Dorfman v Reffkin
2016 NY Slip Op 31719(U)
September 13, 2016
Supreme Court, New York County
Docket Number: 652269/2014
Judge: Jeffrey K. Oing

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: IAS PART 48

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AVI DORFMAN and RENTJOLT, INC.,

Plaintiffs,

- against -

ROBERT REFFKIN and URBAN COMPASS, INC.,

Defendants.

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Index No.: 652269/2014

Mtn Seq. No. 005

DECISION AND ORDER

JEFFREY K. OING, J.:

Plaintiffs move, pursuant to CPLR 3211(a)(7), for an order dismissing defendants' amended counterclaims. For the reasons set forth below, the motion is granted.

Background

Plaintiffs Avi Dorfman and his company Rentjolt, Inc. ("Rentjolt") bring this action against defendants Robert Reffkin and his company Urban Compass, Inc. ("Compass") for contributions Dorfman allegedly made toward the founding of Compass. Following this Court's decision on defendants' motion to dismiss, plaintiffs' remaining claims are: (1) the first cause of action for breach of contract; (2) the third cause of action for unjust enrichment; and (3) the fourth cause of action for quantum meruit, on behalf of Dorfman only (Mtn Seq. No. 002, NYSCEF Doc No. 175).

Reffkin and Compass now assert counterclaims against Dorfman for: (1) violations of the Lantham Act -- 15 USC §

1125(a)(1)(A); (2) violation of GBL § 360-l; and (3) unfair competition.

Familiarity with the underlying facts is presumed. Briefly stated, Dorfman claims that he helped create Compass, a real estate brokerage company and the algorithms/set-up it uses, and that Reffkin promised him a share of the company in return. Reffkin, however, allegedly only offered him a 2.5% share in Compass and an $80,000 base salary (Compl., ¶ 50), which Dorfman rejected, requesting a 5-10% "founder's share" instead (Id., ¶ 51). In response, Reffkin allegedly refused to compromise and next offered Dorfman a less than 2% share (Id.). This lawsuit ensued.

Defendants counterclaim that Dorfman has "wrongfully represented [himself] to potential clients and employers ... [as] instrumental in the founding, financing, and growth of Compass" (NYSCEF Doc. No. 202 , Counterclaims, ¶ 12). The counterclaims allege that Dorfman secured his two most recent positions -- at Hailo, a startup providing a taxi-hailing network for smartphones, and at Quid, a technology startup providing data analytic software to businesses -- by "misrepresenting" himself as being "responsible for Compass's early operational and fundraising successes" (Id., ¶ 13). According to defendants, Dorfman "continues to actively market himself by making false and misleading claims relating to the founding of Compass" (Id., ¶

14). For example, defendants complain that Dorfman's LinkedIn page lists him as a "cofounder" of Compass from 2012 to the present, and complain that, "Compass is listed at the very top of [his] LinkedIn profile under current employment, although Dorfman is not now, and has never been, an employee of Compass" (Id.). In addition, Dorfman's LinkedIn profile allegedly states that, "'[p]reviously, [he] co-founded tech-enabled real estate brokerages Compass and RentJolt, where [he] led efforts across product, recruiting, fundraising, strategy and business development'" (Id., ¶ 15). The profile also allegedly lists under "Experience" that Dorfman "'co-founded this tech-enabled brokerage' alongside Reffkin and Alex Stern" (Id., ¶ 16).

Defendants claim that:

> 17. By falsely claiming an affiliation with Compass that never existed, Dorfman creates a misleading impression that Compass is, through Dorfman, related to the long line of failed real estate websites and projects (including Rentjolt and iRent123) with which Dorfman was involved. This perceived affiliation dilutes and impairs the Compass brand as well as the goodwill and reputation that it has earned in the marketplace and with investors.

(Id., ¶ 18).

Discussion

Violation of the Lantham Act -- 15 USC § 1125(a)(1)(A) (First Counterclaim)

Defendants allege that, "Dorfman, knowingly, willfully, and in bad faith used and continues to use in commerce false and

misleading descriptions and misrepresentations of fact, which are likely to cause confusion and mistake" (Id., ¶ 22). Reffkin and Compass claim they have been and are likely to continue to be damaged by Dorfman's "false statements" in violation of section 43(a)(1)(A) of the Lantham Act and as a result are entitled to "costs and expenses, including attorneys' fees, related to this action" (Id., ¶¶ 30-31).

The Lantham Act, 15 USC § 1125(a)(1)(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 likely to be damaged by such act.

Section 1125(a) of the Lantham 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). Defendants are proceeding under a false association theory. In School of Visual Arts v Kuprewicz, 3 Misc 3d 278, 285 [Sup Ct, NY County 2003][Richter J.]), one of the few New York state cases to address a claim of false association under the Lantham Act, the plaintiff School of Visual Arts ("SVA") complained of certain false job postings by defendant that, "caused negative

associations with and thus diluted the distinctive quality of [plaintiff] SVA's service mark in violation of USC 1125[c]" (Id. at 285). The plaintiff also claimed that by posting the false job listings the defendant violated 15 USC § 1125(a) by using "in commerce" a false designation of origin which caused deception, confusion and mistake as to her connection and affiliation with the school and as to plaintiff's approval of her activities (Id.). In dismissing the Lantham Act claims, Justice Richter wrote that:

> The term "use in commerce" is defined as "the bona fide use of a mark in the ordinary course of trade," 15 USC § 1127, and "contemplates a trading upon the goodwill of or association with the trademark holder" (Karl Storz Endoscopy-America Inc v Surgical Technologies, Inc., 285 F3d 848 (9th Cir. 2002). Thus, "courts have rejected efforts to extend the Lantham Act to cases where the defendant is not using or displaying the trademark in the sale, distribution or advertising of its goods and services" (International Assn. of Machinists & Aero. Works v Winship Green Nursing Center, 103 F 3d 196, 209 [1st Cir 1996]) (concurring opinion).

