

TRAVEL IMPRESSIONS LTD. and EMPRESS TRAVEL, L.P., Plaintiffs,

v.

**STEPHEN KAUFMAN, TRAVELER'S CHOICE, INC. and
NETWORK SOLUTIONS, INC., APPEARANCES;**

96 CV 4503 (JG)

May 22, 1997

REPORT AND RECOMMENDATION

POLLAK, United States Magistrate Judge:

On September 12, 1996, plaintiffs Travel Impressions Ltd. ("Travel Impressions") and Empress Travel, L.P. ("Empress") brought this action against defendants Stephen Kaufman ("Kaufman"), Traveler's Choice, Inc. (collectively, "Travelers") and network Solutions, Inc. ("NSI"), alleging violations of the Lanham Act, as amended, 15 U.S.C. 1114 et. seq., in connection with Travelers' use of plaintiffs' registered trademarks "TRAVELIMPRESSIONS.COM" and "EMPRESSTRAVEL.COM," and in a toll-free telephone number, 1-800-367-7377 (1-800-EMPRESS). [1]

On December 9, 1996, plaintiffs moved for a preliminary injunction barring defendants from using the domain names and the toll-free telephone number, and on December 16, 1996, defendant NSI moved to dismiss plaintiffs' complaint as to NSI. By order dated December 31, 1996, the Honorable John Gleeson, United States District Judge, referred both motions to the undersigned for Report and Recommendation.

Following oral argument held on February 7, 1997, and based on a review of all the parties' submissions, this Court respectfully recommends that: 1) plaintiffs' motion for preliminary injunction as to the Internet registration of EMPRESSTRAVEL.COM be denied; 2) plaintiff's motion for a preliminary injunction as to the use of the toll-free telephone number, 1-800-367-7377, be denied; and 3) NSI's motion to dismiss be granted in its entirety, contingent on NSI's stated intention to deposit into the Registry of the Court the original domain name declaration for EMPRESSTRAVEL.COM.

FACTUAL BACKGROUND

Empress is in the business of developing retail travel agency franchises and Travel Impressions is a travel wholesaler that assembles tour packages. Empress owns United States Trademark No. 837,303 for use of the mark "EMPRESS" in connection with its travel services. Travel Impressions owns United States Trademark Registration No. 1,362,504 for use of the mark "TRAVEL IMPRESSIONS." in connection with its travel services. [2]

On October 5, 1989, defendant Kaufman, as principal of defendant Travelers, entered into a franchise agreement ("Franchise Agreement") with Empress Travel Franchise Corp., the predecessor of plaintiff Empress. Pursuant to the Franchise Agreement, Travelers was authorized to furnish retail travel agency services at one location in Bedminster, New Jersey, using the Empress trademark and the name Empress Travel. The Franchise Agreement provides that Travelers "shall operate its retail travel agency and advertise only under the name Empress" (Franchise Agreement, ¶ II.C.11) and that the "(f)ranchisee's retail travel agency shall be exclusively identified by and use Empress' name and proprietary marks." (Franchise Agreement, ¶ V.B.2). The Franchise Agreement further states that "Franchise shall use exclusively the proprietary marks, logos, trade styles, color combinations, designs, signs, symbols and slogans of Empress and only in the manner and to the extent specifically permitted by this Agreement. Franchisee shall not use any confusingly similar proprietary marks in connection with its franchise ... " (Franchise Agreement, ¶ II.C.5). However, the Franchise Agreement makes clear that Travelers is authorized to use the mark "solely at the [Bedminster] Location," (Franchise Agreement, ¶ II.C.2), a geographic limitation imposed by the franchisor in order to protect the rights and interests of each of its approximately 88 franchisees.

1. The Toll-Free Telephone Number

According to the declaration of defendant Kaufman, Travelers has, pursuant to the 1989 Franchise Agreement, used the EMPRESS mark and the Empress Travel name in various forms of advertising, including window signs and handouts, as well as advertising in publications distributed in New Jersey and direct mailings of promotional material. Since 1989, Travelers has also used a toll-free telephone number, 1-800-367-7377, the last seven digits of which correspond to the spelling of "Empress." According to the Kaufman declaration, another franchisee of Empress Travel Franchise Corp. located in Washington, D.C. had previously used this toll-free number until its franchise was terminated. Thereafter, the telephone number became available to any entity who might wish to apply for it, such as the Empress Travel agency in Budd Lake, New Jersey or the Empress riverboat casino located in St. Louis. [3] Accordingly, Travelers acquired the newly available telephone number from the telephone company in 1989, but since then has only used its numeric form, not its vanity form.

