

Goldstar Props. of NY, LLC v Blackstone Props. of NY, LLC

2010 NY Slip Op 30859(U)

April 12, 2010

Supreme Court, New York County

Docket Number: 102789/2010

Judge: O. Peter Sherwood

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

PRESENT: O. PETER SHERWOOD
Justice

PART 61

GOLDSTAR PROPERTIES OF NY, LLC.,
GOLDSTAR APARTMENTS, LLC and
TIANA VON JOHNSON,

INDEX NO. 102789/10

MOTION DATE March 31, 2010

MOTION SEQ. NO. 001

MOTION CAL. NO. _____

Plaintiffs,

-against-

BLACKSTONE PROPERTIES OF NY, LLC,
DAVID YOMTOBIAN and KEVIN ELLERTON,

Defendants.

The following papers, numbered 1 to 9 were read on this motion for a preliminary Injunction

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

Answering Affidavits — Exhibits _____

Replying Affidavits _____

PAPERS NUMBERED

1-5

6-9

Cross-Motion: Yes No

Upon the foregoing papers, plaintiffs' motion, by Order to Show Cause, for an order granting them a preliminary injunction is decided in accordance with the accompanying decision and order.

FILED
APR 12 2010
NEW YORK
COUNTY CLERK'S OFFICE

Dated: 4/12/10


O. PETER SHERWOOD, J.S.C.

Check one: FINAL DISPOSITION NON-FINAL DISPOSITION

Check if appropriate: DO NOT POST

MOTION/CASE IS RESPECTFULLY REFERRED TO JUSTICE
FOR THE FOLLOWING REASON(S):

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 61

-----X
GOLDSTAR PROPERTIES OF NY, LLC.,
GOLDSTAR APARTMENTS, LLC and
TIANA VON JOHNSON,

Plaintiffs,

-against-

BLACKSTONE PROPERTIES OF NY, LLC,
DAVID YOMTOBIAN and KEVIN ELLERTON,

Defendants.
-----X

DECISION AND
ORDER

Index No. 102789/2010

FILED
APR 12 2010
NEW YORK
COUNTY CLERK'S OFFICE

O. PETER SHERWOOD, J.:

Plaintiffs Goldstar Properties of NY, LLC ("Goldstar"), Goldstar Apartments, LLC ("Goldstar Apartments") and Tiana Von Johnson ("Von Johnson") (collectively "plaintiffs") bring this action against Blackstone Properties of NY, LLC (Blackstone"), David Yomtobian ("Yomtobian") and Kevein Ellerton ("Ellerton") (collectively "defendants") alleging: (1) violations of their civil rights under § 51 of the New York Civil Rights Law; (2) unfair trade practice and unfair competition under §§ 349 and 350 of New York's General Business Law ("GBL"); and (3) violation of the Anti-Cybersquatting Consumer Protection Act ("ACPA") (15 USC § 1125 [d]), and seeking a judgment permanently enjoining defendants from using certain website addresses, directing defendants to transfer ownership of such websites to plaintiffs, and awarding plaintiffs compensatory and punitive damages, attorneys' fees, costs and disbursements.

Simultaneously with the commencement of this action, plaintiffs move by Order to Show Cause seeking a temporary restraining order ("TRO") preliminary injunction enjoining and staying defendants from using, owning, or selling the following website addresses ("domain names"): www.goldstarapartments.com, www.tinavonjohnson.com, www.goldstarapartmentsny.com, www.goldstarapartmentny.com, www.goldstarapartmentnyc.com, www.goldstarapartmentsnyc.com, www.goldstarpropertiesnyc.com, www.goldstarapartment.com, and www.goldstarpropertyny.com. Prior to signing the Order to Show Cause, the Court struck the TRO. For the reasons stated herein, plaintiffs' motion for a preliminary injunction is denied.

