

<b>Core Dev. Group LLC v Spaho</b>
2020 NY Slip Op 33558(U)
October 28, 2020
Supreme Court, New York County
Docket Number: 152584/2019
Judge: W. Franc Perry
Cases posted with a "30000" identifier, i.e., 2013 NY Slip Op <u>30001</u> (U), are republished from various New York State and local government sources, including the New York State Unified Court System's eCourts Service.
This opinion is uncorrected and not selected for official publication.

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

**PRESENT: HON. W. FRANC PERRY PART IAS MOTION 23EFM**

*Justice*

-----X

CORE DEVELOPMENT GROUP LLC,

Plaintiff,

- v -

BESNICK SPAHO, FATION SPAHO, CORE  
MANAGEMENT NY, LLC

Defendant.

-----X

INDEX NO. 152584/2019

MOTION DATE 01/09/2020

MOTION SEQ. NO. 003

**DECISION + ORDER ON  
MOTION**

The following e-filed documents, listed by NYSCEF document number (Motion 003) 23, 24, 25, 26, 27, 28, 29, 30, 34, 35

were read on this motion to/for DISMISS.

Plaintiff Core Development Group, LLC (“Plaintiff”) brings this action for conversion and trademark infringement against Defendants Besnick and Fation Spaho and their business, Core Management NY, LLC, after a purported business deal between the parties fell through. Defendants move to dismiss for failure to state a claim and for a violation of the statute of limitations as to the claim for conversion. The motion has been fully submitted.

**BACKGROUND**

This case arises from a soured business relationship between the parties and the resulting aftermath. Core Development is a developer of condominiums and other real estate projects but alleges that since 2004, it was also responsible for managing certain properties that it had developed, referring to that wing of its business as “Core Management”.

In 2008, Core Development hired the Spahos and soon directed them to oversee aspects of its management business. In late 2014, Core Development decided to depart from the management business and approached Nick Spaho, offering to help him set up his own management business

that could assume the management contracts of Core Management. Pursuant to this arrangement, which apparently was not memorialized in a written contract and is otherwise unclearly substantiated by the parties' submissions, Core Development would also "transfer to the Spahos and their new company other tangible assets including office furniture, leasehold improvements to the office space, equipment, supplies, phone and computer systems, artwork and other furnishings." (NYSCEF Doc No. 18 at ¶ 24.) The Spahos formed and registered "Core Management" as a New York limited liability company in January 2015 as "part of the overall agreement between the Spahos and Core [Development] to transfer Core's management business" (note that Core Development had only used the term informally to refer to their management wing) and Core Development "allowed" Core Management to assume its lease for its office space in the same month. (*Id.* at ¶¶ 26-31.) Further, in "preparation for this eventual sale and transition, Core gave the Spahos substantial operational control of the management of the Rental Buildings as well as the Condominiums, while still maintaining legal responsibility and oversight." (*Id.* at ¶ 26.)

However, Plaintiff alleges that "the anticipated sale of the assets and the management business never took place" due to problematic conduct by the Spahos, and "the Spahos' working relationship with the Condominium Boards and Plaintiff were terminated." (*Id.* at ¶¶ 33-34.)

Many years later, Plaintiff commenced this lawsuit on March 11, 2019,<sup>1</sup> setting forth six claims in its Amended Complaint. First, Plaintiff alleges conversion of the "office equipment, computers, printers, fax machine, furnishings, office furniture, leasehold improvements, a commercial phone system, the Core phone number, fax number, and . . . [by] hold[ing] themselves

---

<sup>1</sup> This is the same date that Plaintiff commenced a related suit under index number 651478/2019, which is also before this court and bears the same caption, although Core Management has been dismissed as a Defendant in that action. (NYSCEF Doc No. 35 at 2.) In that action, which sounds in contract law, Plaintiff alleges that Defendants breached their agreement to repay to Plaintiff the missing rents following Plaintiff's discovery of Defendants' alleged financial malfeasance.

out, via marketing materials and sales materials as connected to Core.” (*Id.* at ¶44.) Next, Plaintiff sets forth claims for (2) false association and (3) trademark infringement under the Lanham Act, (4) New York common law trademark infringement, (5) deceptive acts under New York General Business Law (“GBL”) § 349, and (6) common law unfair competition.