In approximately 1993, plaintiff Empress succeeded Empress Travel Franchise Corp. as franchisor under the agreement with Travelers. At that time, plaintiff issued a certificate to Travelers providing that "Traveler's ... is licensed to use the name of Empress Travel by the owner of the trademark, Empress Travel L.P. ... " (December 13, 1997 Declaration of Stephen Kaufman, ¶ 4 and Exh. A). According to the Kaufman declaration, Empress and Travelers began to negotiate in August 1993 for the acquisition of the toll-free number from Travelers, but they failed to reach an agreement. Nonetheless, it is undisputed that until the filing of this lawsuit over three years later, plaintiffs never took steps to object to Travelers' use of this toll-free number. Indeed, during oral argument, plaintiffs' counsel conceded that "we did not want to go through the expense to burden everyone, including the Court, with a litigation over that number, when we felt that at that point we could deal with the damages." (Transcript of Feb. 7, 1997 oral argument ("Tr."), at p. 62).

2. The Internet Registration

The nominal defendant in this action, NSI, provides registration of Internet domain names, which are alphanumeric names that identify each entity on the Internet and essentially serve as "addresses" on the Internet for that entity. [4] By accessing a domain name, an individual can use the Internet to obtain information or even purchase goods and services from the entity registered under that domain name.

According to the affidavit of David M. Graves, Internet Business Manager for NSI, "[d]omain names are arranged in a hierarchical structure in which .COM is a top-level domain. Network Solutions is the world-wide registrar of second-level domain `.COM.'" [5] (Dec. 13, 1996 Aff. of David M. Graves. ¶ 7-8). NSI assigns second-level domain names on a first-come, first-served basis, but requires its applicants to certify, among other things, that the applicant has the right to use the domain name and that its registration does not interfere with or infringe the rights of any third party's trademark, service name, company name or other intellectual property right.

According to the Kaufman declaration, in approximately October 1995, Kaufman urged plaintiffs to establish a site on the Internet to promote the travel agency services provided by Empress franchisees. Although plaintiffs indicated that they would be doing so shortly, by March 1996, plaintiffs still had not obtained a web site nor had they registered the name EMPRESSTRAVEL.COM as their domain name. Concerned that the domain name might be acquired by another franchisee or an entity unrelated to the Empress franchise system, travelers acquired and registered the name through NSI for its own website on March 4, 1996.

According to the affidavit of Bradley J. Tolkin, the President of Empress and Co-President and Chief Executive Officer of Travel Impressions, plaintiff Empress sought to register EMPRESSTRAVEL.COM with NSI in the summer of 1996 but was advised that the domain name had already been registered as an exclusive domain name by Travelers. Plaintiffs claim that by registering the name EMPRESSTRAVEL.COM, Travelers has prevented Empress from registering this name as its domain name and thus has violated those sections of the Franchise Agreement which provides that plaintiff is the "sole and executive owner" of the service mark "Empress" (Franchise Agreement, Preamble, at 1), and which authorize Travelers to use the Empress mark "solely at the [Bedminister] Location." (Id. at ¶ II.C.2). Moreover, plaintiffs alleges that in order for Travelers to have registered the domain name EMRESSTRAVEL.COM with NSI, Travelers had to make material misrepresentations to NSI regarding Traveler's authority to use the Empress mark on the Internet.

Plaintiff's seek a preliminary injunction against Travelers, claiming that they will suffer irreparable injury if Travelers is permitted to use the Empress mark on the Internet and in connection with the toll-free telephone number, based both on the impact on the public's perception as to the ownership of the mark and on plaintiffs' inability to comply with its obligations to its other franchisees.

DISCUSSION

1. Standard for Preliminary Injunction

In the Second Circuit, it is well-settled that in order to obtain a preliminary injunction, "a party must demonstrate (1) that it will suffer irreparable harm if the preliminary injunction is not issued, and (2) that it is likely to succeed on the merits of its claims or, in the alternative, has demonstrated sufficiently serious questions regarding the merits of the claims and the balance of hardships tips decidedly in its favor." *L. & J.G. Stickley, Inc. v. Canal Dover co., Inc.*, 79 F.3d 258, 261-62 (2d Cir. 1996); see also *Jackson Dairy, Inc. v. H. P. Hood & Sons, Inc.*, 596 F.2d 70, 72 (2d Cir. 1979) (per curiam). It is equally well-established that a preliminary injunction is "an extraordinary remedy" that "should issue not upon a plaintiff's imaginative, worst case scenario of the consequences flowing from the defendant's alleged wrong but upon a concrete showing of imminent irreparable injury." *USA Network v. Jones Intercable, Inc.*, 704 F.Supp. 488, 491 (S.D.N.Y. 1989).