Background

The predicate facts as derived from the motion papers are as follows: Goldstar is a real estate brokerage firm specializing in apartment rentals, corporate relocation, rent-to-buy condominiums, and apartment sales in New York City, particularly in the areas of Battery Park City, the Financial District, Tribeca, Midtown, Chelsea, and Gramercy (Ver. Compl. ¶11). Goldstar was formed on or about September 16, 2009 (*id.* ¶ 5). The day after its formation Goldstar registered the domain name www.goldstarpropertiesny.com. Goldstar Apartments, a limited liability company formed on or about July 30, 2009, is solely owned and operated by Von Johnson and is engaged in real estate management specializing in apartment and condominium management in New York City (*id.* ¶¶ 6-7, 12, Ex. "B"). Prior to registering with the Department of State, Goldstar Apartments registered the domain name www.goldstarapartments.com (*Id.* ¶¶ 15, Ex. "D"). Blackstone is a competitor of Goldstar and Goldstar Apartments with the same specialization and operating in the same geographical regions of New York City. Ellerton is a real estate salesperson associated with Blackstone with an equity interest in Blackstone (Shariro Affirm. Ex. "A", Ellerton Aff. ¶ 1). Yomtobian is a licensed real estate broker and owner of Blackstone (*id.*, Ex. "B").

Von Johnson was employed as a real estate salesperson associated with Blackstone from May 6, 2009 through September 15, 2009 (Ver. Compl. ¶ 9). In or about August 2009, Von Johnson and Yomtobian discussed the possibility of starting a venture called "Goldstar Apartments", a name proposed by Von Johnson (Yomtobian Aff. ¶¶ 4, 7). However, Yomtobian preferred the name Goldstar Properties and intended to form a company under that name (*id.* ¶ 7). Von Johnson prepared a report of the projected three-month start up expenses for the proposed company, which she estimated to be \$60,000.00 (*id.* ¶¶ 8, 10, Ex. "E"). Believing the estimated three-month start up costs to be too high and considering that Von Johnson was not a licensed real estate broker so that her potential contribution to the new venture would be more limited, Yomtobian decided the risks outweighed the benefits of creating this business with Von Johnson. On September 16, 2009, Von Johnson left Blackstone to work for Goldstar and was instrumental in helping to form and promote the business of that company (Ver. Compl. ¶ 10).

It is undisputed that on or about October 21, 2009, Yomtobian registered the domain names: www.goldstarapartmentsny.com, www.goldstarapartmentny.com, www.goldstarapartmentnyc.com.

www.goldstarapartmentsnyc.com, www.goldstarpropertiesnyc.com, www.goldstarapartment.com and www.goldstarpropertyny.com. It is also undisputed that during the period that Von Johnson was employed by Blackstone, defendants registered the website www.tianavonjohnson.com and purchased the domain name www.tianavonjohnson.com, (*id.* Ex. "E"). Plaintiffs contend that they just recently learned of Yomtobian's purchase of the foregoing domain names and, further, that such web addresses forward to www.blackstonepropertiesnyc.com. Blackstone's main website address (*id.* ¶¶ 16-17). By letter dated December 30, 2009, plaintiffs demanded that defendants cease and desist their use of the subject domain names. When they did not receive a response, plaintiffs commenced the instant action and simultaneously sought a preliminary injunction.

In the verified complaint, plaintiffs contend that defendants have engaged in deceptive or misleading practices through the use of the subject domain names which are intended to confuse the public into thinking they are dealing with Goldstar or Goldstar Apartments when in fact such web domains forward to Blackstone. Plaintiffs contend further that Blackstone is attempting to cause them financial harm by its intentionally deceptive and unethical conduct and that the improper and unlawful diversion of perhaps hundreds of contacts intended for Goldstar and Goldstar Apartments to Blackstone is causing plaintiffs to suffer financial losses, while unjustly enriching defendants. Plaintiffs argue that such conduct violates Civil Rights Law § 51 and GBL §§ 349 and 350 (first cause of action; *id.* ¶¶ 19-29). In addition, plaintiffs contend that defendants, as their direct competitors, registered the subject domain names with a bad faith intent to profit from their use by confusing the public in connection with their ownership and services to their benefit and the plaintiff's detriment in violation of the ACPA (second cause of action; ¶¶ 30-42).

