

<b>Green Apple Cleaners, LLC v Legacy Cleaners, Inc.</b>
2014 NY Slip Op 33517(U)
December 23, 2014
Supreme Court, New York County
Docket Number: 653185/2012
Judge: Shirley Werner Kornreich
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# SUPREME COURT OF THE STATE OF NEW YORK NEW YORK COUNTY

PRESENT: JUSTICE SHIRLEY WERNER KORNREICH

PART 54

*Justice*

Index Number : 653185/2012  
GREEN APPLE CLEANERS  
vs  
LEGACY CLEANERS  
Sequence Number : 002  
SUMMARY JUDGEMENT

INDEX NO. \_\_\_\_\_  
MOTION DATE 10/28/14  
MOTION SEQ. NO. \_\_\_\_\_

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

Notice of Motion/Order to Show Cause — Affidavits — Exhibits _____	No(s) <u>61-63</u>
Answering Affidavits — Exhibits _____	No(s) <u>87-104</u>
Replying Affidavits _____	No(s) <u>106-107</u>

Upon the foregoing papers, it is ordered that this motion is

**MOTION IS DECIDED IN ACCORDANCE  
WITH ACCOMPANYING MEMORANDUM  
DECISION AND ORDER**

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

Dated: 12/23/14

**SHIRLEY WERNER KORNREICH**  
J.S.C., J.S.C.

1. CHECK ONE: .....  CASE DISPOSED  NON-FINAL DISPOSITION
2. CHECK AS APPROPRIATE: ..... MOTION IS:  GRANTED  DENIED  GRANTED IN PART  OTHER
3. CHECK IF APPROPRIATE: .....  SETTLE ORDER  SUBMIT ORDER
- DO NOT POST  FIDUCIARY APPOINTMENT  REFERENCE

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF NEW YORK: PART 54

-----X  
GREEN APPLE CLEANERS, LLC,

Index No.: 653185/2012

Plaintiff,

**DECISION & ORDER**

-against-

LEGACY CLEANERS, INC., RUDOLPHO MEYO,  
MIGUEL MEYO, and NICHOLAS NANAS,

Defendants.

-----X  
SHIRLEY WERNER KORNREICH, J.:

Motion sequence numbers 002 and 003 are consolidated for disposition.

Defendants Legacy Cleaners, Inc. (Legacy) and Rudolpho Meyo (Rudolpho) move, pursuant to CPLR 3212, for summary judgment against plaintiff Green Apple Cleaners, LLC (Green Apple). Seq. 002.<sup>1</sup> Green Apple opposes and also moves for summary judgment. Seq. 003. The motions are granted in part and denied in part for the reasons that follow.

*I. Background*

Unless otherwise indicated, the following facts are undisputed.

Green Apple and Legacy are dry cleaners. They both employ dry cleaning techniques that are “green” – that is, supposedly better for the environment. Green Apple currently has three stores in Manhattan and one in New Jersey. Legacy has multiple locations in Manhattan.

Pursuant to an asset transfer agreement entered into on August 28, 2009, Green Apple transferred the leases for two of its stores, located at 186 9<sup>th</sup> Avenue and 324 Columbus Avenue (the Verde

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<sup>1</sup> The claims against the other individual defendants, Miguel Meyo and Nicholas Nanas, were discontinued pursuant to stipulation dated April 9, 2014. See Dkt. 60. The plaintiff is directed to amend the caption accordingly.

Locations), to a non-party entity called Naxos Cleaners, Inc. (Naxos).<sup>2</sup> It is undisputed that Green Apple did not transfer any of its intellectual property or trade dress, or otherwise license Naxos to appear to be affiliated with Green Apple. Rather, Naxos simply acquired the right to operate its own, unaffiliated dry cleaning business in the locations formerly occupied by Green Apple.

Subsequently, Legacy acquired the Verde Locations from Naxos. Legacy operates the Verde Locations as “Verde Garment Care”. Verde is the Spanish word for “green”. Legacy operates its other locations as “Legacy Garment Care”, which do not employ the Green Apple trade dress at issue in this action.

## *II. Procedural History*

Green Apple commenced this action on September 12, 2012. Its complaint, which has never been amended, asserts nine causes of action: (1) trademark infringement under 15 USC § 1114(1)(a); (2) false designation of origin under 15 USC § 1125(a); (3) trade dress infringement under 15 USC § 1125(a); (4) trademark dilution under 15 USC § 1125(a); (5) injury to business reputation (regarding its trademark) under New York General Business Law (GBL) § 360-1; (6) injury to business reputation (regarding its trade dress) under GBL § 360-1; (7) injury to business reputation (regarding its trade dress) under New York common law; (8) trade dress infringement and unfair competition under New York common law; and (9) veil piercing against the individual defendants.<sup>3</sup>

## *III. Allegations*

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<sup>2</sup> The agreement between Green Apple and Naxos covered additional transfers, such as a laundromat located in the Bronx, which are not relevant to this action and hence will not be discussed in detail.