A showing of probable irreparable harm is "the single most important prerequisite" to the granting of preliminary injunctive relief; thus, the moving party must first demonstrate that irreparable harm is likely to occur in the absence of injunctive relief. *Reuters Ltd. v. United Press Int'l. Inc.*, 903 F.2d 904, 907 (2d Cir. 1990). The mere possibility of irreparable harm is insufficient. *Borey v. National Union Fire Ins. Co.*, 934 F.2d 30, 34 (2d Cir. 1991). The claimant must show that the alleged injury is likely and imminent, not remote or speculative, and that it cannot be fully remedied by monetary damages. *Reuters Ltd. v. United Press Int'l. Inc.*, 903 F.2d at 907; see also *Borey v. National Union Fire Ins. Co.*, 934 F.2d at 34 (observing that "when a party can be fully compensated for financial loss by money judgment, there is simply no compelling reason why the extraordinary equitable remedy of a preliminary injunction should be granted").

2. The Lanham Act

Plaintiff's have filed their complaint under the Lanham Act, 15 U.S.C. 1114 et. seq. (1997), which protects valid trademark holders from infringements of their marks. The Lanham Act forbids a party to "use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive" 15 U.S.C. 1114(1) (1997). A defendant may be liable if he has used the plaintiff's mark "in commerce" in a way that either "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," 15 U.S.C. 1125(a)(1)(A) (1997), or "in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities," 15 U.S.C. 1125(a)(1)(B) (1997).

Section 1116(a) of the Act specifically authorizes the court "to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under section 1125(a) of this title." 15 U.S.C. 1116(a) (1997). Since the issues of irreparable injury and likelihood of success on the merits are "interwined" in the context of a motion for a preliminary injunction under the Lanham Act, a showing of likelihood of

confusion establishes both the likelihood of success on the merits and the risk of irreparable harm. *Tetley Inc. v. Topps Chewing Gum, Inc.*, 556 F.Supp. 785, 788 (E.D.N.Y. 1983). See also *Charles of the Ritz Group, Ltd. v. Quality King Distributors, Inc.*, 832 F.2d 1317, 1231 (2d Cir. 1987); *LeSportsac, Inc. v. K-Mart Corp.*, 754 F.2d 71, 79 (2d Cir. 1985) (observing that "[l]ikelihood of confusion is itself strong evidence that in the absence of an injunction [plaintiff] might face irreparable harm"). Thus, the first step in analyzing plaintiffs' claim is to determine whether there is a likelihood of confusion and then "balance the equities," taking into account the interests of plaintiffs, defendants and the public. *McGregor-Doniger Inc., v. Drizzle Inc.*, 599 F.2d 1126, 1139-40 (2d Cir. 1979); *Scarves by Vera, Inc. v. Todo Imports, Ltd.*, 544 F.2d 1167, 1172 (2d Cir. 1976).

In evaluating plaintiffs' likelihood of success in this case, this Court must look to the three elements of plaintiffs' cause of action: 1) whether plaintiffs can establish ownership of a valid trademark; 2) whether the trademark is distinctive or has acquired a secondary meaning; and 3) whether there is substantial likelihood of confusion resulting from plaintiffs' and defendants' use of the mark. See *Sears Roebuck and Co. v. Sears Financial Network, Inc.*, 576 F.Supp. 857, 861 (D.D.C. 1983); see also *Malarkey-Taylor Associates v. Cellular Telecommunications Ind. Ass'n*, 929 F.Supp. 473, 475-76 (D.D.C. 1996).

Plaintiffs contend that a preliminary injunction is appropriate in this case with respect to both the Internet domain name and the toll-free telephone number. Specifically, they argue that because the Internet may be accessed from anywhere in the world, customers will clearly be confused as to the ownership of the "Empress" mark if its franchisee Travelers is allowed to use EMPRESSTRAVEL.COM as a domain name. Similarly, they argue that if the numbers corresponding to the name "Empress" are used in connection with a toll-free telephone number registered to only one of plaintiffs' franchisees, customers will experience confusion as to the ownership of the mark. Plaintiffs raise the additional concern that Travelers's use of the mark in the domain name and the toll-free number constitutes a violation of plaintiffs' obligations to its other franchisees. Finally, plaintiffs argue that without injunctive relief, they "will suffer loss of reputation associated with the ... EMPRESS mark[] because the goods and services provided thereunder will be at the mercy of Traveler's Choice and Kaufman." (Pl. Br. at 6).

As set forth below, this Court finds that with respect to both the Internet domain name and the toll-free number, plaintiffs have failed to demonstrate either that they will succeed on the merits or that they will suffer irreparable injury in the absence of a preliminary injunction. Accordingly, it is respectfully recommended that the plaintiffs' motion for a preliminary injunction be denied.