### **Motion to Dismiss- Statute of Limitations**

“On a motion to dismiss a cause of action pursuant to CPLR 3211(a)(5) on the ground that it is barred by the statute of limitations, a defendant bears the initial burden of establishing, prima facie, that the time in which to sue has expired. In considering the motion, a court must take the allegations in the complaint as true and resolve all inferences in favor of the plaintiff. Further, plaintiff’s submissions in response to the motion must be given their most favorable intendment.” (*Benn v Benn*, 82 AD3d 548, 548 [1st Dept 2011] [internal citations omitted].)

“An action for conversion is subject to a three-year limitation period.” (*Maya NY, LLC v Hagler*, 106 AD3d 583, 585 [1st Dept 2013], citing CPLR 214 [3].) However, “[w]hile accrual [normally] runs from the date the conversion takes place and not from discovery or the exercise of diligence to discover, it is well settled that, where the original possession is lawful, a conversion does not occur until after a demand and refusal to return the property.” (*D’Amico v First Union Natl. Bank*, 285 AD2d 166, 172 [1st Dept 2001] [internal citations omitted].)

Here, the facts alleged in the Amended Complaint indicate that the original possession of the office equipment was lawful because it was pursuant to an arrangement between the parties for the eventual sale and transition of the management business from Plaintiff to the Defendants. (NYSCEF Doc No. 18 at ¶¶ 26, 31-37.) Therefore, the statute of limitations did not begin to run until Defendant refused Plaintiff’s demand for the return of the equipment. (*WSP USA Corp. v*

*Marinello*, 2013 WL 6704885, \*7 [SD NY 2013] [defendant's retention and appropriation of plaintiff's property was not hostile until defendant refused plaintiff's demand of return].)

Plaintiff alleges that it sent Defendant a letter on January 29, 2019 wherein it demanded the return of its equipment and that Defendant never responded. (NYSCEF Doc No. 18 at ¶ 45.) Although Plaintiff only included this fact in the Amended Complaint and not in its original version, apparently in direct response to the statute of limitations argument, and fails to attach this letter, the court must take all of the factual allegations in the Amended Complaint as true. Defendants have failed to meet their burden of establishing, prima facie, that the time to bring the conversion claim has expired. The court holds that Plaintiff has timely filed its conversion claim and Defendant's motion to dismiss pursuant to CPLR 3211 [a] [5] is denied.

### **Motion to Dismiss- Failure to State a Claim**

On a pre-answer motion to dismiss a complaint for failure to state a cause of action, pursuant to CPLR 3211 [a] [7], “the court should accept as true the facts alleged in the complaint, accord plaintiff the benefit of every possible inference, and only determine whether the facts, as alleged, fit within any cognizable legal theory.” (*Frank v DaimlerChrysler Corp.*, 292 AD2d 118, 121 [1st Dept 2002].) “However, factual allegations that do not state a viable cause of action, that consist of bare legal conclusions, or that are inherently incredible or clearly contradicted by documentary evidence are not entitled to such consideration.” (*Skillgames, LLC v Brody*, 1 AD3d 247, 250 [1st Dept 2003].)

#### **1. Conversion**

“A conversion takes place when someone, intentionally and without authority, assumes or exercises control over personal property belonging to someone else, interfering with that person's right of possession.” (*Colavito v New York Organ Donor Network, Inc.*, 8 NY3d 43 [2006].) “Two

key elements of conversion are (1) plaintiff's possessory right or interest in the property and (2) defendant's dominion over the property or interference with it, in derogation of plaintiff's rights." (*Id.* [internal citations omitted].) Regarding the second prong of dominion of property, courts have held that "the plaintiff . . . must show that the defendant exercised an unauthorized dominion over the thing in question . . . to the *exclusion* of the plaintiff's rights." (*MLB Advanced Media, LP v Big League Analysis, LLC*, 2017 WL 6450546, \*4 [Sup Ct, NY County 2017], citing *Messiah's Covenant Community Church v Weinbaum*, 74 AD3d 916, 919 [2d Dept 2010].)

Here, Plaintiff has failed to state a cause of action for conversion. Not only does Plaintiff fail to allege that it actually owned the subject property, which was "equipment, furnishings, office furniture, leasehold improvements, [and the] computer/phone system" located within the office that Plaintiff allowed Core Management to assume the lease of (NYSCEF Doc No. 18 at ¶ 31-32), Plaintiff also fails to specifically allege that Defendants excluded Plaintiff from the use of the subject property. Accordingly, the motion to dismiss the cause of action of conversion for failure to state a claim is granted.