<sup>3</sup> The ninth cause of action is mislabeled as a second eighth causes of action. *See* Complaint at 14. In any event, it should be noted that veil piercing is a basis for liability, not an independent cause of action.

Green Apple has a federally registered trademark for the mark “Green Apple Cleaners.” *See* Dkt. 70 at 1-3 (trademark, registered Dec. 25, 2007). That trademark appears on the signage of its stores, website, automobiles, and products. *See id.* at 4-23. It also allegedly has federal and common law trade dress rights to its signage, which is colored green. *See id.* at 4 (color<sup>4</sup> photograph of Green Apple location). Specifically, Green Apple avers it has trade dress rights in what it describes as a “green vertical stripe” (the Stripe),<sup>5</sup> which is used ubiquitously across all Green Apple branded materials. For instance, on its website, text is prominently displayed within the Stripe. Additionally, the Stripe is displayed on the left-hand side of Green Apple’s front glass windows, with the text “CO2 DRY CLEANERS”.<sup>6</sup> The Stripe is rotated counterclockwise (i.e. vertically, with the text reading from bottom to top). *See id.*

Legacy, after it began doing business at the Verde Locations, put signage on the left-hand side of its front glass windows in the form of a similarly colored green stripe with white text reading: “Dry

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<sup>4</sup> Some of the photographs submitted were in color. Others, however, are in black and white. Though some of the black and white photographs submitted were e-filed in color [*see, e.g.*, Dkt. 70 at 4], in a case that primarily turns on the use of green trade dress, it would have been prudent to provide the court with color photographs. Additionally, the parties are respectfully reminded that all substantive motions should include formal memoranda of law with tables of contents and authorities, as opposed to attorney affirmations.

<sup>5</sup> The Stripe is basically just a green rectangle with text in white lettering.

<sup>6</sup> Green Apple supposedly uses CO<sub>2</sub>, as opposed to other environmentally harmful chemicals. Legacy does not use CO<sub>2</sub>. Instead, Legacy uses other chemicals that it claims are also environmentally friendly. The parties dispute various aspects of how “green” each other’s dry cleaning processes are. In particular, with respect to Green Apple’s dilution claim, this could matter because Legacy is alleged to be passing itself off as Green Apple while providing an allegedly environmentally inferior service, thereby diminishing Green Apple’s brand. The court will not opine on any of the parties’ disputes over their respective “green” dry cleaning methods, because such issues do not impact on the instant motions and require expert testimony. The court places no weight on the parties’ attorneys’ environmental claims, which are based on various internet and press sources.

Cleaners”. *See* Dkt. 76 & 78 (color photographs of the Verde Locations). Legacy does not use this signage at its other, non-Verde branded stores. The non-Verde branded stores have a completely different logo and color scheme. *See* Dkt. 73.

In September 2009, the month after Legacy took over the Verde Locations, David Kistner, Green Apple’s President, demanded that defendant Rudolpho, Legacy’s principal, remove the Verde signage that looks like the Stripe. On September 28, 2009, Rudolpho sent Kistner an email in which he confirmed that “[a]s promised, the famous<sup>7</sup> ‘line’ will be removed from the window today.” *See* Dkt. 79. It is undisputed that, for some undetermined time, Legacy did remove the “line” from the Verde Locations. However, it also is undisputed that the “line” was subsequently put back on the windows.

Additionally, Green Apple alleges two other incidents of unfair competition. First, a mere five days after the asset transfer agreement was executed, on September 3, 2009, a Green Apple customer named Katie Gallagher called Green Apple to request pickup of her dry cleaning which, as is common in Manhattan, was left with her doorman. However, when a Green Apple employee arrived at Ms. Gallagher’s building, she was informed that another Green Apple employee had already picked up the dry cleaning. According to Green Apple, a Legacy employee showed up at Ms. Gallagher’s building, introduced himself as an employee of Green Apple, took Ms. Gallagher’s clothing, and had them dry cleaned by Legacy at one of the Verde Locations. Apparently, this occurred because Ms. Gallagher called a phone number associated with Green Apple’s “customer service” line, as opposed to one of Green Apple’s locations. That phone number was taken over by Legacy. Green Apple’s CFO, Colin Lessard, contends that Green Apple’s customers that were contacting Legacy (then still referred to as

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<sup>7</sup> Green Apple avers that Rudolpho’s use of the word “famous” is a concession that the Stripe is indeed famous. Legacy disagrees, contending (quite plausibly from the context of the email and the parties then contentious relationship) that Rudolpho was being sarcastic. This is a question of fact.

Naxos), under the impression that it was still Green Apple, were told that Verde Garment Care was the “new Green Apple.”