3. The Domain Name

With respect to plaintiffs' motion to enjoin Travelers from using the Internet domain name EMPRESSTRAVEL.COM and for an order transferring the registration to plaintiffs, there are serious questions raised by defendants' arguments that bear not only on plaintiffs' likelihood of succeeding on the merits, but also on their claim of irreparable injury. [6]

a) Likelihood of Success on the Merits

It is undisputed that plaintiffs are the owners of a valid trademark registration. The actual registered mark is EMPRESS with stylized, capital lettering and a three-pointed crown sitting atop the first E. There also does not appear to be any question that the Empress mark is distinctive and has a secondary meaning. However, there are serious issues in dispute relating to defendants' use of the mark and the potential for confusion resulting from defendants' use of the mark.

First, defendants argue that there is a serious issue in dispute as to whether defendants' use of the unadorned word EMPRESS in the domain name EMPRESSTRAVEL.COM even infringes on the registered mark. The registered mark features the single word EMPRESS in stylized letters and capped by a crown; it does not include the word "travel." By contrast, the domain name at issue here is EMPRESSTRAVEL.COM, without the use of the stylized, capital lettering [7] or the crown, neither of which obviously can be featured in the domain name. Thus, defendants argue that there is a serious issue in dispute as to whether defendants' use of the unadorned domain name EMPRESSTRAVEL.COM even infringes on the registered mark.

Moreover, defendants contend that the Franchise Agreement clearly authorizes and in fact requires defendants to advertise only under the EMPRESS mark. The original 1989 Franchise Agreement, which was later adopted by plaintiffs when they acquired the franchisor in 1993, specifies that "Franchisee's retail travel agency shall be exclusively identified by and use Empress' name and proprietary marks," and further provides that Travelers "shall operate its retail travel agency and advertise only under the name EMPRESS." Travelers claims that it has used the EMPRESS mark and the name Empress Travel in its advertising since 1989 with the knowledge of and without objection from either plaintiffs or their predecessors. Indeed, in 1993 upon acquisition of the franchisor, plaintiffs issued a certificate to Travelers, licensing them to use the name "Empress Travel." A license to use a trademark is a valid defense to an infringement action. See *Bourne v. Walt Disney Co.*, 68 F.2d 621,631 (2d Cir. 1995) (noting that "the possession of a license by an accused infringer traditionally has been characterized as an affirmative defense"), cert denied, 116 S.Ct. 1890 (1996). Based on the Franchise Agreement and the explicit license to use the EMPRESS mark, defendants argue that plaintiffs are not likely to succeed on the merits of their claim in showing confusion in the defendants' use of this mark or the name EMPRESS to register on the Internet.

Plaintiffs counter with the argument that the authorized use of the mark under the Franchise Agreement is explicitly limited to a certain geographical area surrounding the franchisee's location in Bedminster, New Jersey, Citing *Playboy Enterprises, Inc. v. Chuckleberry Publishing, Inc.*, 939 F.Supp. 1032 (S.D.N.Y. 1996), plaintiffs argue that since individuals from all over the world can access the Internet, the use of the mark in the domain name violates the clause in the franchise agreement that restricts the use of the mark to Traveler's specific location and thus, an injunction should properly issue.

In *Playboy Enterprises*, however, a permanent injunction had been issued in 1981, prohibiting an Italian publisher from distributing or selling its "PLAYMEN" magazine in the United States. Id. at 1039. When the publisher subsequently established an Internet site in Italy which allowed users in the United States to view and download versions of the PLAYMEN magazine, the publisher sought to justify its actions, arguing that "[t]he use of the Internet is akin to boarding a

plane, landing in Italy, and purchasing a copy of PLAYMEN magazine, an activity permitted under Italian law [because Italian courts had refused to issue a similar injunction]." *Id.* The district court, however, disagreed, and found that because the publisher had actively solicited customers in the United States, it was in fact distributing its product within the United States in violation of the permanent injunction. *Id.*

In this case, by contrast, no prior injunction has been issued and the exact limitations on the use of the Empress mark by the franchisee under the agreement and the question of infringement have not yet been determined. Indeed, as defendants point out, the failure of plaintiffs to object to the use by franchisees of certain standard advertising, such as telephone directories which circuit outside the limited area of the franchisees' actual business locations raises doubts about the likelihood of plaintiffs' success on this claim. Cf. *Bensusan Restaurant Corp. v. King*, 937 F.Supp. 295, 299 (S.D.N.Y. 1996) (discussing the location of infringing activity over the Internet in the context of a determination of personal jurisdiction).

