

Edelstein v Farber

2004 NY Slip Op 30136(U)

December 7, 2004

Supreme Court, New York County

Docket Number: 0602624/2001

Judge: Joan Madden

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SUPREME COURT OF THE STATE OF NEW YORK — NEW YORK COUNTY

PRESENT: HON. JOAN A. MADDEN

J.S.C.
Justice

PART 11

0602624/2001

EDELSTEIN, MICHAEL
vs
FARBER, SHELDON

SEQ

INDEX NO. _____

MOTION DATE _____

MOTION SEQ. NO. _____

MOTION CAL. NO. 002

The following papers, numbered 1 to _____ were read on this motion to/for _____

Notice of Motion/ Order to Show Cause — Affidavits — Exhibits ...
Answering Affidavits — Exhibits _____
Replying Affidavits _____

PAPERS NUMBERED

Cross-Motion: Yes No

Upon the foregoing papers, It is ordered that this motion is decided in accordance with the annexed memorandum Decision ~~and~~ and order.

MOTION/CASE IS RESPECTFULLY REFERRED TO
JUSTICE

FILED
DEC 17 2004
NEW YORK
COUNTY CLERKS OFFICE

DEC 16 2004

Dated: December 7, 2004

[Signature]
J.S.C.

Check one: FINAL DISPOSITION NON-FINAL DISPOSITION

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SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 11

-----X
MICHAEL EDELSTEIN and FLORENCE EDELSTEIN,

Index No. 602624/01

Plaintiffs,

- against-

SHELDON FARBER,

Defendant.

-----X
JOAN A. MADDEN, J.:

In this action, husband and wife plaintiffs Michael Edelstein and Florence Edelstein sue for damages and injunctive relief, enjoining defendant Sheldon Farber from using the names "E.F.M. Realty Corp.," "E.F.M. Realty Management," and "E.F.M. Management Corp." (the EFM companies). Plaintiffs move for an order granting summary judgment on their first and second causes of action alleging infringement of their trade names in violation of section 43 of the Lanham Act (15 USC § 1125 [a]), and on their third and fourth causes of action alleging deceptive business practices under section 349 of the General Business Law (GBL).¹ Plaintiffs also move for summary judgment dismissing defendants' counterclaims. Appearing pro se, defendant opposes the motion and cross-moves for summary judgment dismissing the complaint, alleging, among other things, that plaintiffs have violated GBL § 130 and, therefore, come to the court with "unclean hands."

For the past 15 years plaintiffs have managed about 26 real estate properties in New York City under the names E.F.M. Realty Corp. and E.F.M. Management Corp., with the letters EFM representing Edelstein Family Management. Defendant is an attorney and former State senator. Since the early 1990s, defendant has been a rent-stabilized tenant of 162 West 54th Street, Apt.

¹Plaintiffs have withdrawn their fifth and sixth causes of action for tortious interference with business relationships and prima facie tort.

8F, New York, NY (the building), along with nonparty and co-tenant Diane Knight. Plaintiffs are principals of W.54-7, LLC (W.54-7), which bought the building in 1995. On April 1, 1998, W.54-7 served defendant with a notice advising of its intent to commence proceedings to recover defendant's apartment, alleging that the unit was not a primary residence for defendant or Knight.

In July and September 1999, defendant incorporated E.F.M. Realty Corp. and E.F.M. Realty Management Corp., respectively. In November 2000, defendant incorporated E.F.M. Management Corp. The stated purpose for all three incorporations included the management of real estate. The incorporation documents instruct the Secretary of State to serve process intended for the EFM companies on defendant. The Secretary of State has served defendant with copies of summonses and complaints intended for plaintiffs. Defendant served answers to some of the complaints he received, advising the complainants that plaintiffs were the intended recipients of the papers served, and that plaintiffs falsely conducted business through unincorporated entities. There is no evidence in the record that defendant used the incorporated entities to conduct business or to provide any services.

In 2000, W.54-7 commenced an action in this court (Index No. 122937/00), seeking, unsuccessfully, to regain possession of defendant's apartment. Justice Martin Shulman ruled that, although defendant seems to have benefitted for several years from low rent obtained in a sweetheart deal, defendant and Knight were lawful rent-stabilized occupants of the apartment. Plaintiffs filed this suit in May 2001.