On the afternoon of that incident, Lessard sent an email to a Naxos employee, demanding that Stephen Holihan (defendants’ counsel in this lawsuit) advise his client to stop (1) telling Green Apple customers they are the “new Green Apple”; and (2) giving Green Apple’s customers’ Naxos’ phone number, telling them that Green Apple has a new phone number, which, unbeknownst to the customers, was actually Naxos’ number. *See* Dkt. 97.

The other alleged incident involved another Green Apple customer, named Jennifer Steele, dropping off her dry cleaning at a Green Apple location in a Legacy bag. The parties did not submit an affidavit from either Ms. Gallagher or Ms. Steele attesting to these incidents, nor was either woman deposed. Indeed, these two alleged incidents are the only circumstances in which Green Apple alleges that any of Green Apple’s customers were actually confused by Legacy’s Verde branding strategy. Green Apple did not submit any other factual evidence regarding the existence of actual customer confusion, how much confusion exists, or how such confusion financially impacted Green Apple’s business.

#### *IV. Discussion*

Summary judgment may be granted only when it is clear that no triable issue of fact exists. *Alvarez v Prospect Hosp.*, 68 NY2d 320, 325 (1986). The burden is upon the moving party to make a *prima facie* showing of entitlement to summary judgment as a matter of law. *Zuckerman v City of New York*, 49 NY2d 557, 562 (1980); *Friends of Animals, Inc. v Associated Fur Mfrs., Inc.*, 46 NY2d 1065, 1067 (1979). A failure to make such a *prima facie* showing requires a denial of the motion, regardless of the sufficiency of the opposing papers. *Ayotte v Gervasio*, 81 NY2d 1062, 1063 (1993). If a *prima*

*facie* showing has been made, the burden shifts to the opposing party to produce evidence sufficient to establish the existence of material issues of fact. *Alvarez*, 68 NY2d at 324; *Zuckerman*, 49 NY2d at 562. The papers submitted in support of and in opposition to a summary judgment motion are examined in the light most favorable to the party opposing the motion. *Martin v Briggs*, 235 AD2d 192, 196 (1st Dept 1997). Mere conclusions, unsubstantiated allegations, or expressions of hope are insufficient to defeat a summary judgment motion. *Zuckerman*, 49 NY2d at 562. Upon the completion of the court's examination of all the documents submitted in connection with a summary judgment motion, the motion must be denied if there is any doubt as to the existence of a triable issue of fact. *Rotuba Extruders, Inc. v Ceppos*, 46 NY2d 223, 231 (1978).

A. *Lanham Act Claims*

Green Apple asserts claims for trademark infringement, trade dress infringement, and trademark dilution, which are governed by the Lanham Act, codified at 15 USC §§ 1114 & 1125. "The Lanham Act prohibits the use in commerce, without consent, of any 'registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods,' in a way that is likely to cause confusion. The Act similarly prohibits the infringement of unregistered, common law trademarks." *Time, Inc. v Petersen Publ'g Co.*, 173 F3d 113, 117 (2d Cir 1999) (citation omitted). "To prevail on a trademark infringement claim under either of these provisions, a plaintiff must demonstrate that it has a valid mark entitled to protection and that the defendant's use of it is likely to cause confusion." *Id.* (quotation marks omitted); see generally *Gruner + Jahr USA Publ'g v Meredith Corp.*, 991 F2d 1072, 1075 (2d Cir 1993).

The parties do not dispute that Green Apple has a valid federally registered trademark. Registration entitles Green Apple to a presumption of the mark's validity. *Tiffany & Co. v Costco*

*Wholesale Corp.*, 994 FSupp2d 474, 480-81 (SDNY 2014), accord *Park 'N Fly, Inc. v Dollar Park & Fly, Inc.*, 469 US 189, 194-95 (1985). Defendants concede they have no right to use Green Apple's mark, but they aver, they are not and have never used Green Apple's trademark.<sup>8</sup> Defendants' alleged unfair competition is predicated on: (1) Legacy's use of a mark resembling the Stripe; and (2) Legacy's alleged intentional deception of Green Apple's customers into believing it is the "new Green Apple."

"Pursuant to 15 U.S.C. § 1125(a), a cause of action for trade dress infringement may be sustained under the Lanham Act." *Int'l Diamond Importers, Inc. v Oriental Gemco (NY), Inc.*, 2014 WL 6682622, at \*8 (SDNY 2014), accord *Traffix Devices, Inc. v Marketing Displays, Inc.*, 532 US 23, 28-29 (2001).

§ 1125(a) provides:

Any person who, on or in connection with any goods or services, or any container for goods, uses 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 [ ] is likely to cause confusion, or to cause mistake, or to deceive as to the 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 by another person [ ] 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.

See *Int'l Diamond* at \*9.