Moreover, the instant action can be distinguished from the *Playboy Enterprises* case simply because the issues raised here stem from the franchisor-franchisee relationship and turn on contract interpretation, in contrast to an infringement action brought against a wholly unrelated entity with no arguable authorization for using the mark in question. It is for this reason that the cases cited by plaintiffs in their reply papers are not determinative of the success of their claims here. [8] Specifically, plaintiffs cite several recent decisions where courts have enjoined the registration of a trademark as an Internet domain name when the defendant either had no authority to use the mark, see, e.g., *Actmedia Inc. v. Media, Int'l. Inc.*, 1996 WL 399707 (N.D. Ill. July 17, 1996), or when the defendant was merely a "cybersquatter" who had no intention of using the name but simply registered the domain name for the sole purpose of selling it back to the company owning the original mark. See, e.g., *Intermatic Inc. v. Toeppen*, 1996 U.S. Dist. Lexis 14878 (N.D. Ill. Oct. 3, 1996); *Panavision v. Toeppen*, 1996 WL 653726 (C.D. Nov. 5, 1996). In each of those cases, the court granted injunctive relief in favor of the holder of the trademark, finding a likelihood of confusion based on the infringement of plaintiff's trademarks. Here, by contrast, the potential for confusion is less than substantial and may, in fact, stem not from the use of the domain name, but rather from the franchise relationship itself.

b) Irreparable Injury

Apart from the issues raised by defendants regarding plaintiffs' likelihood of success on the merits, defendants also argue that plaintiffs cannot show irreparable injury due to their delay, first in creating a website and subsequently in bringing suit. This "delay suggests that the plaintiff may have acquiesced in the infringing activity, or that any harm suffered by the plaintiff is not so severe as to be irreparable." *Richard Feiner & Co., Inc. v. Turner Entertainment Co.*, 98 F.3d 33, 34 (2d cir. 1996). As the Second Circuit has explained, "[s]ignificant delay in applying for injunctive relief in a trademark case tends to neutralize any presumption that infringement alone will cause irreparable harm pending trial, and such delay alone may justify denial of a preliminary injunctive for trademark infringement." *Citibank, N.A. v. Citytrust*, 756 F.2d 273, 276 (2d Cir. 1985) (denying injunctive relief where plaintiff did not seek the preliminary injunction until more than ten weeks after it learned directly of defendant's plans and more than nine months after it received notice through the press of defendant's plans). *Accord Century*

Time Ltd. v. Interchron Ltd., 729 F.Supp. 366, 369 (S.D.N.Y. 1990) (barring relief where plaintiff delayed seeking preliminary injunction in infringement and trade dress case for six months); Lanvin Inc. v. Colonis, Inc., 739 F.Supp. 182, 192 (S.D.N.Y. 1990) (observing that delay, even if it does not rise to the level of laches, may demonstrate a lack of need for speedy action); The Comic Strip v. Fox Television Stations, Inc., 710 F.Supp. 976, 981 (S.D.N.Y. 1989) (barring injunctive relief where plaintiff delayed for seven months); Gillette Co. v. Ed Pinaud, Inc., 178 F.Supp. 618, 622 (S.D.N.Y. 1959) (stating that a six-month delay indicated a lack of urgency requiring preliminary relief).

Here, plaintiffs first attempted to register the domain name "[i]n the summer of 1996," (November 25, 1996 Affidavit of Bradley J. Tolkin), even though Travelers had suggested to plaintiffs as early as October 1995 that they establish an Internet site. Moreover, plaintiffs filed their motion for a preliminary injunction on December 9, 1996, nine months after Travelers had registered its website and over a year after Travelers had first urged plaintiffs to establish the website. It is undisputed that NSI's policy is to register domain names on a first-come, first-served basis and that there are other legitimate holders of the name Empress, such as the Empress hotel chain or the Empress riverboat/casino, that could legitimately register their presence on the Internet using the name. Thus, Travelers argues that had it not sought registration of this domain name, these other entities could have legitimately acquired the registration, leaving plaintiffs no recourse or basis to complain. Particularly in this context, plaintiffs' delay, in seeking first a website and then injunctive relief, severely undermines their claim to irreparable harm and thus vitiates their need for a preliminary injunction.

Moreover, given the fact that the defendants have to date voluntarily chosen not to activate the website pending the outcome of this litigation, plaintiffs cannot show actual customer confusion. But, cf. Intermatic Inc. v. Toeppen, 1996 U.S. Dist. Lexis 14878 (granting injunctive relief against a "cybersquatter" despite the fact that the defendant had never used the domain name in connection with the sale of any goods or services). Defendants note that in fact plaintiffs have established an Internet site using a domain name acquired from another franchisee and thus they cannot claim injury from lack of access to a domain name.

In light of plaintiffs' failure to establish either irreparable injury or likelihood of success on the merits, this Court respectfully recommends that the motion for an injunction to transfer the domain name be denied at this time. However, as set forth below, this Court recommends that an order issue to deposit the domain name in the registry of the court pending the outcome of the litigation, and further recommends that while the case is pending, defendants be ordered to continue refraining from the activation of the site itself.