Discussion

The moving party on a motion for summary judgment has the burden to make a prima facie showing of entitlement as a matter of law. *Winegrad v New York Univ. Med. Ctr.*, 64

NY2d 851, 853 (1985); *Zuckerman v City of New York*, 49 NY2d 557, 562 (1980). In order to defeat the motion, the opposing party must establish the existence of a factual issue requiring a trial, through the production of admissible evidence. *Alvarez v Prospect Hosp.*, 68 NY2d 320, 324 (1986); *Zuckerman v City of New York, supra*, 49 NY2d, at 560. On a motion for summary judgment, the court's role is issue finding, not issue determination. *Sillman v Twentieth Century-Fox Film Corp.*, 3 NY2d 395 (1957). In assessing the record, all ambiguities and inferences to be drawn from the underlying facts should be resolved in favor of the party opposing the motion, and all doubts as to the existence of a genuine issue for trial should be resolved against the movant. *See Szczerbiak v Pilat*, 90 NY2d 553, 556 (1997). When appropriate, the court may search the record and grant summary judgment in favor of the non-moving party as to claims that are the subject of the motion. *Dunham v Hilco Construction Co.*, 89 NY2d 425, 429-430 (1996); *Sobczynski v Langlaise*, 289 AD2d 324 (2d Dept 2001); CPLR 3212(b).

Lanham Act Claims

The first and second causes of action seek injunctive relief and damages under the Lanham Act, 15 U.S.C. 1125(a)² in connection with defendants' alleged misappropriation and

²15 U.S.C. 1125(a)(1) provides, in pertinent part, that:

Any person who, on or in connection with any goods or services...used in commerce any word, term, name, symbol or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which (A) is likely to cause confusion, or to cause mistake, or to deceive as to affiliation, connection or association of such person with another person, or as to the origin, sponsorship or approval of his or her goods, services, or commercial activities, ... shall be liable in a civil action by any person who believes he or she is or is likely to be damaged by such act.

use of plaintiffs' trade names.³

Plaintiffs allege that, since 1985, they have enjoyed exclusive use of the various EFM trade names, communicating with their tenants and business contacts on stationery bearing the EFM names. Plaintiffs claim that, despite their exclusive use of the trade names for more than 15 years, defendant misappropriated their trade names. Plaintiffs allege that defendant's use of their trade names has caused actual confusion, as persons intending to serve plaintiffs with process have served defendant instead. Plaintiffs allege also that their business and financial affairs have been adversely affected by defendant's incorporation of their trade names, as companies investigating plaintiffs' credit report have seen defendant's negative credit rating.

Defendant counters that he is the legitimate owner of the names EFM Realty Corp, EFM Management Corp, and EFM Realty Management Corp., citing his filings with the Secretary of State and plaintiffs' alleged illegal use of the corporate names for many years. Defendant argues that he received process from the Secretary of State, which was intended for plaintiffs, only because plaintiffs falsely advertise that plaintiffs operate as corporate entities, or limited liability companies. At his deposition, defendant testified that his incorporation of the EFM companies was motivated by plaintiffs' alleged deceptive and fraudulent use of the corporate names. Defendant asserts that it is a crime under GBL § 130⁴ for anyone to carry on, conduct, or transact

³This court has concurrent jurisdiction with the federal courts to enforce the Lanham Act. *Moog Controls, Inc. v Moog, Inc.*, 923 FSupp 427, 432 (WDNY 1996)

⁴Section 130 of the GBL provides that:

1. No person shall hereafter (i) carry on or conduct or transact business in this state under any name or designation other than his or its real name, . . . unless:

(b) Such person, if a corporation, limited partnership or limited liability company,

business under any other name or designation other than its own and contends that plaintiffs' use of the disputed corporate names without the prior incorporation requires that the doctrine of "unclean hands" be invoked to bar plaintiffs' claims against him.