In support of their motion for preliminary injunctive relief, plaintiffs submit Von Johnson's sworn affidavit, an affidavit of Brett K. Margolin, Goldstar's President and sole owner, and an affirmation of their attorney, James S. Margolin of the firm Margolin and Margolin. Von Johnson contends that defendants' intent in purchasing the domain names was not only to cause direct harm to plaintiffs, but also as a "personal vendetta" against her (Von Johnson Aff. ¶ 12). Brett Margolin also contends that defendants' intent in purchasing the domain names was "to commit deliberate and malicious harm to Goldstar a direct competitor" (Brett Margolin Aff. ¶ 9).

In his affidavit in opposition to the motion for a preliminary injunction, Ellerton, in his role handling Blackstone's managerial and business matters, states that he regularly registers domain name addresses of the real estate agents associated with Blackstone to preserve the option of creating a personalized property listing website for each agent. In such capacity, Ellerton avers that on June 10, 2009, he registered the website www.tianavonjohnson.com and purchased the domain name www.tianavonjohnson.com in order to preserve the availability of the site name (Ellerton Aff. ¶¶ 2-3, 7). Such domain name was registered in the regular course of business and he did not register it with the intent of selling it for a profit (*id.* ¶ 6). The domain forwards to a www.GoDaddy.com "Parked" website (*id.* ¶ 9). Ellerton defined a "parked" domain as "a domain name that is owned and exists online, but does not have any content associated with it except for the default content provided by the web hosting service" (*id.* ¶ 10).

Yomtobian states in his opposing affidavit that even after Von Johnson's departure from Blackstone, he intended to move forward and develop a business under the "Goldstar" name as he was of the opinion that the name suggested childhood images of success in terms of teachers awarding good students with "gold stars", that it had a proven record of commercial success in that 59 entities in New York alone operate under the "Goldstar" name, and that it consisted of a strong color/noun combination similar to Blackstone (Yomtobian Aff. ¶¶ 6, 15-16, Exs. "C", "D"). Although Yomtobian denies being involved in the actual purchase of the subject domain names, he believed that since he was not ready to start a Goldstar business the domain registrations acted as placeholders and never received any content (*id.* 18). He states that when the subject domain addresses are typed into the browser address bar, visitors are immediately re-directed to Blackstone's website. To the best of his knowledge, no customers have been confused, deceived or misled by the domain names. Indeed, Yomtobian states further that the visits to such websites have been nominal at best and Blackstone has not earned any profit from the domains. He avers that plaintiffs do not have the right to monopolize the "Goldstar" name which is widely used by businesses in this state, as well as nationally and internationally.

Discussion

Generally, a preliminary injunction is considered a drastic remedy which should be issued cautiously since it prevents litigants from taking actions that they would otherwise be entitled to take

in advance of an adjudication on the merits (*see, Uniformed Firefighters Assn. of Greater N.Y. v City of New York*, 79 NY2d 236, 241 [1992]). Its function is not to determine the ultimate rights of the parties, but rather, to maintain the status quo until a full hearing on the merits can be held (*see, Coinmach v Alley Pond Owners*, 25 AD3d 642 [2d Dept 2006]; *Hightower v Reid*, 5 AD3d 440 [2d Dept 2004]). The burden of proof is on the party seeking injunctive relief to make a tripartite showing clearly demonstrating upon the undisputed facts: (1) a likelihood of success upon the merits; (2) irreparable injury to the movant absent granting of a preliminary injunction; and (3) a balancing of equities in its favor (*see, Nobu Next Door v Fine Arts Housing*, 4 NY3d 839, 840 [2005]; *Doe v Axelrod*, 73 NY2d 748, 750 [1988]). “In the absence of a clear right to the relief demanded, injunctive relief should not be granted until the issues have been fully explored and the entire matter resolved after a plenary trial” (*Gulf & Western Corp. v New York Times Co.*, 81 AD2d 772 []; *Bizar v Ohrenstein*, 119 AD2d 445 [1st Dept 1986]; *Little India Stores v Singh*, 101 AD2d 727,728 [1st Dept 1984]).