4. The Toll-Free Number

With respect to the plaintiffs' claim of irreparable injury with regard to the toll-free telephone number, it is undisputed that Travelers acquired the telephone number 1-800-367-7377 in 1989, almost four years prior to the plaintiffs' acquisition of Empress Travel Franchise Corp. Plaintiffs' predecessor never questioned or challenged the use of the number during that time. Moreover, plaintiffs concede that they have known of Travelers's use of the toll-free number since 1993, when they began to negotiate for the purchase of the number, yet they nevertheless allowed three

years to pass before raising a legal challenge to Travelers's use in connection with this litigation. Their claim of irreparable injury rings hollow in light of this long-standing, unchallenged use by Travelers and plaintiffs' admission that "we did not want to go through the expense to burden everyone, including the Court, with a litigation over that number, when we felt that at that Point we could deal with the damages." (Tr. at 62).

The rationale for granting a preliminary injunction is that there is a need for urgent action to protect a plaintiff's claim by maintaining the status quo. *Citibank, N.A. v. Citytrust*, 756 F.2d at 276. As discussed above, delay by a party seeking a preliminary injunction may negate any presumption of irreparable injury. *Id.* See also *Tough Traveler, Ltd. v. Outbound Prods.*, 60 F.3d 964, 969 (2d Cir. 1995); *Ivy Mar Co. v. C.R. Seasons Ltd.*, 907 F.Supp. 547, 563-64 (E.D.N.Y. 1995). Here plaintiffs' three-year delay undercuts any sense of urgency and defeats their claims of irreparable harm.

Apart from these factors which directly contradict any claim of irreparable injury, this Court is not persuaded that defendants' use of the numeric form of the toll-free number in their advertising and promotional activities is likely to cause consumer confusion apart from the potential confusion that already exists simply as a result of the franchise relationship and the Franchise Agreement's requirement that franchisees use the Empress mark in advertising. Indeed, the usage by another franchisee in New Jersey of the toll-free number 1-800-9empress without objection further belies any claim of customer confusion with respect to the toll-free number at issue here.

Moreover, to the extent that plaintiffs argue that they will suffer a loss of reputation as a result of Travelers' use of the toll-free number, they have failed to provide any support whatsoever for such a claim. There has been no evidence presented to this Court to even suggest that Travelers has otherwise failed to abide by the conditions and terms of its Franchise Agreement or has provided goods and services which are not in compliance with standards set out in the Franchise Agreement. If plaintiffs run any risk of loss to their reputation as a result of defendants' failure to provide adequate services, it is a risk that results from the franchisor-franchisee relationship itself and the explicit provisions in the agreement authorizing the franchisees to use the Empress mark in advertising, not from Travelers's use of the toll-free number here.

Given that plaintiff have not only failed to establish irreparable injury based on Travelers's continued use of the toll-free number, but have also not demonstrate a likelihood of success on the merits, this Court respectfully recommends that the plaintiffs' motion for a preliminary injunction enjoining Travelers's use of the toll-free telephone number be denied.

5. NSI's Motion to Dismiss

Plaintiffs also seek an injunction against NSI to require them to transfer registration of the EMPRESSTRAVEL.COM domain name to Empress. In return, NSI seeks to dismiss the plaintiffs' complaint against NSI for failing to state a claim for which relief may be granted pursuant to Fed.R.Civ.P. 12(b)(6) and for failing to comply with the pleading requirements of Fed.R.Civ.P. 8.

In reviewing a complaint for dismissal under Rule 12(b)(6), the court must accept the facts alleged in the complaint as true and construe all reasonable inferences in the plaintiff's favor. *Hernandez v. Coughlin*, 18 F.3d 133, 136 (2d Cir.), cert. denied, 115 S.Ct. 117 (1994); see also *Leatherman v. Tarrant County Narcotics Intelligence & Coordination Unit*, 507 U.S. 163, 164 (1993). "In determining the adequacy of a claim under Rule 12(b)(6), consideration is limited to the facts stated on the face of the complaint, in documents appended to the complaint or incorporated in the complaint by reference, and to matters of which judicial notice may be taken." *Allen v. WestPoint-Pepperell, Inc.*, 945 F.2d 40, 44 (2d Cir. 1991). The complaint may be dismissed where "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *id.* (quoting *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957)).