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<sup>8</sup> Though Green Apple does not appear to be arguing that the use of the name "Verde" Garment Care is a violation of Green Apple's trademark, such an argument is clearly not viable. Green Apple's mark is for "Green Apple Cleaners." This mark does not grant Green Apple the exclusive right to associate a word for "green" with the name of a dry cleaning business. It is the use of the words "Green Apple" together with "Cleaners" that is the essence of the mark. Had Legacy used the Spanish word for apple along with the word "Verde", that may have constituted infringement. The name "Verde Garment Care" does not. As discussed below, however, the use of such name along with the other allegations may constitute unfair competition. Additionally, that Legacy's customers sent in their dry cleaning in Green Apple's laundry bags, which had Green Apple's trademark on them, does not amount to trademark infringement. As Legacy explains, and Green Apple does not refute, it is not uncommon for dry cleaning customers to send in dry clearing in bags bearing the logo of other companies or indeed other dry cleaners. If Legacy provided its customers with Green Apple branded bags, that is, to trick them into thinking it is the "new Green Apple", that, in contrast, might be infringement.

“The purpose of trade dress protection is to ‘secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers.’” *Id.*, quoting *Two Pesos, Inc. v Taco Cabana, Inc.*, 505 US 763, 774 (1992). To prevail on a claim for trade dress infringement, “[a] plaintiff must prove that (1) the claimed trade dress is non-functional; (2) the claimed trade dress has secondary meaning; and (3) there is a likelihood of confusion between the plaintiff’s goods and the defendant’s. A plaintiff must also offer a precise expression of the character and scope of the claimed trade dress, and articulate the elements of ... design with specificity to be afforded trade dress protection.” *Id.* (citations and quotation marks omitted). The second element – distinctiveness – can be proven by establishing that the “trade dress is either inherently distinctive or that it has acquired distinctiveness through a secondary meaning.” *LBF Travel, Inc. v Fareportal, Inc.*, 2014 WL 5671853, at \*13 (SDNY 2014), quoting *Fun-Damental Too, Ltd. v Gemmy Industries Corp.*, 111 F3d 993, 999 (2d Cir 1997). “A plaintiff claiming ‘secondary meaning’ must show that ‘in the minds of the public, the primary significance of the mark is to identify the source of the product rather than the product itself.’” *Schutte Bagclosures Inc. v Kwik Lok Corp.*, 2014 WL 4802917, at \*17 (SDNY 2014), quoting *Yurman Design, Inc. v PAJ, Inc.*, 262 F3d 101, 115 (2d Cir 2001).

Green Apple argues that the Stripe is entitled to trade dress protection. Non-functionality, of course, is undisputed. As for distinctiveness, the Stripe cannot be fairly characterized as “inherently distinctive.” It is a green line. Green Apple does not contend it is the only Manhattan dry cleaners to utilize the color green in its branding. To wit, the use of the color green is, as defendants observe, the stereotypical color used to signal an environmentally friendly business, which Green Apple, Legacy, and many other dry cleaners claim to be.

Green Apple nonetheless contends that the Stripe, which is used ubiquitously everywhere the Green Apple brand appears, has resulted in a distinctive brand the public identifies as Green Apple. Legacy contends otherwise, citing to the lack of actual evidence of consumer brand recognition or confusion (e.g., lack of customer affidavits attesting to confusion). However, it is well settled that “[p]roof of actual confusion is not necessary.” *Schutte*, 2014 WL 4802917, at \*19. “The test for consumer confusion is whether ‘numerous ordinary prudent purchasers are likely to be misled or confused as to the source of the product in question because of the entrance in the marketplace of the defendant’s mark.’” *Id.*, quoting *Gruner*, 991 F2d at 1077. “The possibility of confusion is insufficient to meet this standard; rather, consumer confusion must be probable.” *Bath & Body Works Brand Mgmt., Inc. v. Summit Entm’t, LLC*, 7 FSupp3d 385, 393 (SDNY 2014), citing *Estee Lauder Inc. v The Gap, Inc.*, 108 F3d 1503, 1510 (1997). “A probability of confusion may be found when a large number of purchasers likely will be confused as to the source of the goods in question.” *Id.*, quoting *Nora Beverages, Inc. v Perrier Group of Am., Inc.*, 268 F3d 114, 121 (2d Cir 2001).

In the seminal case of *Polaroid Corp. v Polarad Electronics Corp.*, 287 F2d 492, 495 (2d Cir 1961), “the Second Circuit set forth eight non-exclusive factors that courts are to consider when determining whether a likelihood of confusion exists.” *Schutte*, 2014 WL 4802917, at \*19. “Those factors are: 1) the strength of the plaintiff’s mark; 2) the similarity between the parties’ marks; 3) the competitive proximity of the parties’ products; 4) the likelihood that the plaintiff will ‘bridge the gap’ and offer a product like the defendants’; 5) evidence of actual confusion between the parties’ products; 6) evidence of good faith on the defendants’ part; 7) the quality of the defendants’ product; and 8) the sophistication of the relevant customers.” *Id.*; see generally *Medici Classics Prods., LLC v Medici Group, LLC*, 683 FSupp2d 304, 308-14 (SDNY 2010).