As a remedial statute, the Lanham Act is broadly construed to combat a variety of deceptive commercial practices. *PPX Enterprises, Inc. v Audiofidelity, Inc.*, 746 F2d 120, 125 (2d Cir. 1984). The purpose of the statute is "the protection of consumers and competitors from a myriad of misrepresentations of products and services in commerce." *Wojnarowicz v American Family Ass'n.*, 745 FSupp 130, 141 (SD NY 1990) quoting, *Allen v. National Video Inc.*, 610 FSupp 612, 625 (SD NY 1985). Although the Lanham Act encompasses a broad variety of misrepresentations, "it is clearly directed only against false representations in connection with the sale of goods or services in interstate commerce." *Id.*

Thus, the statute provides for liability only when the defendant that uses a name "in commerce" and "in connection with goods and services." 15 USC § 1125(a). The term "use in commerce" is defined as "the bona fide use of a mark in the ordinary course of trade." 15 USC § 1127. Thus, the courts have consistently rejected efforts to extend the Lanham Act to circumstances in which the defendant is not using or displaying a mark in connection with

shall file, together with the fees as set forth in subdivision five of this section, in the office of the secretary of state a certificate setting forth the name or designation under which business is carried on or conducted or transacted, its corporate, limited partnership or limited liability company name, the location including number and street, if any, of its principal place of business in the state, the name of each county in which it does business or intends to do business, and the location including number and street, if any, of each place where it carries on or conducts or transacts business in this state.

GBL § 130 (1) (b).

distributing of goods or services. *See, Obolensky v G.P. Putnam's Sons*, 628 FSupp 1552 (SD NY), *aff'd*, 795 F2d 1005 (2d Cir 1986)(finding that even if book publisher caused book catalogs to falsely indicate that plaintiff's book had been published by defendant there could be no liability under the Lanham Act where defendant did not publish or ship the book); *Wojnarowicz v American Family Assoc.*, 745 FSupp at 142 (pamphlet which was not used in advertising or promotion of goods or services did not fall within the meaning of the Lanham Act); *Hertz Corp. v Knickerbocker*, 206 FSupp 305 (SD NY 1962)(dismissing complaint which failed to allege that defendants, which incorporated under similar name as the plaintiff, used the mark in commerce and in conjunction with services); *School of Visual Arts v Kuprewicz*, 3 Misc3d 278 (Sup Ct NY Co 2003)(Lanham Act claims brought by company and human resources director against former employee who posted false job postings on the internet website and caused unsolicited job applications and pornographic emails to be sent to plaintiffs were dismissed where there were no allegations that employee was involved in any business or had any goods and services to advertise or distribute).

Here, the record reveals that defendant has not used the trade name in connection with advertising or distribution of any goods and services, or for any other commercial or trade purpose. Instead, it shows that defendant used the plaintiffs' trade name to confuse persons seeking to bring an actions against the plaintiffs' companies and to inform them of plaintiffs' failure to file incorporation documents with the Secretary of State. Under these circumstances, upon searching the record, the court finds that summary judgment is appropriately granted

dismissing the Lanham Act claims, and the court need not address the parties' other arguments.⁵

General Business Law § 349

Section 349(a) of the General Business Law makes it unlawful to perform "deceptive acts or practices in the conduct of any business, trade or commerce or in the furnishing of any service in this state." General Business Law § 349 was enacted in 1970 as part of General Business Law article 22-A for the purpose of giving the consumer "an honest market place where trust prevails between buyer and seller." *Oswego Laborers' Local 214 Pension Fund v Marine Midland Bank N.A.*, 85 NY2d 20, 25 (1995)(citation omitted). As originally enacted, the statute could only be enforced by the Attorney General. However, in 1980, a private right of action was added for "any person who has been injured by reason of violation of this section." General Business Law § 349 (g). A private plaintiff may recover compensatory damages, limited punitive damages and attorneys' fees. *Id.*

For section 349 to apply, a plaintiff "must charge conduct of the defendant which is consumer-oriented." *Oswego Laborers' Local 214 Pension Fund, supra* at 25. A transaction is consumer-oriented when the complained of "acts and practices have a broader impact on consumers at large. Private contract disputes, unique to the parties, for example would not fall within the ambit of the statute." *Id. See also, New York University v Continental Ins. Co.*, 87 NY2d 308, 321 (1995). In addition, as a consumer protection statute, GBL section 349 has only

⁵Plaintiffs assert in the affidavit of plaintiff Florence Edelstein that the complaint seeks relief under New York common law for misappropriation of a trade mark. However, the complaint does include such claims and plaintiff's brief does not address them. In any event, as with the Lanham Act claims, defendant's conduct does not provide a basis for a claim for misappropriation under the common law since such conduct was unrelated to any commercial or trade purpose. *See generally, Franklin Resources, Inc. v Franklin Credit Management Corp*, 988 FSupp 322, 338 (SD NY 1997).

been “applied to frauds or other deceptive practices arising out of commercial transactions.” *New York Public Interest Research Group v Insurance Information Institute*, 161 AD2d 204 (1st Dept 1990).