Here, an examination of the record reveals that plaintiffs have failed to make the requisite demonstration of their entitlement to preliminary injunctive relief. They make no effort in their moving papers to address the standard for injunctive relief or relate the evidence proffered to the requisite elements. The gravamen of a cause of action for unfair competition is the bad faith misappropriation of a commercial advantage belonging to another by infringement or dilution of a trademark or trade name or by exploitation of proprietary information or trade secrets (*see, Allied Maintenance Corp. v Allied Mech. Trades*, 42 NY2d 538, 541-543 [1977]). It requires a showing that the public is likely to confuse the defendant’s name with that of the plaintiff (*id.*).

Plaintiffs merely allege in conclusory fashion that its potential customers might be misled, deceived or confused into believing they are dealing with Goldstar or Goldstar Apartments when they are actually dealing with Blackstone. Such allegations do not suffice to demonstrate any likelihood that the public is likely to be confused, deceived or mislead so as to show a likelihood of prevailing on the GBL §§ 349 and 350 claims. Although plaintiffs do not need to produce evidence of actual confusion (*see, Varsity House v Varsity House*, 377 F Supp 1386, 1388 [E.D.N.Y. 1974]), there is not enough in this record to demonstrate a likelihood of confusion or that plaintiffs have suffered any losses as a result of such confusion.

Nor does plaintiffs' claim predicated upon Civil Rights Law § 51 fare any better. That section provides, in relevant part, that:

Any person whose name, portrait, picture or voice is used within this state for advertising purposes or for purposes of trade without the written consent first obtained [of such person] may maintain an equitable action . . . to prevent and restrain the use thereof.

Plaintiffs' allegations do not sufficiently show that defendants' purchase of the domain names encompassed the use of plaintiffs' names for a commercial purpose or constitute a commercial exploitation of plaintiffs' names as commonly understood by the Courts of this State in the legion of cases decided since the enactment of the privacy provisions of Civil Rights Law § 51 (*see, e.g., Arrington v New York Times Co.*, 50 NY2d 433, 439 [1982]). Mere use of another's name on the internet is not *per se* commercial use (*see, Penn Warranty Corp. v DiGiovanni*, 10 Misc3d 998, 1008 [Sup. Ct. N.Y. Co. 2005]; *School of Visual Arts v Kuprewicz*, 3 Misc3d 278 [Sup. Ct. N.Y. Co. 2003]). Accordingly, a preliminary injunction may not issue on this ground.

With respect to the claimed violation of ACPA, such provision requires a showing that defendants acted in bad faith in registering or using domain names that are confusingly similar to plaintiffs' famous or distinctive mark (15 USC 1125 [d]). Here, the plaintiffs have not sufficiently established that their names have acquired the distinctiveness necessary to entitle them to the ACPA's protection, particularly as plaintiffs' businesses are of fairly recent vintage (*cf. Sporty's Farm LLC v Sportsman's Market*, 202 F3d 489 [2d Cir. 2000]). While arguably, the domain names registered by defendants may be found to be confusingly similar to Goldstar and Goldstar Apartments, plaintiffs have not proffered sufficient evidence of defendants' bad faith intent to profit from the defendants' names when they registered the various domain names. Therefore, the Court concludes that plaintiffs are not likely to succeed on their contention that defendants' registration of the subject domain names violates the ACPA.


Nor have plaintiffs produced sufficient evidence to establish the other two prongs of the test, namely, that they would suffer irreparable injury without injunctive relief or that the equities are balanced in their favor.

Conclusion

Based upon the foregoing discussion and for the reasons stated above, it is
ORDERED, that plaintiffs' motion for a preliminary injunction is denied; and it is further
ORDERED, that counsel for the parties shall appear for a preliminary conference in Part 61,
60 Centre Street, Room 341, on May 5, 2010, at 9:30 a.m.

This constitutes the decision and order of the court.

DATED: 4/12/10

ENTER,

O. PETER SHERWOOD
J.S.C.

FILED
APR 12 2010
NEW YORK
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