Moreover, Rule 8(a)(2) provides that a complaint shall set forth "a short and plain statement of the claim showing that the pleader is entitled to relief." The principal purpose of this rule is to give the opposing party fair notice of the plaintiff's claims so that he may answer the allegations and prepare for trial. *Salahudin v Cuomo*, 861 F.2d 40, 42 (2d Cir. 1988); *Levine v. County of Westchester*, 828 F.Supp. 238, 241 (S.D.N.Y. 1993). Where the complaint fails to identify the actions of the defendant which led to the litigation or to explain how the acts provide a basis for recovery under applicable law, the complaint should be dismissed. See *Powell v. Marine Midland Bank*, 162 F.R.D. 15 (N.D.N.Y. 1995); See also *Prezzi v. Berzak*, 57 F.R.D. 149, 151 (S.D.N.Y. 1972) (citing *Prezzi v. Schelter*, 469 F.2d 691, 692 (2d Cir. 1972) (per curiam), cert. denied, 411 U.S. 935 (1973)); *Levine v. County of Westchester*, 828 F.Supp. at 241.

The only allegations in the Complaint as to NSI relate to the location and business of NSI and the claim that Travelers and Kaufman are members of NSI, "using its services to solicit and obtain customers on the Internet" (Compl. ¶ 7). Otherwise, plaintiffs' complaint fails to define any basis on which plaintiffs seek to impose liability [9] on NSI.

Plaintiffs, however, argue that because NSI holds the exclusive power to effectuate the registration of the domain names, it is properly named as a "nominal" defendant in the action. See, e.g., *SEC. v. Cherif*, 933 F.2d 403, 414 (7th Cir. 1991) (holding that a "nominal" defendant, who holds the subject matter of the litigation "in a subordinate or possessory capacity as to which there is no dispute," can be properly joined in an action "to aid the recovery of relief without an assertion of subject matter jurisdiction only because he has no ownership interest" in the subject property), cert. denied, 502 U.S. 1071 (1992). Citing to cases involving banks or trustees of funds which are the subject of the litigation, plaintiffs argue that if NSI is not joined as a nominal defendant in the litigation, any order issued by this Court to transfer the domain name registration from Travelers to plaintiffs would be ineffective because NSI would not be subject to the jurisdiction of the Court. [10]

Defendant NSI disputes plaintiffs' argument that it is properly named as a party to this litigation. Instead, NSI seeks entry of an order of this Court dismissing NSI as a party to the litigation, contingent on its agreement: 1) to relinquish control over the domain name registration WWW.EMPRESSTRAVEL.COM and to deposit the registration into Registry of the Court; 2) to maintain the status quo ante with respect to the domain name until further order of this Court, and 3) not to make any change to the registration of the domain name until a decision is rendered

by this Court on the underlying action. A similar order granting the plaintiff's motion to require the deposit of a domain name registration was recently entered in the Southern District of New York. See *Estee Lauder, Inc. v. Anthony Nikko, et al.*, 96 CV 9390 (LMM) (Order dated January 23, 1997).

Given plaintiffs' concession that NSI is merely a nominal party with no potential liability in this case, the burden and expense incurred by NSI to continue even as a nominal party to this action, and the thin rationale advanced by the plaintiffs for not including the phone company as a nominal defendant, this Court finds that the proposal to deposit the domain name registration with the Court and NSI's agreement to abide by future rulings of this Court will adequately protect plaintiffs' interests, and ensure compliance with any future orders of this Court regarding the domain name registration. Accordingly, this Court respectfully recommends that the complaint against NSI be dismissed, contingent upon the agreement of NSI to deposit the domain name registration with the Court and to abide by any orders of this Court regarding the future deposition of the registration.

CONCLUSION

Based on the foregoing, this Court respectfully recommends that: 1) plaintiffs' motion for a preliminary injunction as to the Internet registration of EMPRESSTRAVEL.COM be denied; 2) plaintiff's motion for a preliminary injunction as to the use of the toll-free telephone number, 1-800-367-7377, be denied; and 3) NSI's motion to dismiss be granted in its entirety, contingent on NSI's stated intention to deposit into the Registry of the Court the original domain name declaration for EMPRESSTRAVEL.COM.

Any objections to this Report and Recommendation must be filed with the Clerk of the Court, with a copy to the undersigned, within ten (10) days of receipt of this Report. Failure to file objections within the specified time waives the right to appeal the District Court's order, See 28 U.S.C. 636(b)(1); FED.R.CIV.P. 6(a), 6(e), 72; *Small v. Secretary of Health and Human Services*, 892 F.2d 14, 15 (2d Cir. 1989).

The Clerk is directed to mail copies of this Report and Recommendation to the parties.

SO ORDERED.

Dated: Brooklyn, New York

/s/ Cheryl L. Pollak

United States Magistrate Judge

End Notes

1. A telephone number such as this which corresponds to the spelling of a word on the telephone alphanumeric dial is known as a "vanity number" when displayed by letter rather than number.