## **2. Trademark Infringement Claims**

Next, Plaintiff sets forth two causes of action stemming from the Lanham Act. Plaintiff alleges false advertisement/false association; and secondly, trademark infringement, unfair competition, and false designation. Both causes of action arise under 15 USC § 1125[a]. Lastly, Plaintiff sets forth a claim for trademark infringement under common law.

First, Plaintiff alleges that Defendants deceptively created the perception of an affiliation with Core Development by: using "Core Management" as its trade name, "continuing to link the home page of Core Management to the Core [Development] website throughout 2015 and 2016," listing Plaintiff as an affiliate company, and by using Plaintiff's "materials and proprietary phone

number despite never consummating the assignment agreement.” (NYSCEF Doc No. 18 at ¶¶ 50-53.) Notably, “Core Management” was never registered by Plaintiff as a separate business, but was instead only used as a term by Plaintiff to refer to its business division that managed the condominiums that it developed. (*Id.* at ¶¶ 14-17.) Plaintiff admits that it agreed to the Spahos using and registering the “Core Management” name as “part of the overall agreement between the [parties] to transfer Core’s management business to the Spahos.” (*Id.* at ¶¶ 27-28.)

Second, Plaintiff alleges that Defendants used its trademark “Core Management” “without the authorization or consent of Plaintiff, despite also stating that Defendants use of that name “was part of the overall agreement between [the parties.]” (*Id.* at ¶¶ 28, 60.)

“Section 1125(a) of the Lanham Act creates two bases for liability: (1) false association under section 1125(a)(1)(A) and (2) false advertising under section 1125(a)(1)(B).” (*Dorfman v Reffkin*, 2016 WL 4778362, \*2 [Sup Ct, NY County 2016].) Plaintiff proceeds under the false association theory<sup>2</sup> and cites the relevant portion of the statute, which provides that:

(1) 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--

(A) 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 that he or she is or is likely to be damaged by such act.

(15 USC § 1125[a][1][A].)

---

<sup>2</sup> Although Plaintiff includes “false advertisement” under its argument header, it does not cite the section of 15 USC § 1125[A][1] that governs false advertisement. To the extent that Plaintiff attempts to set forth a claim under the false advertisement theory, Plaintiff would lack standing because it has alleged that it is no longer in the property management business, and is therefore not a competitor of Defendants. (NYSCEF Doc No. 18 at ¶ 22; *see The Gameologist Group, LLC v NY Div. of Lottery*, 2009 WL 4927169 [Sup Ct, NY County 2009] [“In order to have standing for a [Lanham Act] false advertising claim, the plaintiff must be a competitor of the defendant and allege competitive injury”], quoting *Telecom International America, Ltd. v AT&T Corp.*, 280 F3d 175, 192 [2d Cir 2001].)

“In order to state a claim under [15 USC] § 1125(a) the plaintiff must allege that the false description or association will result in a likelihood of consumer confusion.” (*Silverstar Enterprises, Inc. v Aday*, 537 FSupp 236, 241 [SD NY 1982].) To state a cause of action for trademark infringement (or for unfair competition), “it is necessary to show that the defendant’s use of the trade-mark is likely to cause confusion, mistake or to deceive; actual confusion need not be shown.” (*Allied Maintenance Corp. v Allied Mechanical Trades, Inc.*, 42 NY2d 538, 543 [1977].)

Plaintiff admits that it assigned its lease to the Spahos, permitted them to use all of the office equipment contained therein, and assented to the Spahos’ usage and registration of the name “Core Management” pursuant to the business arrangement. The Spahos were effectively running Plaintiff’s management business from Plaintiff’s former office while using its former equipment and operating under a name, Core Management, that Plaintiff had used prior. However, after Plaintiff discovered the Spahos’ “alleged wrongdoing, negligence, and financial malfeasance,” Plaintiff decided not to transfer its business and assets. (NYSCEF Doc No. 18 at ¶ 33.) Plaintiff’s allegations of trademark infringement (and conversion) thus only arose after the “eventual sale and transition” of its management business to the Spahos fell through in 2015, as Plaintiff alleges that the Spahos continued performing their business as usual at least until the commencement of this lawsuit in 2019.