“The first factor, the strength of the mark, measures a mark’s ‘tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous, source.’ *Bath & Body Works*, 7 FSupp3d at 393, quoting *The Sports Authority, Inc. v Prime Hospitality Corp.*, 89 F3d 955, 960 (2d Cir 1996). This factor weighs in favor of Green Apple. Though defendants dispute the importance of the Stripe to consumers, if the Stripe is inconsequential to Green Apple’s brand recognition, then why would Legacy insist, after repeated objections by Green Apple, to continue to display it on the windows of the Verde Locations? This is a question of fact for trial.

“The second *Polaroid* factor concerns the similarity of [the] marks.” *Bath & Body Works*, 7 FSupp3d at 394. “Similarity is a holistic consideration that turns on the marks’ sight, sound, and overall commercial impression under the totality of the circumstances.” *Id.*, citing *Malletier v Burlington Coat Factory Warehouse Corp.*, 426 F3d 532, 538 (2d Cir 2005). Here, a simple comparison of the Stripe with Legacy’s green line [compare Dkt. 70 at 4 & Dkt. 116, with Dkt. 76, 78, & 117] indicates similarity. However, “[s]ide by side comparison is not the appropriate test.” *Bath & Body Works*, 7 FSupp3d at 394, quoting *Clinique Labs., Inc. v Dep Corp.*, 945 FSupp 547, 552 (SDNY 1996). “Rather, ‘the correct test is whether a consumer who is somewhat familiar with the plaintiff’s mark would likely be confused when presented with defendant’s mark alone.’” *Id.* Here, though both dry cleaners display a similarly looking green line with text, the actual text differs (“CO2 DRY CLEANERS” vs “Dry Cleaners”). Moreover, the text Green Apple places in the Stripe differs across various mediums. Nonetheless, as it is “the overall impression of the marks” that matters, not the use of the identical text [see *Medici*, 683 FSupp2d at 312], the application of this factor is a question of fact.

“The third and fourth *Polaroid* factors are the proximity and the possibility of the senior user ‘bridging the gap’ into the junior user’s market. These two factors ‘focus on the degree to which the

products currently compete with each other or are likely to compete with each other in the future.”

*Bath & Body Works*, 7 FSupp3d at 395, quoting *Medici*, 683 FSupp2d at 311-12. Defendants argue they do not compete with Green Apple because their locations are in different Manhattan neighborhoods.

However, the record on the instant motions does not establish whether the parties actually compete for customers, particularly since many New Yorkers have their dry cleaning picked up and delivered, often to locations that are not necessarily in close proximity to their apartment. Whether the parties are competitors, again, is a question of fact.

As noted earlier, “the fifth *Polaroid* factor, actual consumer confusion, ‘is not necessary to establish a likelihood of confusion but can often provide highly probative evidence of this likelihood.’” *Bath & Body Works*, 7 FSupp3d at 396, quoting *Henegan Const. Co., v Heneghan Contracting Corp.*, 2002 WL 1300252, at \*7 (SDNY 2002). In *Bath & Body Works*, there was evidence of “500 [alleged] instances of actual consumer confusion.” *Id.* at 396. The court observed that the conflicting accounts over the cited confusion raised a question of fact. *See id.* at 397. Here, in contrast, Green Apple only cites two incidents of alleged consumer confusion, both of which occurred shortly after Green Apple vacated the Verde Locations. Moreover, Green Apple did not produce any evidence from these customers in discovery, raising, perhaps, hearsay issues at trial. In any event, even if two, actual incidents of consumer confusion occurred, that no other incidents were alleged or proven may indicate that, to the extent confusion may have existed for a time after Legacy took over the Verde Locations, confusion in the marketplace may no longer exist. Hence, even if liability is established, the amount green Apple was damaged (i.e., its lost profits) may not be substantial. Of course, these are all questions of fact that cannot be resolved on a summary judgment motion.

“The sixth *Polaroid* factor is bad faith, which concerns ‘whether the defendant adopted its mark with the intention of capitalizing on plaintiff’s reputation and goodwill and any confusion between his and the senior user’s product.’” *Bath & Body Works*, 7 FSupp3d at 397, quoting *Lang v Ret. Living Pub. Co.*, 949 F2d 576, 583 (2d Cir 1991). This factor, if a jury finds Green Apple’s evidence truthful, weights most heavily of all in Green Apple’s favor. Green Apple’s theory of the case is that defendants took over the Verde Locations, formerly operated by Green Apple, named it Verde (green), used similar trade dress, and explicitly told Green Apple’s customers that Verde was “the New Green Apple.” To wit, Legacy’s employees told Green Apple’s customers that Green Apple had a new phone number – Legacy’s phone number. These facts, if true, evidence bad faith and also strongly support Green Apple’s unfair competition claim, discussed below. Nonetheless, “issues of good faith are generally ill-suited for disposition on summary judgment.” *Lang*, 949 F2d at 583.