In this case, as indicated in connection with the Lanham Act claims, defendant’s conduct does not involve a commercial transaction. Accordingly, the claims under GBL section 349 are without merit, and upon searching the record, summary judgment must be granted dismissing them as well.

Defendant’s Counterclaims

Plaintiffs seek summary judgment dismissing defendant’s counterclaims. Defendant has agreed to withdraw the counterclaims but only without prejudice. Accordingly, the court will consider the summary judgment motion.

The first counterclaim alleges various acts of “harassment” by plaintiffs including “eavesdropping, name calling, allowing infestation of roaches, the commencement of legal actions” aimed at causing extreme emotional distress. The second counterclaim alleges harassment by the building’s superintendent, including creating a tripping hazard with the vacuum cleaner cord, knocking over grocery bags placed near the elevator and eavesdropping causing mental distress and emotional anger.

The gravamen of these counterclaims appears to be for the intentional infliction of emotional distress. To state such a claim, it must be shown that the alleged conduct was “so outrageous in character, and so extreme in degree, as to go beyond all possible bounds of decency, and to be regarded as atrocious and utterly intolerable in a civilized society.” *Murphy v American Home Products Corp.*, 58 NY2d 293, 303 (1983). In this case, the allegations in the

complaint regarding plaintiffs' alleged conduct are insufficient to meet this threshold. *See e.g. Spinale v. Guest*, 270 AD2d 39, 40 (1st Dept 2000).

Furthermore, to the extent the counterclaims are grounded in harassment, the court notes that New York does not recognize such a cause of action. *See Jacobs v 200 East 36th Owners Corp.*, 281 AD2d 281 (1st Dept 2001); *Goldstein v. Tabb*, 177 AD2d 470, 471 (2^d Dept 1991), *lv denied*, 80 NY2d 753 (1992).

The third counterclaim alleges that plaintiff Michael Edelstein embarrassed him when he said in the lobby of the building that defendant was "a mother fu-er." These allegations are not actionable as defendant has not shown any special damages and the statements do not constitute slander per se. *See Aronson v Wiersma*, 65 NY2d 592, 594 (1985). In any event, curse words and name calling are generally held not to constitute slander or slander per se. *See Depuy v St. John Fisher College*, 129 AD2d 972 (4th Dept), *appeal denied*, 70 NY2d 602 (1987).

The fourth counterclaim appears to be a claim for the breach of quiet enjoyment. Here, defendant has been found by Justice Shulman to be a lawful tenant of the building and defendant has not alleged that he has been actually or constructively evicted. Under these circumstances, defendant has failed to state a claim based on the breach of the covenant of quiet enjoyment. *See Jacobs v 200 East 36th Owners Corp.*, 281 AD2d at 281.

Accordingly, summary judgment should be granted dismissing plaintiff's counterclaims.

Conclusion

In view of the above, it is

ORDERED that plaintiffs' motion for summary judgment is granted only to the extent of dismissing defendant's first, second, third and fourth counterclaims with prejudice and is

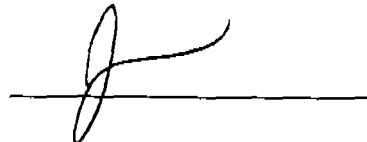
otherwise denied; and it is further

ORDERED that upon searching the record pursuant to CPLR 3212(b), summary judgment is granted dismissing the first, second, third and fourth causes of action; and it is further

ORDERED that the fifth and sixth claims for tortious interference with business relationships and prima facie tort are withdrawn without prejudice; and it is further

ORDERED that the Clerk of the Court is directed to enter judgment dismissing (i) defendant's first, second, third and fourth counterclaims, and (ii) plaintiffs' first, second, third and fourth causes of action

DATED: December 7, 2004

A handwritten signature in black ink, consisting of a large, stylized initial 'J' followed by a horizontal line and a short vertical stroke, positioned above a solid horizontal line.

J.S.C.

FILED

DEC 17 2004

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