2. It was represented to the Court during the February 7, 1997 hearing that Travelers had voluntarily agreed to transfer to plaintiffs the registration of the domain name TRAVELIMPRESSIONS.COM and that the parties were awaiting NSI's transfer of the registration. Thus, defendants' use of the domain name TRAVELIMPRESSIONS.COM is no longer an issue in the case, although plaintiff Travel Impressions remains a party to the litigation. Indeed, since plaintiffs contend that NSI has continued to refuse to transfer the registration of the TRAVELIMPRESSIONS.COM domain name to plaintiffs and neither party has presented any explanation for the delay, other than the speculation of counsel for NSI that the transfer has been delayed by plaintiffs' failure to pay the registration fee, Travel Impressions' claim against NSI has arguably not been rendered moot. However, in the absence of any proof that NSI has unreasonably refused to effect the transfer, this Court respectfully recommends that the preliminary injunction against NSI be denied as set forth more fully below.

3. In fact, according to the Kaufman declaration, after the advent of eight digit toll-free numbers, the Empress riverboat casino obtained the number 1-800-4empress and the Empress Travel agency in Budd Lake, New Jersey obtained the number 1-800-9empress.

4. For a thorough discussion of the Internet, see generally *ACLU v. Reno*, 929 F.Supp. 824.830-38 (E.D.Pa. 1996).

5. Every registered entity on the Internet is assigned a domain name consisting of at least two levels. Top-level domain names include .COM, which designates commercial entities, and others, such as .EDU (educational institutions), .GOV (governments), .ORG (other entities), and .NET (networks). Second-level domain names, such as EMPRESSTRAVEL, further identify the entity. Domain names on the World Wide Web begin with the prefix WWW. See "Domain Name Registration: Who Should Administer," *New York Law Journal* (Dec. 2, 1996). The authority to register domain names has been assigned by the federal government to InterNIC, an organization composed of NSI, which is responsible for registering the names, AT&T, which is responsible for directory services, and General Atomics, which is responsible for information services. *Id.*

6. According to defendants' papers, the domain name EMPRESS.COM is and has been registered to a completely separate entity for years and thus is not available to plaintiffs.

7. The domain name appears in several exhibits in lower-case lettering. The domain name is capitalized here for ease of reading.

8. The case at bar more closely resembles *Digital Equipment Corp. v. Altavista Technology, Inc.*, 1997 WL 136437 (D. Mass. 1997), in which the owner of a registered mark sought a preliminary injunction against its licensee for, inter alia, trademark infringement and breach of the trademark licensing agreement. In that case, plaintiff Digital Equipment Corp., the owner of an Internet and World Wide Web "search-engine" service known as "Alta Vista," entered into an assignment and license-back agreement with defendant, Alta Vista Technology, Inc., whereby defendant assigned to plaintiff all rights to its trademark "Alta Vista" in exchange for valuable consideration and a license to use the trademark in two specific ways: as part of defendants' corporate name, "Altavista Technologies, Inc." and as the domain name of its website,

WWW.ALTAVISTA.COM. Id. at *1. The agreement further precluded defendant from using "Alta Vista" as the name of a product or service offering. Id. Thereafter, defendant "dramatically" altered its website so that it very closely resembled plaintiff's own website and advertised similar Internet services, including a link to an unnamed "search engine," namely, the service offered by plaintiff. Id. at *3. In enjoining defendant's use of the website, the court emphasized the fact that defendant's use of the mark in its web-site to advertise its services violated the clear language of the assignment and license-back agreement. Id. at *16-18. As in *Digital Equipment Corp. v. Altavista Technology, Inc.*, the parties here have entered into agreements that govern their behavior and that properly assume the focus of judicial inquiry. However, unlike the licensing agreement in *Digital Equipment Corp. v. Altavista Technology, Inc.*, which led the court to find a clear case of trademark infringement and breach of agreement and thus grant an injunction, the Franchise Agreement and 1993 licensing certificate here provide the basis for this Court to deny an injunction. For while defendants in *Digital Equipment Corp. v. Altavista Technology, Inc.* clearly violated the terms of their agreement, defendants here attempted in good faith to comply with both the terms of the Franchise Agreement and the licensing certificate.

9. Until there has been an adjudication of the merits of the underlying claim between plaintiffs and Travelers regarding the registration of the domain name, any consideration of injunctive relief as to NSI would be premature. As set forth above, this Court recommends denial of preliminary injunction as to travelers and therefore also recommends denial of an Injunction as to NSI as well at this time.

10. Defendant NSI points out that the telephone company has not been named as a nominal defendant even though, arguably, they provide more services than NSI, not only assigning the subject telephone number, but providing the telephone line, the services, the "connectivity" and computer equipment. When asked why the phone company was not named in connection with the toll-free telephone number, plaintiffs' counsel explained that "the phone company has ... been around a lot longer. We have had experience, frankly, with the phone company and have not had a problem. Here the Internet is a new animal, InterNIC is new. We haven't deal with them." (Tr. at

58).