“The seventh *Polaroid* factor, the quality of the parties’ products, is primarily concerned with whether the inferior quality of a junior user’s goods could jeopardize the senior user’s reputation.” *Bath & Body Works*, 7 FSupp3d at 398. Green Apple argues that Legacy’s inferior “green” dry cleaning chemicals could jeopardize the reputation of Green Apple’s CO2 dry cleaning services. Whether this claim has merit, as noted earlier, would require expert evidence. However, it should be noted that this was a concern Green Apple had the very day of Ms. Gallagher’s incident. As Mr. Lessard wrote, “[t]his is a major problem since Rosalio seems to be representing that he is with Green Apple and that Green Apple is cleaning the clothes, when in fact Rosalio is taking those clothes back to Naxos[?] operation. It is also a problem because Naxos uses a dry cleaning method that is very different from Green Apple’s, and very different from the customers’ expectations.” See Dkt. 97 (emphasis added). Green Apple has

not submitted any evidence of its customers' expectations with respect to their CO2 dry cleaning, as opposed to Legacy's dry cleaning.

Finally, the eighth "*Polaroid* factor concerns the sophistication of the purchasers in the relevant market. The expense of the products, the manner and market conditions in which the products are purchased, and whether purchasers may be subject to impulse are relevant in determining the sophistication of the buyers." *Bath & Body Works*, 7 FSupp3d at 398, citing *Gruner*, 991 F2d at 1079. The parties did not submit any evidence of their customers' sophistication or the relevant market condition. However, it should be noted that "where the goods are inexpensive, the reasonably prudent buyer is less likely to exercise careful consideration when making purchases." *Id.* Though Green Apple avers that its customers care about CO2 dry cleaning, and presumably, its customers' concern for the environment may be enough of an impetus to incur a higher dry cleaning bill, the relevant inquiry here is whether the parties' customers actually have a preference for one of the parties' services. That is, while the parties wax poetic about the relative merits of their respective "green" methods, their customers may simply care that a signal of "greenness" is conveyed, and far less about the particulars. Of course, it is also possible that customers may prefer the services of Green Apple or Legacy simply because they do fine jobs of dry cleaning relative to their other competitors, and their customers may be willing to pay the "green" premium for this reason, as opposed to environmental concerns. These are all relevant questions of fact. Once more, evidence is lacking on these issues.

Indeed, defendants' overarching defense is that Green Apple simply has no monopoly on en" – the word, the color, or the idea. This, of course, is true. However, the issue here is not whether Green Apple has the right to categorically bar Legacy's use of green signage or self-reference its services as green, or verde, or any other iteration of the word. Rather, the important question is whether Legacy's

invocation of its greenness, along with the use of signage similar to the Stripe, along with its representation to Green Apple's customers, taken together and in context, collectively amount to a business strategy that may be legally characterized as unfair competition. Even if Green Apple's trade dress claim failed as a matter of law, it could, as discussed below, prevail on a common law unfair competition claim. In any event, Green Apple has presented questions of fact as to the viability of its trade dress claim, which must be resolved at trial.

*B. Unfair Competition*

"The essence of an unfair competition claim under New York's common law is that the defendant assembled a product or provides a service which bears such a striking resemblance to the plaintiff's product or service that the public will be confused as to the identity of the products." *Cold Spring Harbor Const., Inc. v Cold Spring Builders, Inc.*, 2014 WL 6755957, at \*2 (Sup Ct, Suffolk County 2014), accord *Shaw v Time-Life Records*, 38 NY2d 201 (1975); see generally *ITC Ltd. v Punchgini, Inc.*, 9 NY2d 467, 476-79 (2007) ("We have long recognized two theories of common-law unfair competition: palming off and misappropriation ... when a business, through renown in New York, possesses goodwill constituting property or a commercial advantage in this state, that goodwill is protected from misappropriation under New York unfair competition law"). The tort of unfair completion "is rooted in the bad faith misappropriation of the labors and expenditures of another, likely to cause confusion or to deceive purchasers as to the origin of the goods or services." *Cold Spring*, 2014 WL 6755957, at \*2. "[T]o prevail in an unfair competition case, the plaintiff may prove either: (1) that the defendant's activities have caused confusion with, or have been mistaken for, the plaintiff's activities in the mind of the public, or are likely to cause such confusion or mistake; or (2) that the defendant has acted unfairly in some manner." *Id.*, quoting 104 NY Jur 2d, Trade Regulation § 196.

