as judgment creditors, petitioners were standing in the shoes of judgment debtor Imelda, the court analyzed the relationship between Imelda and each defendant. Justice Charles Ramos of the New York County Commercial Division denied the motion to dismiss the unjust enrichment claim as against Imelda's personal secretary who allegedly sold the painting, but granted the motion to dismiss the unjust enrichment claims against the other respondents who did not have a direct relationship with Imelda.

The court found that the relationship between the petitioners and Imelda's personal secretary—who acted as her authorized representative, negotiator, bailee, trustee, and/or agent with respect to the painting at issue—was sufficiently direct to sustain an unjust enrichment claim. As to the other respondents, the court found that "[t]he Petition fail[ed] to allege that any of the other Respondents were aware that the proceeds of the sale were not transferred to [Imelda], since those Respondents only received a relatively small percentage of the total proceeds from the sale."

In a different scenario of a fraudulent scheme, Justice Eileen Bransten of the New York County Commercial Division denied defendants' motion for renewal of their motion to dismiss an unjust enrichment. *Philips International Investments, LLC v. Pektor*, 2013 N.Y. Slip Op. 31233(U) (N.Y. Co. June 7, 2013), aff'd, 117 A.D.3d 1 (1st Dep't 2014).

In that case, a 50% joint venture partners formed new partnerships that allegedly absconded with property belonging to the joint venture. The court found that the complaint sufficiently alleged that plaintiff's joint venturers' "knowledge and scheming" was "imputable to the partnership defendants."

The First Department affirmed, explaining that "plaintiff alleged a sufficient relationship with the partnership defendants to survive a motion to dismiss, namely that [plaintiff's] joint venturers [the individuals]... created the partnership defendants as vehicles to appropriate the venture's business opportunity of buying the viable properties."

The New York County Commercial Division's decision in *Norex Petroleum Ltd. v. Blavatnik*, 2015 N.Y. Slip Op. 51280(U) (N.Y. Co. Aug. 25, 2015), judgment entered sub nom. *Norex Petroleum Ltd. v. Blavatnik, et al.* (N.Y. Co. Sept. 28, 2015), aff'd, appeal dismissed, 151 A.D.3d 647 (1st Dep't 2017), further underscores the fact-intensive nature of New York courts' analysis of a sufficiently pled relationship. Bransten held that plaintiff's conclusory allegations were insufficient to allege a requisite relationship between the parties. Plaintiff relied in part on the defendant's email stating that the parties were "intertwined."

The court was not persuaded: "The state of being 'intertwined with' another company is not any sort of legally recognized relationships and instead is a conclusory averment." The court found that there were no allegations that plaintiff "had any formal business interaction with [defendant] during the pertinent time period" and dismissed the claim for unjust enrichment.

In *Miller v. Walters*, 2014 N.Y. Slip Op. 24310 (N.Y. Co. Oct. 9, 2014), a sports management firm brought an unjust enrichment claim against rival sports management firms alleging "theft" of one of its clients. Bransten held that merely alleging that defendants are plaintiff's "business competitors" fails to plead a sufficiently close relationship to state a claim for unjust enrichment. The court explained that caselaw has "affirmed that 'awareness,' without more, does not establish the relationship necessary to state an unjust enrichment claim."

Without allegations of a direct relationship or any direct business dealings, there can be no connection that "could have caused reliance or inducement," as required to state a claim for unjust enrichment.

Conclusion

A claim for unjust enrichment must withstand rigid scrutiny to survive a motion to dismiss. New York Commercial Division courts stringently enforce the requirement of a sufficiently direct relationship of reliance or inducement and practically analyze a plaintiff's allegations to determine if the relationship between the parties warrants such a claim to prevent equitable injustice.

This requirement serves as a safeguard for commercial parties by ensuring that unjust enrichment claims will be unsuccessful against parties who lack a discernible connection of reliance or inducement to the plaintiff.

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