(Id.).

Justice Richter concluded that even accepting all the allegations in SVA's complaint as true the "posting of job listings containing SVA's mark was neither 'in commerce' nor 'in connection with ... goods or services" (Id. at 686, citing 15 USC 1125[a]).

Here, likewise, Dorfman's statements regarding his role in the founding of Compass, contained on his LinkedIn page and

resume, are neither "in commerce" nor made "in connection with goods or services." The term "in commerce" is defined in the statute as "the bona fide use of a mark in the ordinary course of trade" (15 USC § 1127). Non-commercial use of a mark, such as in this case, is not actionable under the Lantham Act (School of Visual Arts, supra, citing Bihari v Gross, 119 F Supp 2d 309 [SD NY 2009]; 15 USC § 1125[c][1]). Instead, the provision of the Lantham Act invoked by defendants is intended to protect consumers. Nothing about Dorfman's actions, even if this Court accepts every allegation in the counterclaim as true, is aimed at consumers and/or the general public. The Lantham Act counterclaim is, accordingly, dismissed.

Accordingly, that branch of plaintiffs' motion to dismiss the first counterclaim is granted, and it is dismissed.

Violation of GBL § 360-1 (Second Counterclaim)

GBL § 360-1 provides that:

> Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of the goods or services.

Defendants claim that "Compass" is "famous" and has "distinction in the business marketplace;" that Dorfman's "use" of Compass's name is damaging to Compass's "selling power and value" because such use "falsely links the Compass Trademark to

Dorfman's own commercial failures;" and that his use has diluted "the distinctive quality of the Compass Trademark." As such, defendants assert they are entitled to an injunction to prevent further injury to their "business reputation" (Counterclaims, ¶¶ 32-37).

Section 360-l goes beyond infringement and unfair competition laws to "protect the distinctiveness of an owner's trademark from being undercut by another's similar use" (Dreyfus Fund Inc. v Royal Bank of Canada, 525 F Supp 1108, 1125 (SD NY 1981). To succeed on a section 360-l claim, among other things, defendants must allege that their mark is either of a truly distinctive quality or has acquired a secondary meaning and that there is a likelihood of dilution" (Tri-Star Pictures, Inc. v Unger, 14 F Supp 2d 339, 363 [SD NY 1998][citing Deere & Co. v MTD Products, Inc., 41 F3d 39 [2d Cir 1994][quotation omitted]).

Here, defendants have failed to meet either part of this pleading requirement. To begin, the counterclaim does not allege, beyond boilerplate and conclusory language, that Compass as a mark is either "of truly distinctive quality or has acquired a secondary meaning." Nor is there any allegation that Dorfman is using Compass's mark "in commerce" as defendants claims. At most, Dorfman is merely utilizing Compass's name on his resume and LinkedIn profile. Defendants do not cite a single case, and this Court could not find any, that would deem this "use" to be a

trademark dilution. Kaplan, Inc. v Yun, cited by defendants, is distinguishable (16 F Supp 3d 341 [SD NY 2014]). There, the defendants were operating a competing business allegedly using plaintiffs' trademarks. Here, there is no allegation that Dorfman is conducting any such competing business activity. At most, he is using his association with Compass to obtain other employment.

Finally, defendants fail to allege any injury or damages from Dorfman's claiming to be a co-founder. First, as discussed, supra, Dorfman's claims of being a co-founder are not directed at the general public so defendants cannot suffer damages from any public perception as to Dorfman's role. Moreover, even if the Court accepts as true defendants' claim that Dorfman's claim to be a cofounder "falsely links the Compass Trademark to Dorfman's own commercial failures," defendants still fail to allege how this has harmed their business in any way (Counterclaims, ¶ 35). Indeed, according to defendants' own allegations, Compass appears to be flourishing (Id., ¶ 10).

Accordingly, that branch of plaintiffs' motion to dismiss the second counterclaim is granted, and it is dismissed.

Unfair Competition (Third Counterclaim)

To sustain a claim for unfair competition, defendants must allege that Dorfman misappropriated their "labors, skills, expenditures, or good will and displayed some element of bad

faith in doing so" (Abe's Rooms, Inc. v Space Hunters, Inc., 38 AD3d 690 [2d Dept 2007] [citation omitted]). Defendants' conclusory allegations with respect to this counterclaim do not meet this standard. Even if the counterclaim pleaded exactly how Dorfman "misappropriated" Compass's "labors, skills, expenditures or good will" by claiming to be a co-founder, it fails to "set forth the requisite showing of bad-faith misappropriation of a commercial advantage" (Ahead Realty LLC v India House, Inc., 92 AD3d 424 [1st Dept 2012]). Simply stating the words "bad faith", without more, does not meet this pleading requirement. Based on the foregoing, that branch of plaintiffs' motion to dismiss the third counterclaim is granted, and it is dismissed.

Accordingly, it is

ORDERED that plaintiffs' motion to dismiss the defendants' counterclaims is granted and the counterclaims are hereby dismissed; and it is further

ORDERED that the Clerk of Court is respectfully directed to enter judgment accordingly.

This memorandum opinion constitutes the decision and order of the Court.

Dated: 9/13/16

HON. JEFFREY K. OING, J.S.C.

JEFFREY K. OING
J.S.C.