“The bad faith misappropriation of a commercial advantage belonging to the plaintiff by the infringement or dilution of a trademark or trade name or by the exploitation of proprietary information and/or trade secrets are both actionable.” *Id.* at \*3, citing *Beverage Mktg. USA, Inc. v S. Beach Bev. Co.*, 20 AD3d 439 (2d Dept 2005) (“A party asserting a claim for unfair competition predicated upon trademark infringement or dilution ... must show that the defendant’s use of the trademark is likely to cause confusion or mistake about the source of the allegedly infringing product”), accord *Allied Maintenance Corp. v Allied Mechanical Trades, Inc.*, 42 NY2d 538 (1977). Though a claim of unfair competition may be maintained even where the parties are not competitors [*see ITC*, 9 NY3d at 476; *Redf Organic Recovery, LLC v Rainbow Disposal Co.*, 116 AD3d 621 (1st Dept 2014)], bad faith is an essential predicate. *Cold Spring*, 2014 WL 6755957, at \*3; *see Ahead Realty LLC v India House, Inc.*, 92 AD3d 424, 425 (1st Dept 2012) (unfair completion claim dismissed because plaintiff failed to “set forth the requisite showing of *bad-faith* misappropriation of a commercial advantage”) (emphasis added), citing *LoPresti v Mass. Mut. Life Ins. Co.*, 30 AD3d 474, 476 (2d Dept 2006) (same); *see also Empresa Cubana Del Tabaco v General Cigar Co. Inc.*, 385 FedAppx 29, 32 (2d Cir 2010) (noting that *ITC* did not “modify or eliminate the settled proposition, repeated in cases both before and after *ITC*, that ‘some element of bad faith’ is ‘central’ to the notion of unfair competition by misappropriation under New York law”).

Green Apple’s may give rise to liability. For instance, even if the parties are not competing in the same market for dry cleaning customers, Green Apple can maintain a claim against Legacy for unfair competition if Legacy attempted to trick Green Apple’s customers into thinking that Verde was the “new Green Apple” by, *inter alia*, using similar signage at Green Apple’s former locations and lying to the customers about their relationship to Green Apple.

C. *Remaining Causes of Action*

The parties agree that plaintiffs' trade dress claims under GBL § 360-1 and the common law are governed by a standard that is substantially similar to the Lanham Act. *See generally Cold Spring*, 2014 WL 6755957, at \*1, accord *Allied Maintenance*, 42 NY2d 538 (discussing GBL§ 368-d, the predecessor statute to § 360-1); *see ESPN, Inc. v Quiksilver, Inc.*, 586 FSupp2d 219, 227-28 (SDNY 2008) (noting legislative intent for GBL§ 368-d was to be "substantially consistent" with federal trademark law).<sup>9</sup> These claims, therefore, are viable in a scope identical to the Lanham Act claims (i.e., trade dress violations). These claims are not dismissed as duplicative. The parties have not briefed the issue of whether there are different damages for federal and state claims, or if there are differences with respect to viable affirmative defenses. As a result, these are issues for trial.

D. *Veil Piercing*

Green Apple seeks to hold Rudolpho liable for Legacy's trade dress infringement and unfair competition. "It is well-established in the Second Circuit that 'under the Lanham Act, a corporate officer may be held personally liable for trademark infringement and unfair competition if the officer is a moving, active[,] conscious force behind [the defendant corporation's] infringement.'" *Int'l Diamond*, 2014 WL 6682622, at \*10, quoting *Cartier v Aaron Faber, Inc.*, 512 FSupp2d 165, 170 (SDNY 2007). "A showing that an officer 'authorized and approved the acts of unfair competition which are the basis of [the] ... corporation's liability ... is sufficient participation in the wrongful acts to make [the officer] individually liable.'" *Int'l Diamond*, 2014 WL 6682622, at \*10, quoting *Bambu Sales, Inc. v Sultana Crackers, Inc.*, 683 FSupp 899, 913-14 (EDNY 1988). "Furthermore, 'in determining whether the

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<sup>9</sup> § 368-d was repealed effective January 1, 1997, and was replaced by § 360-1. *ESPN*, 586 FSupp2d at 227 n.1.

officer's acts render him individually liable, it is immaterial whether ... he knows that his acts will result in an infringement.” *Id.* Curiously, Green Apple does not invoke these principles. Instead, Green Apple claims Legacy is merely an alter ego of Rudolpho.