The court finds that “this case is essentially a contract dispute [that] should be determined by the principles of contract law, as it is the contract that defines the parties’ relationship and provides mechanisms to redress alleged breaches thereto. The Lanham Act, in contrast, establishes marketplace rules governing the conduct of parties not otherwise limited. This is not a case of either [party] attempting to protect a trademark from unscrupulous use in the marketplace by third

parties.” (*Silverstar Enterprises*, 537 FSupp at 242.) Further, “[w]here parties enter into an agreement governing their respective rights in a trademark, the contract itself defines their rights in the mark and determines the remedies available for an allegedly unauthorized use of the mark. When such a contract exists, a party may not sue for a violation of the trademark laws unless he can establish that the contract has been breached.” (*Smart Trike, MNF, PTE, v Smart Trike, LLC*, 2013 WL 6651557, at \*5 [Sup Ct, NY County 2013], quoting *Society for Advancement of Educ, Inc. v Gannett Co.*, 1999 WL 33023, at \*9 [SD NY 1999].)

Although the particulars of the “eventual sale and transition” of the management business have not been provided, both sides agree that there was a deal in place. Most of Plaintiff’s allegations indicate its desire to essentially rescind its offer to sell its management business due to the Spahos’ behavior, and thus these claims should have been plead as a breach of contract. In any event, Plaintiff fails to allege any specific facts indicating that the contractual agreement for the sale of the business was breached, and thus fails to state a claim.

To the extent that Plaintiff alleges damages due to the Spahos’ continued use of the name “Core Management”, the court notes that Plaintiff itself submitted an article titled “Core Development now Guberman Group”, which indicates that Plaintiff actually switched its own tradename sometime in 2011. (NYSCEF Doc No. 18, Exhibit A.) Thus, Plaintiff operated its development business as the “Guberman Group”, while the Spahos operated a management business as “Core Management”. Further, there is nothing in the name “Core” that indicates that it is “an inherently strong trade name susceptible to dilution.” (*Allied Maintenance Corp.*, 42 NY2d at 545-46 [finding “Allied Maintenance” a weak trade name not susceptible to dilution and noting at least 300 other business entities in the New York City phone directory using the word “allied”]; *see also* NYSCEF Doc No. 26 [New York Department of State records demonstrating


500+ business entities using the word “core” in their names].) Accordingly, because Plaintiff fails to allege facts demonstrating a breach of the contractual agreement between the parties and otherwise fails to demonstrate the likelihood of consumer confusion, these claims are dismissed.

**3. Deceptive Acts and Common Law Unfair Competition**

Similarly, Plaintiff’s claims for deceptive acts under General Business Law § 349 and common law unfair competition are based on the same theory of trademark infringement and likewise are dismissed for the reasons above. (See *Allied Maintenance Corp.*, 42 NY2d at 543; *Beverage Marketing USA, Inc. v South Beach Beverage Co., Inc.*, 20 AD3d 439, 439-40 [2d Dept 2005]; *The Gameologist Group, LLC*, 2009 WL 4927169; *Center for Rheumatology, LLP v Shapiro*, 65 Misc 3d 1205[A], \*6 [Sup Ct, Albany County 2019].) Accordingly, it is hereby

ORDERED that Defendants’ motion to dismiss the complaint is granted and the complaint is dismissed in its entirety as against all Defendants, with costs and disbursements to Defendants as taxed by the Clerk of the Court, and the Clerk is directed to enter judgment accordingly in favor of the Defendants.

Any requested relief not expressly addressed by the Court has nonetheless been considered and is hereby denied and this constitutes the decision and order of the Court.

<u>10/28/20</u> DATE		 W. FRANC PERRY, J.S.C.
CHECK ONE:	<input checked="" type="checkbox"/> CASE DISPOSED	<input type="checkbox"/> NON-FINAL DISPOSITION
	<input checked="" type="checkbox"/> GRANTED <input type="checkbox"/> DENIED	<input type="checkbox"/> GRANTED IN PART <input type="checkbox"/> OTHER
APPLICATION:	<input type="checkbox"/> SETTLE ORDER	<input type="checkbox"/> SUBMIT ORDER
CHECK IF APPROPRIATE:	<input type="checkbox"/> INCLUDES TRANSFER/REASSIGN	<input type="checkbox"/> FIDUCIARY APPOINTMENT <input type="checkbox"/> REFERENCE