The doctrine of piercing the corporate veil is an exception to the rule that corporate owners are not normally liable for the debts of the corporation. *See Morris v NY State Dep't of Taxation & Finance*, 82 NY2d 135, 140 (1993). It is employed by third parties to hold the corporate owners liable for the corporation's obligations. *Id.* To establish liability on the theory of veil piercing, a party must show “that the owners of the entity, through their domination of it, abused the privilege of doing business in the corporate form to perpetrate a wrong or injustice against the party asserting the claim such that a court in equity will intervene.” *Tap Holdings, LLC v Orix Finance Corp.*, 109 AD3d 167, 174 (1st Dept 2013). “In order to pierce the corporate veil, a plaintiff must show that the dominant corporation exercised complete domination and control with respect to the transaction attacked, *and that such domination was used to commit a fraud or wrong causing injury to the plaintiff.*” *Fantazia Int'l Corp. v CPL Furs New York, Inc.*, 67 AD3d 511, 512 (1st Dept 2009) (emphasis added), citing *Morris, supra*.

“Factors to be considered include the disregard of corporate formalities; inadequate capitalization; intermingling of funds; overlap in ownership, officers, directors and personnel; common office space or telephone numbers; the degree of discretion demonstrated by the allegedly dominated corporation; whether dealings between the entities are at arm's length; whether the corporations are treated as independent profit centers; and the payment or guaranty of the corporation's debts by the dominating entity. No one factor is dispositive.” *Id.*, citing *Freeman v Complex Computing Co.*, 119 F3d 1044 (2d Cir 1997). “Evidence of domination alone does not suffice *without an additional showing*

that it led to inequity, fraud or malfeasance.” *Cobalt Partners, L.P. v GSC Capital Corp.*, 97 AD3d 35, 40 (1st Dept 2012) (emphasis added), quoting *TNS Holdings, Inc. v MKI Secs. Corp.*, 92 NY2d 335, 339 (1998).

To support its veil piercing claim, Green Apple relies on the following facts: (1) Rudolpho is the sole owner of Legacy; (2) he does not receive a salary, only distributions of the company’s profits; (3) that, allegedly, no corporate formalities are observed; and (4) Legacy may not have sufficient assets to pay off a judgment. Defendants argue, quite correctly, that these facts do not warrant veil pricing. No authority is cited (nor is there any) supporting the notion that facts 1, 2, and 4, on their own, warrant veil piercing. Moreover, fact 3, regarding corporate formalities, is baldly alleged. Were the court to adopt defendants’ arguments, owners of all solely-owned corporate entities would be personally liable. New York’s small business owners have every right to conduct their business by availing themselves of the protections of the corporate form. Moreover, even if Legacy did not adhere to corporate formalities, Green Apple has not proffered evidence that Legacy’s disregard of the corporate form was for the purpose of “perpetrat[ing] a wrong or injustice against [plaintiff].” *Tap Holdings*, 109 AD3d at 174; *see also ABN AMRO Bank, N.V. v MBIA Inc.*, 17 NY3d 208, 229 (2011), citing *E. Hampton Union Free School Dist. v Sandpebble Bldrs., Inc.*, 16 NY3d 775, 776 (2011) (piercing the corporate veil claim properly dismissed where plaintiff failed to allege any harm purportedly **resulting from** an abuse or perversion of the corporate form) (emphasis added).

The veil piercing claim, therefore, is dismissed. However, it is worth noting the difference between imputing personal liability for a company’s Lanham Act violations under the cited federal law and doing so with a veil piercing claim. The former requires a showing of the employee’s involvement in the infringement while the latter does not. Hence, as imputation is the only surviving basis to hold

Rudolpho liable, Green Apple will have to prove to the finder of fact that infringement occurred and that Rudolpho caused such infringement. Though the parties dispute Rudolpho's exact level of involvement, a *prima facie* case of involvement has been proffered. For instance, Rudolpho's September 28, 2009 email strongly suggests he was involved in the decision regarding whether the green line on the Verde Locations' windows would be removed. Finally, it should be noted that the parties did not brief the issue of whether personal liability can be imputed to Rudolpho on the New York GBL and common law claims. However, courts have held that individual liability may also exist for unfair competition predicated on Lanham Act violations. See *Guthrie Healthcare Sys. v ContextMedia, Inc.*, 2014 WL 185222, at \*13 (SDNY 2014), citing *Cartier*, 512 FSupp2d at 170 and *Martal Cosmetics, Ltd. v Int'l Beauty Exchange Inc.*, 2007 WL 895697, at \*23 (EDNY 2007). Accordingly, it is

ORDERED that the parties' summary judgment motions are decided as follows: (1) the first (trademark infringement), fourth (trademark dilution), fifth (injury to business reputation regarding plaintiff's trademark), and ninth (veil piercing) causes of action are dismissed; and (2) summary judgment is denied on all of the other claims to the extent set forth in this decision; and it is further

ORDERED that a pre-trial conference will be held on February 3, 2015 at 11:00 am, unless an appeal is noticed beforehand, in which case the parties shall jointly call the court to adjourn the pre-trial conference.

Dated: December 23, 2014

ENTER:

  
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**SHIRLEY WERNER KORNREICH**  
J.S.C.